



Sto SE & Co. KGaA | **2015 Annual Report**

# Sto at a glance

Sto Group	2010	2011	2012	2013	2014	2015	Changes in % 15/14
<b>Turnover</b>	986.0	1,106.8	1,141.7	1,166.0	1,208.7	1,216.6	0.7 %
Germany	489.2	529.4	524.7	534.7	549.2	535.4	-2.5 %
Non-Germany	496.8	577.4	617.0	631.3	659.5	681.2	3.3 %
<b>Investments</b> (not including financial assets)	18.2	27.6	36.3	32.4	39.1	35.8	-8.4 %
<b>Depreciation/amortisation</b> (without financial assets)	25.2	29.7	25.9	29.0	29.9	31.0	3.7 %
<b>EBITDA</b>	110.8	134.2	121.1	128.9	126.9	112.6	-11.3 %
<b>EBIT</b>	85.6	104.5	95.3	99.9	97.0	81.5	-16.0 %
<b>EBT</b>	84.2	103.5	94.6	99.0	96.2	81.2	-15.6 %
<b>EAT</b> (earnings after taxes)	58.5	70.3	65.4	68.4	66.0	55.7	-15.6 %
Result per limited ordinary share (EUR)	9.03	10.89	10.11	10.68	10.29	8.71	-15.4 %
Result per limited preference share (EUR)	9.09	10.95	10.17	10.74	10.35	8.77	-15.3 %
<b>Cash flow from current operating activities</b> per share (EUR)	93.0	92.7	71.8	80.9	93.9	78.9	-16.0 %
<b>Total assets</b>	620.1	669.7	684.2	703.6	751.3	641.9	-14.6 %
<b>Equity capital</b> in % of total assets	375.3	426.0	448.8	481.4	506.5	404.7	-20.1 %
<b>Employees</b> (year end)	4,249	4,695	4,689	4,791	4,979	5,032	1.1 %
of which in Germany	2,358	2,495	2,482	2,586	2,623	2,652	1.1 %
of which non-Germany	1,891	2,200	2,207	2,205	2,356	2,380	1.0 %

Sto SE & Co. KGaA	2010	2011	2012	2013	2014	2015	Changes in % 15/14
<b>Turnover</b>	540.5	586.8	587.9	589.1	604.2	598.8	-0.9 %
Export ratio in %	16.7	17.5	17.4	16.8	17.4	18.7	
<b>Investments</b>							
in property, plant and equipment	9.2	11.9	17.3	12.3	11.6	20.1	73.3 %
in financial assets	1.4	16.3	3.9	6.1	6.4	9.6	50.0 %
<b>Depreciation/amortisation</b> (without financial assets)	12.7	12.2	12.2	12.8	13.4	13.4	0.0 %
<b>Earnings on ordinary activities</b>	72.1	83.3	78.2	88.8	79.1	64.6	-18.3 %
<b>Net profit for the year</b>	51.1	65.4	62.9	71.7	62.8	48.2	-23.3 %
<b>Cash flow from current operating activities*</b>					35.1	41.9	19.4 %
<b>Dividend</b>							
per limited ordinary share (EUR)	0.25/3.06	0.25/4.56	0.25/4.56	0.25/4.56	0.25/25.14	0.25/4.56	
per limited preference share (EUR)	0.31/3.06	0.31/4.56	0.31/4.56	0.31/4.56	0.31/25.14	0.31/4.56	
<b>Total assets</b>	458.0	492.0	497.2	526.0	560.6	446.0	-20.4 %
<b>Equity capital</b> in % of total assets	285.5	329.5	361.4	402.0	433.9	318.7	-26.6 %
<b>Employees</b> (year end)	1,997	2,057	2,100	2,118	2,134	2,148	0.7 %

(figures in EUR million)

\* Cash flow was adapted from 2014 to conform with the new DRS 21 (German accounting standard)

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:

Three-dimensional facades: there is a growing demand for curved surfaces – both smooth and textured – in building design. Sto has pursued the development of its suspended, ventilated StoVentec systems to open up the design of facades and give architects the design freedom they need. They enable you to work confidently with seamlessly rendered three-dimensional surfaces. In conjunction with FAT LAB in Stuttgart, Sto presented a 66 m<sup>2</sup> model of a doubly curved rainscreen cladding facade at the 2015 BAU trade fair held in Munich. This was rendered seamlessly on one side and covered with natural stone on the other. Other innovations showcased at the Sto booth at the major international construction trade fair were climate neutral StoColor Dryonic facade paint and the StoSilco Blue render, which was awarded the “Blue Angel” eco-label. A research project on three dimensional facade design also revealed just how creative you can be with polystyrene insulant.

## Foreword



Rainer Hüttenberger, Spokesman of the Executive Board

### Dear Shareholders,

Although 2015 provided an extremely difficult business environment for Sto SE & Co. KGaA, we were still able to achieve creditable growth, with consolidated turnover rising to EUR 1,216.6 million, managing to exceed the forecast revised in autumn 2015 and the previous year's value by 0.7 %. However, business development stayed well below the targets we had announced at the start of the year as mid-year demand in particular was, for a variety of reasons, unexpectedly modest in several key Sto countries. This primarily affected domestic business but also other German-speaking countries, France, USA, and China. This year we have failed to offset this loss within the Group with our large-scale global positioning – in previous years more profitable developments in some countries have compensated for weaker regions.

Business development in Germany was again dominated by the weaker demand for external wall insulation finishing systems (EWIS). As a result of the conflicting and, in some cases,

highly exaggerated media reports, the feeling of uncertainty especially amongst private building owners continued to be very high and investment in this sector was reluctant. Although we managed to slightly increase our market share in this declining industrial sector, the turnover generated by our largest product group, facade systems, as well as the entire domestic business segment was lower than expected.

To counteract this downturn and refocus the discussion on EWIS by focusing on objective arguments, we continued to promote our media awareness campaign “Dämmen lohnt sich” (Insulation pays off) which we launched with market partners while also launching a quality campaign at Sto. Sto products and systems are subject to stringent testing, above and beyond the applicable standards currently existing, in our laboratories, in external testing facilities, and of course in practical trials; a process in which we always involve the suppliers. We want to underpin the value retention of our services and nurture the confidence and trust that Sto has cultivated over the last six decades.

We have also expanded our range of products and services over the past year. Our EWIS product sub-segment now offers several alternatives that display outstanding properties with regards to ecology, fire protection, and energy efficiency to complement the traditional polystyrene-based insulants. The product range of Ströher GmbH, in which Sto acquired a majority 50.1 % interest in January 2016, will also consolidate our position in the facade segment. The Ströher Group has made a global name for itself primarily with the production of hard-wearing and frost-proof outdoor ceramics based on a state-of-the-art extrusion technique and has expanded our range of creative surfaces for facades.

Profit results for 2015 were hit even more drastically than the turnover by the negative environment and the resulting lower sales volumes in the affected Group companies. Although we

have invested heavily in expanding capacities in several countries such as France and Germany over the last few years, we have yet to fully leverage the positive effects from the expenses incurred causing a noticeable drop in our profits. We were also faced with an exponential increase in human resource costs. Altogether, consolidated earnings before interest and taxes (EBIT) fell to EUR 81.5 million, a figure within the last forecast bandwidth of EUR 73 million to EUR 83 million yet around 16 % below the previous year's value. In 2015, earnings before tax (EBT) amounted to EUR 81.2 million, the return on sales was 6.7 % and the Group's net profit for the year reached EUR 55.7 million.

The net profit for the year (calculated in accordance with the German Commercial Code (HGB)) of the parent company Sto SE & Co. KGaA was EUR 48.2 million for 2015. The personally liable partner STO Management SE will again propose at the annual general meeting on 9 June 2016 for its shareholders 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 one-off bonus of EUR 4.56 for each limited partnership preference and limited partnership ordinary share. Following the special distribution of the previous year, we have returned to the level of 2014. Based on the 2015 closing price of EUR 114.80, this results in an attractive dividend yield per preference share of 4.2 %.

Our main challenge for this year and the years to come is patently obvious: we have to work extremely hard to improve our profitability across the entire Group. In response, we launched the New Balance program in the second half of 2015, with the aim of generating by 2020 a turnover volume of EUR 2 billion and above all securing the predicted return on sales. To recover a balance between turnover and cost increase, we are striving on the one hand to improve efficiency within the Group and on the other to generate a sustainable increase in

turnover in specific product groups. The various program measures are still in development. The first step is to identify all the untapped potential for optimisation within the Group; an intensive process which will occupy our work this year.

2016 is the 61st year in our company's history and in some ways will be seen as a transitional period for Sto SE & Co. KGaA, in which we will restructure the company's profitability. Despite difficult business conditions which are set to continue, we expect a more optimistic business development than we witnessed in 2015 as long as normal weather conditions prevail. Consolidated turnover is forecast to rise by 5 % to EUR 1,277 million, approximately EUR 33 million of which will be attributed to the consolidated Ströher Group. We expect an EBIT profit between EUR 80 million and EUR 90 million and the EBT margin is predicted to lie between EUR 78 million to EUR 88 million.

In terms of the market, the decline in the German EWIS industry could have reached its all time low – however there is no guarantee in this respect. From a long-term perspective, we are convinced that the objective benefits of energy-efficient facade insulation will outweigh emotionally charged opinions. Insulating performance, ecology, cost-effectiveness, durability, fire protection, and design freedom – our systems meet all these quality features. We are therefore confident that we can extend our position at the head of the market. The political agenda in Germany continues to focus on reducing the carbon footprint. The globally agreed targets on climate protection cannot be met, however, without efficient building insulation. The high number of older buildings also represents a large sales potential for EWIS – and not just in Europe. For instance, North and South America as well as Asia are increasingly recognising the importance of energy efficiency and eco-friendliness in building technology.

Besides its strong holding of the key-sales market, EWIS, the Sto Group occupies a secure

position in all of its other segments – on a regional level and also in terms of its extensive portfolio of products and services. We also see enormous potential for growth for Sto products in interiors and acoustics, as well as for our special renders and facade paints. The brick surfaces manufactured by Ströher GmbH also herald promising opportunities thanks to their variety of creative possibilities. Furthermore, the launch of innovations will strengthen all product segments for the future: Our R&D experts work hard on perfecting tried-and-tested products while also developing new and innovative ones.

Sto's innovative strength is a decisive factor in the sustainable expansion of our second distribution channel, the wholesale and retail trade. We are an attractive partner for this customer group thanks to our premium class range of brands from Südwest and Beissier. Other activities aimed at increasing productivity are also in planning for 2016, for example, with the rollout of IT-assisted distribution management processes.

Sto has a solid foundation at the core of its expansion; we are a company with a secure financial and asset situation and convincing success factors. If the Group does its homework and successfully implements the New Balance program, our newly-formed leadership team (mid 2015) can surely turn the company around to deliver the profitability we are striving to achieve. Our motivated and qualified workforce will stand us in good stead here. All of this success is down to the people at Sto – and this has been true from the very start. When Fritz Stotmeister began to manufacture a new product in his father's lime works in 1955, the team consisted of three people. Today, over 5,000 individuals based around the world are committed to the success of Sto and its history. We are extremely proud of this and I would like to personally thank all Sto employees on behalf of the entire Executive Board. The tasks that lie

ahead will undoubtedly challenge us. Above all, difficult conditions mean that our employees have to be prepared to show exceptional performance and dedication. The New Balance program will also pose challenges that we will face together as we have done for the last 60 years.



**Rainer Hüttenberger**

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



## Report of the Supervisory Board



Dr Max-Burkhard Zwosta, Chairman

### Members of the Supervisory Board

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

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

**Holger Michel\*,** Dresden/Germany,  
Trade union secretary IG BCE (until 29 February 2016)  
Retired (since 1 March 2016) | Deputy Chairman

**Gertrud Eisele,**  
Rottweil/Germany, Publisher

**Helmut Hilzinger**  
(until 16 June 2015), Willstätt/  
Germany, Managing Share-  
holder of Hilzinger GmbH

**Prof. Dr.-Ing.**  
**Klaus Sedlbauer,**  
Rottach-Egern/Germany,  
Chair of Building Physics at the  
Technical University of Munich  
and Head of the Fraunhofer  
Institute for Building Physics

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

**Jochen Stotmeister**  
(since 16 June 2015), Grafen-  
hausen, Managing Director of  
Stotmeister Beteiligungs GmbH

**Peter Zürn,**  
Osterburken, Member of the  
Management of the Würth  
Group, Germany

**Uwe Bruchmüller\*,**  
Thalheim/Germany, Head  
of Business Development  
for Water Technologies,  
Veolia Water Technologies  
Deutschland GmbH

**Wolfgang Dell\*,**  
Hattersheim/Germany, respon-  
sible for Installation Engineer-  
ing Maintenance, Sto SE & Co.  
KGaA

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

**Barbara Meister\*,**  
Blumberg/Germany, Deputy  
Chairperson of the Group  
Employee Representative  
Council and Chairperson of  
the Weizen Employee Repre-  
sentative Council, Sto SE &  
Co. KGaA

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

\* Employee representatives

**Dear Shareholders,**

The Supervisory Board of Sto SE & Co. KGaA monitored, audited, and advised the personally liable partner STO Management SE in the management of the company in the 2015 fiscal year. The Supervisory Board extensively fulfilled the duties awarded to the body according to law, regulations, and rules of procedure and is assured of the lawfulness and expediency of the Management Board.

The personally liable partner Sto Management SE kept the Supervisory Board regularly and promptly informed in writing and in personal meetings of the current business development of the company and the Sto Group, the risk situation, and important events. Departures of business developments from defined plans and targets were explained in detail, and the reasons for these decisions and the measures introduced were discussed with the Supervisory Board and its committees. The members of the Supervisory Board also advised the Executive Board of the personally liable partner between meetings and the Chairman of the Supervisory Board in particular was kept regularly informed about business development.

The Supervisory Board of Sto SE & Co. KGaA held five ordinary meetings and one extraordinary meeting in the 2015 fiscal year. The ordinary meetings were held on 24 April, 16 June, 24 July, 30 October, and 16 December and the extraordinary meeting took place on 23 April 2015. The Supervisory Committee constituted a quorum at all of the meetings. All members of the Executive Board of STO Management SE were present at all ordinary meetings unless topics had to be discussed in their absence such as consultations on personnel changes in the Executive Board of STO Management SE.

The current market and business development; the financial, investment and personnel planning of the company; the targets; the effectiveness of the risk management as well

as the strategic further development of the company and the Sto Group were addressed in the course of these ordinary meetings.

In the extraordinary meeting held on 23 April 2015, the Supervisory Board primarily focused on the special distribution for the 2014 fiscal year and the statutory regulations regarding the rotation of the chartered accountant at listed companies.

In the Supervisory Board Meeting held on 24 April 2015 in the presence of the auditor, the Supervisory Board thoroughly reviewed the 2014 annual financial statements of Sto SE & Co. KGaA and the 2014 consolidated annual statement of Sto SE & Co. KGaA. Following a thorough consultation and review by the Supervisory Board of Sto SE & Co. KGaA, the statements and the risk report were approved on the recommendation of the Audit Committee without any objections made. The appropriation of earnings proposed by the personally liable partner was also approved by the Supervisory Board. The report of the Supervisory Board for the 2014 fiscal year and the agenda for the annual general meeting on 16 June 2015 were also finalised.

In the Supervisory Board meeting on 16 June 2015, the Supervisory Board mainly discussed information regarding changes to the bodies at the personally liable partner. Following the departure of Jochen Stotmeister as the Chief Executive Officer of STO Management SE, the Supervisory Board of STO Management SE appointed Rainer Hüttenberger to the position of Spokesman of the Executive Board and Michael Keller as another member of the STO Management SE Executive Board. Gerd Stotmeister and Rolf Wöhrle remain unchanged as the other members of the Executive Board of the personally liable partner.

Alongside the business development of the company and the Sto Group, other items on the agenda of the meeting held on 24 July 2015 were the extension of the syndicated loan as

part of an amendment to an agreement of Sto SE & Co. KGaA and the acquisition of a majority interest in Ströher GmbH based in Dillenburg, Germany. The Supervisory Board Meeting on 30 October 2015 focused intensively on business development and the forecasted figures for the 2015 fiscal year, as well as the revision of the forecast by the personally liable partner.

The Supervisory Board also approved the agreement proposed by the personally liable partner regarding the percentage of women on both management levels below the personally liable partner. With regard to the division of gender on the Supervisory Board, members of both the employee and shareholder representatives separately opposed the obligation to fulfil the gender quota by the Supervisory Board in the Supervisory Board meeting on 16 December 2015.

In the Supervisory Board meeting on 16 December 2015, the Supervisory Board discussed the Declaration of Conformity on the Code in accordance with Section 161 of the German Companies Act (AktG) and agreed on the amended declaration in accordance with Sections 278, 161 of the German Companies Act (AktG). This is published online at [www.sto.de](http://www.sto.de). The Supervisory Board reviews its activities as part of an efficiency review in accordance with Item 5.6 of the German Corporate Governance Code (DCGK) in a special organisation meeting.

The Supervisory Board has formed the following committees: an Audit Committee and a Finance Committee which met four times in the 2015 fiscal year and a Nomination Committee which met once in this period. The committees concentrated heavily on the situation of Sto SE & Co. KGaA and the Sto Group as well as the nomination of Mr Jochen Stotmeister to the Supervisory Board of Sto SE & Co. KGaA and reported their findings to the Supervisory Board.

The auditor appointed for the 2015 fiscal year at the annual general meeting on 16 June 2015, Ernst & Young GmbH Wirtschaftsprü-

fungsgesellschaft, Stuttgart, Germany, audited the annual financial statement of Sto SE & Co. KGaA, prepared by the personally liable partner STO Management SE, the management report, the consolidated annual financial statement, and Group management report for the 2015 fiscal year as well as the dependent company report, prepared by the personally liable partner STO Management SE in accordance with Sections 312, 278 of the German Companies Act (AktG). The auditors confirmed that the management reports appropriately describe the situation of Sto SE & Co. KGaA and the Group as well as the opportunities and risks associated with the future development and also positively assessed the effectiveness of the risk management and internal controlling system. The auditors awarded an unqualified Audit Certificate.

The annual financial statement of the company, the consolidated annual financial statement, the management reports and the auditor reports were distributed to all members of the Supervisory Board in a timely manner. The Audit Committee reviewed these documents in its meeting held on 21 April 2016. In the ordinary Supervisory Board meeting on 22 April 2016, the Supervisory Board was consulted regarding the statements and reports which were also reviewed by the Supervisory Board. Auditor representatives were present at both meetings to report on the audit results and provided additional information when requested. The auditors also confirmed in writing that, apart from the audit, they did not provide Sto SE & Co. KGaA with any other significant services in the fiscal year and there were no circumstances that could impair their independence as auditors. The auditors from Ernst & Young GmbH issued the dependent company report with the following audit certificate: "In our opinion, based on the examination which we have carried out in accordance with professional standards, the factual information contained in the report is correct, and the consideration given by the

Company for the legal transactions referred to in the report was not unreasonably high.”

The final review of the annual financial statements and the management reports of Sto SE & Co. KGaA and the Group by the Supervisory Board did not result in any objections. The Supervisory Board approved the annual financial statement of Sto SE & Co. KGaA prepared by the personally liable partner STO Management SE, the consolidated annual statement for 2015, and the dependent company report and accordingly proposed the approval and consent of the financial statements of Sto SE & Co. KGaA to be held on 9 June 2016.

The Supervisory Board also agreed to the proposal of the personally liable partner STO Management SE to resolve a one-time dividend distribution of EUR 31,061,340.00 at the annual general meeting on 9 June 2016. This means that limited preference shareholders are expected to receive an ordinary dividend of EUR 0.31 and a one-off bonus of EUR 4.56 per share and limited ordinary shareholders an ordinary dividend of EUR 0.25 and also a one-off bonus of EUR 4.56 per share.

The Supervisory Board thanks all employees of Sto SE & Co. KGaA and the Executive Board of the managing STO Management SE for their commitment over the past fiscal year and wishes them all success for the challenges that lie ahead in 2016.

Stühlingen, April 2016



**Dr. Max-Burkhard Zwosta**

Chairman of the Supervisory Board

# Corporate Governance Report/ Declaration on management of the company

## Corporate Governance at Sto

Sto is committed to responsible, transparent, and long-term management and monitoring of the company (corporate governance). This is based on adherence to statutory regulations and ethical standards, a sound financial policy, and a strategy based on sustainability. The majority of regulations, recommendations, and proposals contained in the German Corporate Governance Code are an integral part of the Sto culture.

Departures from the Code only arise regarding issues that concern the specific requirements of a medium-sized family business or the legal form of a partnership limited by shares. We apply revised standards to deal with this case. Departures from the recommendations of the Code in its current version of 5 May 2015 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) which (in the latest and in older versions) is available on the Internet.

The Corporate Governance report at Sto in accordance with Item 3.10 of the Code and the declaration on our key company management practices in accordance with Section 289a of the German Commercial Code (HGB) are combined in this present document that can also be found in the "Investor Relations" area on the Sto website [www.sto.de](http://www.sto.de). This is supplemented with the compensation report of Sto SE & Co. KGaA which is part of the annex.

## Bodies

Sto SE & Co. KGaA is managed by the personally liable partner STO Management SE which together with the Supervisory Board of Sto SE & Co. KGaA and the annual general meeting form the bodies of the company in accordance with law and the applicable regulations. Accordingly, the management of the Company and the process of monitoring it are separated on a personnel level. 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.

## Shareholders and the Annual General Meeting

At the end of 2015, Sto SE & Co. KGaA's share capital amounted to an unaltered figure of EUR 17.556 million. It is divided into 4.32 million for registered limited ordinary shares and 2.538 million for owners of limited preference shares. Shareholders have a right to vote in the annual general meeting and use it to decide on key company affairs. Every capital share shall grant one vote. Preference shares do not have voting rights but take priority for the purpose of profit distribution and are entitled to a higher dividend. There were no shares with multiple or preferential voting rights.

The annual general meeting is held once a year within the first eight months of the fiscal year. As the personally liable partner of Sto SE & Co. KGaA, Sto Management SE ensures the collection and timely dispatch of all reports and documents required by legislation for the annual general meeting, including the agenda. These documents as well as the annual report are also available on the Sto website.

At the Annual General Meeting, the personally liable partner of Sto SE & Co. KGaA presents the annual financial statements for Sto SE & Co. KGaA and the consolidated annual financial statement, as well as the management/ Group management report for the previous fiscal year and comments on key events. The annual financial statement is ascertained by the annual general meeting. To help uphold shareholder rights, shareholders, who cannot or choose not to exercise their voting rights, can appoint a company representative voting in accordance with their instructions to vote on their behalf in the annual general meeting.

## Supervisory Board

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 presented in the report of the Supervisory Board. The work of the Supervisory Board is regulated through rules of procedure. The key task is to monitor the personally liable partner STO Management SE in the management of Sto SE & Co. KGaA's affairs.

In decisions that are of fundamental importance to Sto SE & Co. KGaA, the Supervisory Board becomes involved immediately. Furthermore, it ensures that the personally liable partner STO Management SE complies with the statutory disclosure rules in the manner detailed at greater length by the Supervisory Board, as required by law.

The Supervisory Board holds regular meetings. A total of five ordinary meetings and one extraordinary meeting were held in the 2015 fiscal year. The report of the Supervisory Board contained in this annual report provides detailed information on the topics discussed. If required, meetings of the Supervisory Board are separately prepared by the shareholder and employee representatives.

The Supervisory Board is briefed by the personally liable partner on a regular, timely, and comprehensive basis about the corporate strategy, planning, business development, the financial and earnings situation, the employee situation as well as the risk situation and risk management. Any departures in the business development 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 between meetings; discussing

issues including strategy, business development, and risk management.

The annual financial statements of the Sto Group and Sto SE & Co. KGaA are reviewed by the Supervisory Board on the basis of the findings of the auditor. 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 then consults with other members.

The Supervisory Board of Sto SE & Co. KGaA is equally composed of six employee representatives and six shareholders in accordance with the German Co-Determination Act. Following the annual general meeting held on 16 June 2015, Jochen Stotmeister moved from the Executive Board to the Supervisory Board of STO Management SE. He was appointed by the annual general meeting of Sto SE & Co. KGaA to the Supervisory Board of Sto SE & Co. KGaA to replace Mr Helmut Hilzinger who left the Committee on the same day.

When voting in new members to the Supervisory Board of listed companies, from 1 January 2016 it must be ensured that at least 30 % of the seats are held by women. Two of the twelve members of the current Supervisory Board of Sto SE & Co. KGaA are women. Alongside this statutory regulation, Items 4.1.5, 5.1.2, and 5.4.1 of the new version of the Corporate Governance Code also contain revised regulations regarding the equality between men and women. They make provisions in the declaration on management of the company for establishing benchmarks regarding the percentage of women on the Supervisory Board, Executive Board, and both management levels below the Executive Board as well as regular reporting on the fulfillment of these targets within a specified period.

In the meeting on 16 December 2015, all members of both the employee and shareholder representatives on the Supervisory Board

of Sto SE & Co. KGaA unanimously exercised their legal right to oppose the obligation to fulfil the gender quota by the Supervisory Board. Accordingly, both the employee and shareholder representatives on the Supervisory Board of Sto SE & Co. KGaA are obliged to independently fulfil the gender quota for the members they appoint to the Supervisory Board.

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 Supervisory Board members, and receive appropriate support from Sto SE & Co. KGaA in doing this.

When proposing new Supervisory Board members, the Supervisory Board must ascertain that the candidates can invest the necessary time involved and are willing to make their personal and business affairs known to the company, corporate bodies, and other major shareholders.

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 consult the appendix of the present annual report, and the Declaration of Conformity in accordance with Section 161 of the German Companies Act (AktG).

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 a Finance Committee. A Nomination Committee is also formed before Supervisory Board elections. The next ordinary

elections for shareholder representatives to the Supervisory Board will take place at the annual general meeting in 2017. The elections of employee representatives are conducted in compliance with the Co-Determination Act from 1976. They start with the announcement by the company at the end of 2016 and finish with the election in May 2017.

In the periods leading up to the Supervisory Board meetings, these committees generally deal with complex issues and prepare the findings for the full Supervisory Board meetings. 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 during the past two years.

#### **Personally liable partner**

The personally liable partner STO Management SE manages the company through its Executive Board 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. It also develops the company's strategic alignment, ensures its implementation, and makes any arrangements necessary to ensure compliance with legal requirements and internal corporate guidelines within the Sto Group.

The functions of the personally liable partner also include the preparation of the annual financial statement of Sto SE & Co. KGaA and the related consolidated annual financial statement as well as the establishment and development of the risk management and controlling system. Detailed information about risk management is provided in the management report of this annual report.

The personally liable partner STO Management SE complied with legal regulations in the entire reporting period and also observed the Code and other recognised external standards and various company regulations. Information about the applicable remuneration system of the STO Management SE Executive Board is summarised in the annex.

Since 1 July 2015, Rainer Hüttenberger has acted as the speaker for the Executive Board of the personally liable partner STO Management SE and heads the marketing and brand sales of Sto international. As the new member of the board of as 1 July 2015, Michael Keller oversees brand sales for Sto in Germany, distribution, and central services. Within the Executive Board with equally distributed powers, Rolf Wöhrle continues to be responsible for finance and Gerd Stotmeister for technology.

Sto Management SE also promotes diversity as required by the Code. In the last fiscal year, significant efforts were made to appoint women to both management levels below the personally liable partner. As of 31 December 2015, of all the management positions on the level below the personally liable partner, 0 % on the division management level and 9.3 % of the department manager positions were held by women. By 30 June 2017, these shares should be at 0 % and 10.2 % accordingly and by 31 December 2020 at 0 % and 12.0 % accordingly.

### Key practices of corporate governance

Alongside the 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 "UN 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. Measures that we have put in place together with the "Global Compact" are outlined under the "Sustainability and Corporate Social Responsibility" section of this 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, they also include information on the "Global Compact" principles, for example.

### Transparency

Shareholders, analysts, the media, and the general public are kept equally informed by Sto SE & Co. KGaA. We provide all shareholders and stakeholders regularly and promptly with information about key developments and the economic situation of the company. To this end, we use numerous media sources and instruments such as the annual and half-yearly financial reports, interim announcements, as well as press releases covering current topics.

Annual and half-yearly reports are lodged with the Companies Register and the German federal government gazette ("Bundesanzeiger") on the day of publication. These documents and current press releases are simultaneously posted on the Internet at [www.sto.de](http://www.sto.de) under the heading "Unternehmen" (Company) in the "Investor Relations" section. As soon as any insider information directly affecting Sto emerges, this is immediately reported in accordance with the relevant legal provisions of Section 15 of the German Securities Trading Act (WpHG).

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

2016, is reproduced in the 2015 annual report. The current version can also be viewed on the Internet.

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 to the Federal Financial Supervisory Authority (BaFin) and to Sto SE & Co. KGaA in accordance with Section 15a of the Securities Trading Act (Directors' Dealings). No notifications of Directors' Dealings occurred in fiscal 2015.

#### **Accounting and auditing of financial statements**

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

The annual financial statement of both Sto SE & Co. KGaA as well as the 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 early on. The auditing company commissioned by Sto, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart/Germany, 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 Sto Executive Board  
(from left to right): Michael Keller,  
Rainer Hüttenberger, Gerd Stot-  
meister, and Rolf Wöhrle.

### **Members of the Executive Board of STO Management SE in the fiscal year of 2015** (personally liable partner of Sto SE & Co. KGaA)

**Jochen Stotmeister,**

Grafenhausen | Chairman of the Executive Board, responsible for strategy and corporate development, central services, personnel, and internal auditing (until 16 June 2015)

**Rainer Hüttenberger,**

Stein a. Rhein/Switzerland | Spokesman of the Executive Board (since 1 July 2015), responsible for Marketing and Sales Sto Brand International

**Gerd Stotmeister,**

Allensbach | Deputy Chief Executive Officer (until 16 June 2015), Chief Technology Officer, responsible for Process Engineering, Innovation, Supply Chain and Logistics

**Michael Keller,**

Bonndorf | Chief Sales Officer responsible for Sales Sto Brand Germany, Distribution, and Central Services (since 1 July 2015)

**Rolf Wöhrle,**

Bad Dürkheim | Chief Financial Officer, responsible for Finances, Controlling, Legal, and Information Technology and for Internal Auditing since 16 June 2015

## The fiscal year 2015 at a glance

- Consolidated turnover EUR 1,216.6 million, up by 0.7 % over the previous year
- Domestic volume down by 2.5 %; increase abroad by 3.3 %
- Consolidated EBIT decreases from EUR 97.0 million to EUR 81.5 million and earnings before tax (EBT) drop from EUR 96.2 million to EUR 81.2 million
- Return on sales reduced to 6.7 % (previous year 8.0 %)
- Dividend of EUR 0.31 per limited preference share and EUR 0.25 per limited ordinary share plus a bonus of EUR 4.56 per share
- Cash flow from operating activity at EUR 78.9 million (previous year: EUR 93.9 million)
- Slight increase in the number of personnel in the Group from 4,979 to 5,032
- Outlook for 2016: increase in turnover of 5 % to around EUR 1,277 million and increase in EBIT from EUR 80 million to EUR 90 million expected

## A. Group fundamentals

### Business model

Sto SE & Co. KGaA is a major international manufacturer of products and systems for building coatings. The product range is divided into four product groups: the core business **facade systems** includes external wall insulation systems (EWIS), a segment in which our company occupies a leading position, as well as rainscreen cladding systems (RSC). In the 2015 fiscal year, this product group accounted for a total of 48.1 % of Group turnover. **Facade coatings**, which include external render and paint systems, accounted for 25.4 % of the turnover, and **products for interiors**, such as plaster and paint systems optimised for home and office interiors, decorative coatings, and acoustic systems for regulating sound reported a turnover share of 13.2 %. Furthermore, Sto produces and sells high-quality floor coatings and products for concrete repair which are attributed to the **other product groups** category.



The tried-and-tested non-combustible facade system StoTherm Classic S1 with the new biocide-free render StoSilco blue does not contain biocide film protection and has been awarded "The Blue Angel" eco-label.

Sto benefits from the comprehensive **expertise** within the Group. We boast extensive knowledge not only about our core business, but also about related areas such as design and consultancy services and the use of alternative coating materials or claddings such as stone facades. Thanks to our modular services at Sto, 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 of 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. Our successful brand strategy is based on the key values "Close", "Experienced", "Performing", and "Advanced". It is continually being optimised and adapted in line with the prevailing general conditions.



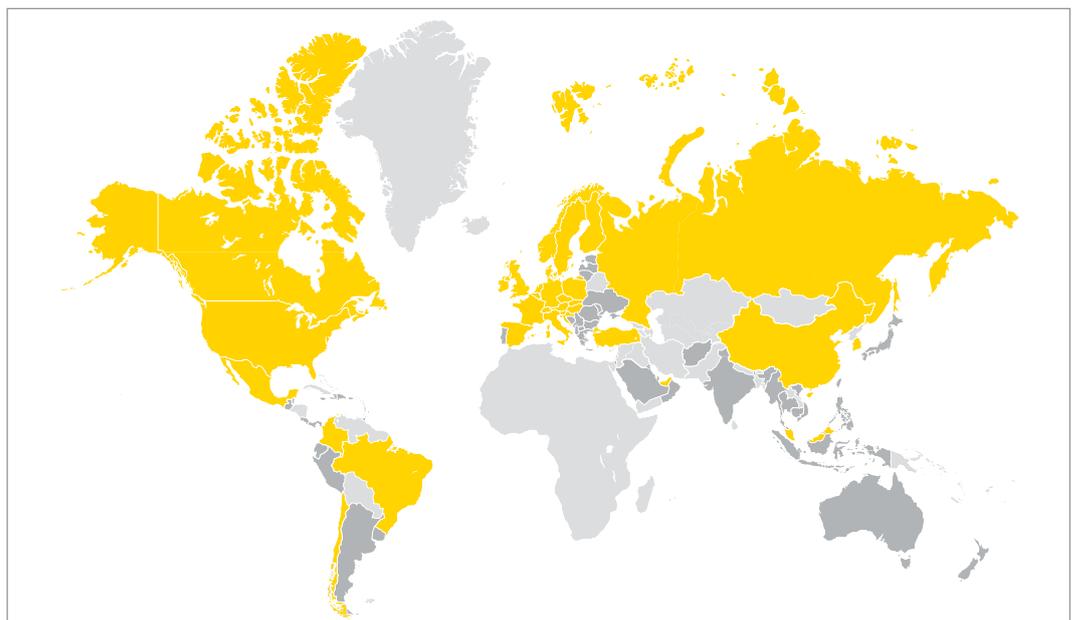
Sto's **innovative strength** also contributes to the brand's positive image. Our company is internationally regarded as a technological pacesetter in the industry and is setting trends with products, systems, and services. To consoli-

date 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".

**Sales markets**

Business activities of the Sto Group are divided into the geographical segments of **Western Europe** and **Other**, with the latter being broken down into the regions of **Northern/Eastern Europe** and **America/Asia** in accordance with internal reporting. Our corporate management is primarily focused on these regions. The most important market is Western Europe, where, in 2015, we generated 76.5 % of the Group turnover – including Germany. 12.8 % was attributed to North and South America and Asia while Northern and Eastern Europe generated 10.7 % of the Group turnover. The most significant individual market is Germany. In 2015, it contributed around 44 % to the consolidated turnover.

- Sto subsidiaries
- Sto partners



The strategic decision to transfer our business model (originally developed for German-speaking regions) to other countries and to systematically tap into foreign markets has also had a favourable long-term impact on our corporate development and significantly improved our position. At the end of 2015, the Sto Group was represented in 35 countries with 41 subsidiaries of our own and their operating sites. In addition, we are in supplier relationships with distribution partners in many other countries.

#### Activities in new building and refurbishment 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. However, renovation is more prominent in the mature economies of the western world. Renovation business generates the majority of Group turnover within the Sto Group.

#### Customers and distribution system

The Sto Group 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 Sto brand range is targeted at professional applicators such as painters, plasterers, and building contractors, as well as architects and planning offices, who are supported locally by means of a **direct distribution system**. In the core market of Germany, this covers almost the entire country. Sto has also been developing a second distribution channel, **multi-stage distribution**, for a number of years now. Through

wholesalers and specialist retailers we provide customers with selected products that we have clearly defined as distinct from our core business and that have their own market niche: these include lacquers and fillers. Since we see additional potential in this channel, we intend to expand two-stage distribution gradually over the coming years.

#### Corporate structure

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

Additional domestic corporate units are: **Innolation GmbH**, Lauingen, which produces insulation and carries out further developments in innovative insulation technology; **Verotec GmbH**, Lauingen, which produces carrier boards for acoustic systems, rainscreen cladding systems, and architectural elements on behalf of other Group companies, as well as selling its products and services to external industry customers as part of the diversification strategy that has been launched; and **StoCretec GmbH**, Kriftel. This unit is responsible for the areas of floor coatings and concrete repair within the Group. Natural stone work expertise resides with **VeroStone GmbH**, located in Kirchheim, Germany. The company **Südwest Lacke + Farben GmbH & Co. KG**, Böhl-Iggelheim, Germany, is the Sto Group's specialist for paints and lacquers. It particularly focuses on working with retailers, but also contributes its extensive expertise to the pool of knowledge on lacquers that the 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.

The business fields are responsible for products and systems worldwide and are each managed by a team of product managers. The Heads of the Business Fields are responsible for the strategic positioning of their areas and products, and coordinate marketing and sales objectives with the subsidiaries. In this way we are able to become better acquainted with the vast range of different requirements that the various international markets have and tap into additional sales potential through our targeted market approach and specialist technical expertise.

The business fields 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.

#### **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 as well as 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 SE & Co. KGaA are net turnover, earnings before interest and taxes (EBIT), earnings be-

fore tax (EBT), and return on sales. These key figures are also employed in the planning and controlling process.

The reports compiled within this standardised reporting system are submitted directly to STO Management SE, which then forwards the relevant information to Sto's Supervisory Board via its Executive Board. Additionally, management meetings between the Executive Board of STO Management SE and the executive staff of the subsidiaries or sales regions take place on a regular basis. The control system used by Sto SE & Co. KGaA 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. Such indicators primarily consist of economic data and detailed information on the sector, such as the trends in the volume of structural engineering, or the segments for new buildings and renovation.

#### **Reorganisation of the management structure**

At the Sto annual general meeting on 16 June 2015, Jochen Stotmeister retired as Chief Executive Officer (CEO) of STO Management SE after 27 years in this position and was appointed as the new Chairman of the Supervisory Board of Sto Management SE. Michael Keller was appointed as a new member of the Executive Board as of 1 July 2015 and assumed responsibility for the areas of Sales Sto Brand Germany, Distribution, and Central Services. At the same time, Rainer Hüttenberger was appointed as the spokesman for the Executive Board. He is in charge of the areas of Marketing and Sales Sto Brand International. Rolf Wöhrle continues to be responsible for Finance and Gerd Stotmeister for Technology.

### Fundamentals of the remuneration system

Remuneration of the Executive Board of the personally liable partner Sto Management SE is paid by STO Management SE, which, as stipulated in Section 6, Paragraph 3 of the articles of association of Sto SE & Co. KGaA, receives compensation of expenditure from Sto SE & Co. KGaA to the full amount. The remuneration consists of a fixed component and a variable component, which carries significantly more weight. A cap was agreed for the variable component. As of fiscal year 2015, the variable component of agreed contracts has been re-structured accordingly. It comprises a long-term incentive, based on the turnover development of the Sto Group and ROCE key figures, as well as an earnings-oriented short-term incentive. The amount of the variable salary component with unchanged, existing contracts is calculated exclusively on the earnings trend. No stock options are granted.

The members of the Supervisory Board of Sto SE & Co. KGaA are provided with fixed remuneration and a compensation for costs incurred. The Chairman is entitled to four times and the Deputy Chairman to two and a half 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.

The Notes contain additional information on the remuneration of administrative bodies in the company.

### Strategic objectives

Sto's business model is geared to long-term success and pursues the goal of 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. The key foundation to long-term success are sustainable and solid economics. Constant progress and a financially sound footing from 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:

- **Earnings-oriented growth** – We align our decisions with this overarching corporate objective.
- **Internationalisation** – By systematically developing and penetrating selected regions, we increase our sales opportunities and reduce our dependency on individual countries.
- **Development of alternative distribution channels** – Gradual development of our multi-stage distribution concept, alongside the tried-and-tested direct distribution system, attracts additional groups of customers and expands our base.
- **Group expertise** – Organic further development or suitable acquisitions reinforce the Sto Group's expertise and is expanded in specific areas.
- **Attractive employer** – We develop and embrace measures for adding new specialists and managers to our team and improving our employees' levels of qualification, performance, and satisfaction.
- **Research and development** – We continually intensify our activities in the area of R&D in order to consolidate our position as an innovative pacesetter in the industrial sector and underpin the vision as a technology market leader. Additionally, we take 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 the technology it uses.

- **Corporate Social Responsibility** – By consistently implementing and developing our strategy of sustainability, we take responsibility towards customers, the company, employees, other stakeholders, shareholders, and the environment.

## B. Financial report

### Overview of business performance in 2015 and general statement on financial development

Contrary to expectations for the fiscal year 2015, we witnessed extremely difficult business conditions on most of Sto's key markets for a variety of reasons. For the first time in many years, losses recorded in individual countries could not be offset by a better than expected development in other countries. As a result, the consolidated turnover failed to reach the figure forecast at the start of the year of EUR 1,270 million, increasing only marginally by 0.7 % to EUR 1,216.6 million. In the end though we slightly exceeded the forecast which we had been forced to revise down to EUR 1,209 million at the end of October in response to the surprisingly modest business development in the second half of the year.

The weaker than expected development in Germany was mainly attributed to the acute decline in the EWIS market. The conflicting and, in some cases, highly exaggerated media reports responsible for causing a feeling of uncertainty among private building owners especially, had a significant effect on this decline. Although Sto SE & Co. KGaA managed to slightly increase its market share in this declining industrial sector, the volume of the largest product group, facade systems, as well as the Group's entire domestic business segment were far lower than expected. A very modest operative business development in countries where Sto holds a strong position, such as France, China, and Switzerland was also noticeable.

Consolidated earnings before interest and taxes (EBIT) in 2015 fell to EUR 81.5 million; i.e. to 16.0 % below the previous year's value (previous year: EUR 97.0 million). This figure was also far below initial expectations (original forecast: between EUR 92 million and EUR 102 million) yet managed to remain within the EUR 73 million and EUR 83 million margin revised in autumn.

Consolidated earnings before tax (EBT) fell to EUR 81.2 million (previous year: EUR 96.2 million), also significantly below our original forecast of between EUR 90 million and EUR 100 million (revised forecast: EUR 71 million to EUR 81 million). On this basis, a return on sales of 6.7 % was calculated following 8.0 % in the previous year (original forecast: 7.1 % to 7.9 %; revised forecast: 5.9 % to 6.7 %). The consolidated net income result stood at EUR 55.7 million (previous year: EUR 66.0 million).

In particular the well-below target business volume had a negative effect on results in the Sto Group. Not only the domestic market suffered: In France, funds which had been invested over the years to expand production capacities also faced difficult business conditions. The expenditure has yet to be offset by the earnings. We were also faced with a disproportionate increase in human resource costs.

In order to increase productivity in the long term and draw business development closer towards the announced long-term turnover and earnings targets, Sto initiated the New Balance productivity initiative in 2015. The primary aim of this programme is to improve the ratio between turnover and results and, as an effect, the earnings. During 2015 the main focus was on analysing and defining where there is potential for improving efficiency; in 2016 concrete objectives will be defined and the first measures put in place. Long-term positive effects are currently expected to be felt from the year 2017.

The financial and asset situation in 2015 continued to be very solid with the Group equity ratio standing at 63.0 % (previous year: 67.4 %) and cash and cash equivalents amounted to EUR 70.9 million (previous year: EUR 113.0 million). Taking borrowings into account, net financial assets stood at EUR 66.4 million compared to the previous year of EUR 104.7 million. The cash flow from operating activities dropped to EUR 78.9 million due to the decline in results (previous year: EUR 93.9 million).



The Executive Board of the personally liable partner STO Management SE will propose at the Annual General Meeting on 9 June 2016 a one-off dividend distribution of EUR 31,061,340.00. This means that limited preference shareholders are expected to receive an ordinary dividend of EUR 0.31 and a one-off bonus of EUR 4.56 per share and limited ordinary shareholders an ordinary dividend of EUR 0.25 and also a one-off bonus of EUR 4.56 per share.

The current reporting period began cautiously in the first quarter of 2016. This is also attributed to the positive effects from the first-time consolidation of the Ströher Group. As a result, the consolidated turnover for the first three months of 2016 stood above the previous year's level.

For 2016 as a whole, we expect to see growth in consolidated turnover of 5 %, up to around EUR 1,277 million. As things stand, we anticipate consolidated earnings before interest and taxes (EBIT) to amount to between EUR 80 and 90 million. On the whole, the Executive Board of STO Management SE continues to view the business prospects of the Sto Group as positive at the time of compiling the Group management report.

## Overall economic and industrial sector-related general conditions in 2015

### Global economic development

The global economy experienced only moderate growth in 2015: Calculations by the International Monetary Fund (IMF) indicate that the global gross domestic product rose by 3.1 % compared to 3.4 % in the previous year. The experts revised down their forecasts several times during the course of the year. The slump in the Chinese economy, which in turn slowed down the economic development in many other countries, was responsible for this lower forecast. Although geopolitical uncertainties as well as the year-end rise in base rate in the USA also played a negative role, the clear drop in oil prices managed to have the opposite effect: while some import countries witnessed a recovery, oil-exporting countries suffered.

The 4.0 % rate of growth recorded by developing and emerging countries fell for the fifth time in succession on the previous year. China's economy expanded in 2015 by 6.9 % whereby dropping to a level last recorded 25 years ago. Brazil and Russia dropped into a recession. The economic performance in industrialised nations increased by 1.9 % compared to 1.8 % in the previous year. The US economy recorded solid growth of 2.5 % despite falling below the original forecast due to an uncertain start to the year caused by the bad winter, strong US dollar, and falling energy prices. The eurozone economy profited from the low raw material prices as well as a weak joint currency and recorded a growth above predictions of 1.5 %. However development was sporadic: while the economic situation in France and Italy progressed modestly with growth of 1.1 % and 0.8 % respectively, Spain achieved growth of 3.2 %.

Economic development in Germany witnessed a moderate growth in 2015. According to initial calculations from the Federal Statistics Office, the gross domestic product rose by 1.7 % on the previous year which achieved an increase of 1.6 %. This moderate upturn was driven, above all, by private consumer spending.

#### **International trends for the construction sector**

In **Europe**, demand in the construction industry recovered slightly in 2015. According to initial estimates from the EUROCONSTRUCT research association, the volume of construction in the 19 partner countries grew by approximately 1.6 % to EUR 1.37 trillion in comparison to a growth of 1.3 % in the previous year. 45.6 % of the total revenues was attributable to residential construction, which also rose by 1.8 %, while a virtually stagnating 31.8 % was the result of non-residential construction and the remaining 22.6 % civil engineering services. In terms of residential construction, the volume of new buildings in Europe grew by 2.2 % and maintenance and modernisation measures on existing residential buildings also increased by 1.5 %. The upturn in European construction industry demand was attributed to the positive economic development in some countries, the favourable financing costs, and the larger expenditure budgets of various countries. In contrast, the French construction industry lagged behind in 2015: residential construction dropped by 1 %.

The **German construction industry** did not meet the expectations for 2015. Despite the forecast growth of 2 %, according to figures released by the Central Federation of the German Construction Industry the growth in turnover was only 1.6 %. The vast majority of this increase was attributed to residential construction where order books were well filled all year round. According to the industry association, incoming orders were 13.3 % above

the previous year's level. However, turnover in residential construction only rose by 2.9 % over the entire year. The higher turnover was solely attributed to the 6 % growth in apartment building construction, while the single-family and two-family house segment stagnated at the previous year's level. Public-sector construction and commercial construction lacked momentum in the year under review, recording a turnover comparable to 2014 with a marginal increase of 0.5 %.

Construction activity in the **USA** accelerated significantly in the first nine months of 2015. Figures from Germany Trade and Invest (GTAI) indicate an increase in industry spending of around 10.5 % on the same period last year. In total, the expenditure on US residential construction in the first three quarters was 12 % above the previous year's volume. In non-residential construction, the growth was triggered primarily by office and hotel projects which profited from the robust economy as a whole. Order opportunities in publicly financed projects and the infrastructure sector were limited due to the lack of public funding available.

**China** witnessed a significant deceleration in the growth of its construction industry in 2015 according to GTAI figures. In the first half of the year, growth in production generated by the construction industry reached 4.3 %, the first time the figure has dropped to a single-digit percentage since the statistics have been recorded. Realised property investments rose by just 3.5 % in the first three months. The increase for the entire year of 2014 was still at 10.5 %. The residential construction segment especially recorded a growth of only 2.3 % in completed property investments by the end of September as compared with the same period last year (previous year: +9.2 %). Newly initiated construction projects experienced an even weaker development in the first nine months of 2015: measured in square metres, these fell by 16.8 %; most severely hit was residential

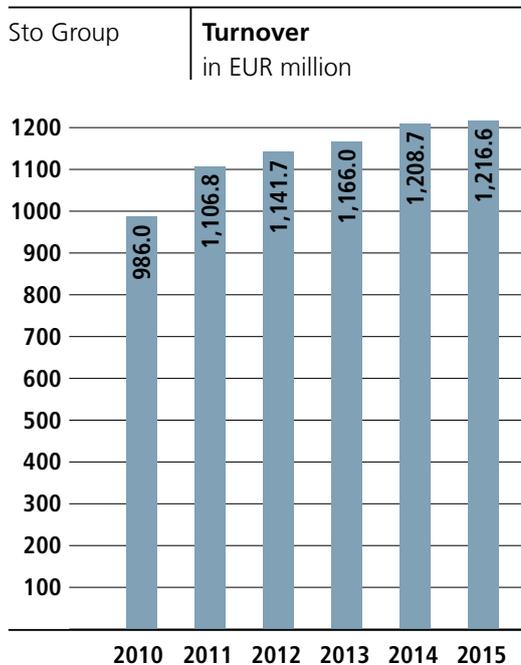
construction (-17.9 %), followed by offices (-13.2 %), and commercial space (-10.8 %).

## Business performance and development of turnover

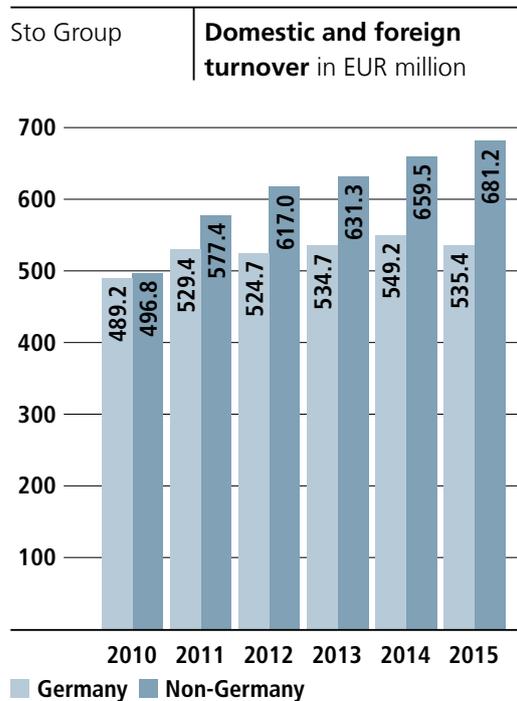
Compared to the previous year's volume, the **turnover of the Sto Group** in 2015 amounted to EUR 1,216.6 million; a slight increase of 0.7 %. The originally forecast growth of around 5 % to EUR 1,270 million had to be revised in October 2015 down to EUR 1,209 million due to a surprisingly subdued development which started in the middle of the year. This figure could be exceeded slightly due to favourable weather conditions in the last two months of the year.

discussion on the use of external wall insulation systems in Germany. Although the campaign under the auspices of the Qualitätsgedämmt e.V. association helped to inject objective information into the discussion and concentrate on the positive aspects of thermal insulation, the level of uncertainty was still high especially among private building owners. In the single-family and two-family house segment there were again significant declines in demand as well as a significant increase in price pressure to cope with overall in 2015.

In 2015, **domestic** consolidated turnover decreased by approx. 2.5 % to 535.4 million whereas abroad it increased by 3.3 % to around EUR 681.2 million mainly due to the conversion in currency. The **percentage of consolidated turnover** generated abroad rose from 54.6 % (previous year) to 56.0 %.



The domestic core business of facade systems was again adversely affected by the conflicting and, in some cases, highly exaggerated media reports and the resulting controversial

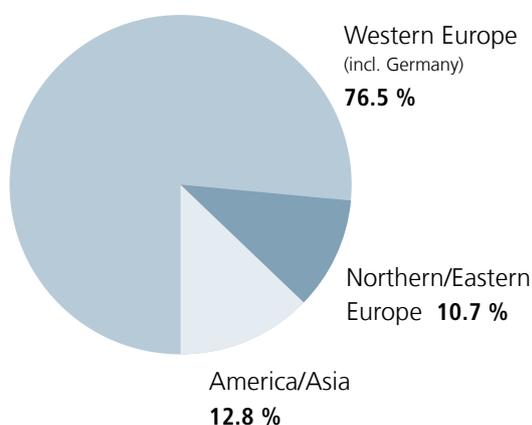


Foreign currency translation and consolidation influences resulted in positive effects to the amount of EUR 31.9 million. In particular the

depreciation of the euro against the US dollar, Swiss franc, Chinese renminbi, and the British pound was particularly noticeable. Adjusted for these effects, for 2015 there is a decline in turnover across the Group of 2.0 %.

Sto Group

### Regional breakdown of consolidated turnover



Sales in the **Western Europe segment** (including Germany) dropped by 1.2 % on last year to EUR 931.5 million. Not only the volume of the core market in Germany remained below expectations but also in other German-speaking countries and Southern Europe. The demand in France was also weak while pricing pressure increased drastically. The more aggressive competitive situation in Switzerland was mainly attributed to the strong Swiss franc.

The Sto Group in the **Northern/Eastern Europe** segment recorded a 5.5 % increase in turnover to EUR 129.8 million. While business development in the Northern European countries was sporadic, we mainly witnessed growth in the sales regions of Eastern Europe.

The sales increase in the **America/Asia** segment, which in 2015 recorded growth of 8.9 % to EUR 155.3 million, was mainly prompted by the currency translation effects in the US

dollar zone. In the wake of the stronger overall economy, the USA witnessed an increase in construction demand which however could not be felt at Sto Corp. Demand in China dropped drastically in response to the economic slump, having a negative effect on the entire Asian region.

### Performance of product groups

The facade systems business dropped by 0.9 % to EUR 585.6 million, prompted by the difficult market situation in Germany. Thus, the largest product group for 2015 accounted for 48.1 % of the Group turnover as compared to 48.9 % in the previous year. The turnover attributable to facade coatings rose by 2.4 % to EUR 308.8 million, increasing its share in Group turnover to 25.4 %. With interior products, we recorded an increase of 3.4 % to EUR 160.3 million (share: 13.2 %). The turnover attributable to the other business fields grew slightly by 0.6 % to EUR 161.9 million (share: 13.3 %).

### Earnings situation

Despite the considerable pressure on the sales price, the cost of sales percentage in the Group improved especially in the second half of 2015 due in particular to the lower procurement prices. In the Sto Group, **material costs** dropped by 2.1 % to EUR 544.1 million; as a result, the cost of sales percentage decreased from 45.9 % in the previous year to 44.8 %.

**Personnel expenses** increased considerably by 5.3 % to EUR 324.1 million, clearly disproportionate to the increase in consolidated turnover. This was caused by the increase in collective labour agreements and in personnel reinforcement, especially on markets with high growth potential for the future. As a contrary effect, there was a reclassification of the remuneration paid to the Executive Board – the result of the conversion of Sto AG to Sto SE & Co. KGaA that was completed in 2014. In the entire 2015, this remuneration was accounted for

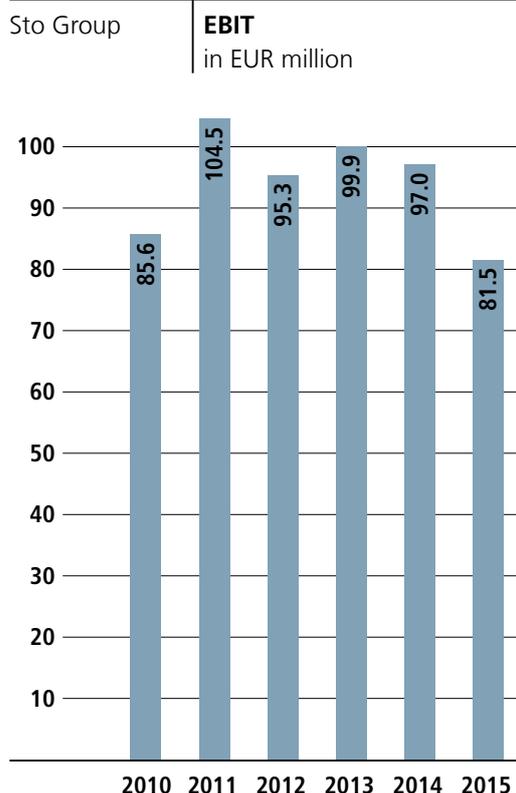
as other operating expenses rather than staff costs, while the conversion only took effect after the first quarter in the previous year.

The **other operating expenses** increased from EUR 244.8 million to EUR 262.5 million. Alongside the effects of the currency translation as part of the consolidated annual financial statement which attributes to EUR 6.7 million in this position, the increase is also partially caused by the disproportionately high expenditure on outward freight and commissions to third parties. In addition, this position also contains the costs for the awareness-raising campaign "Dämmen lohnt sich" ("Insulation pays off"). The other operating income increased from EUR 24.1 million to EUR 27.9 million. As a result, the balance of **other operating income** and **other operating expenses** stood at EUR -234.6 million as compared to EUR -220.7 million in the previous year.

In total, consolidated earnings before interest, taxes, and depreciation/amortisation (**EBITDA**) fell from EUR 126.9 million to EUR 112.6 million. **Depreciation/amortisation** of intangible assets as well as property, plant, and equipment amounted to EUR 31.0 million, making it 3.7 % above the previous year's level. In total, consolidated earnings before interest and taxes (**EBIT**) amounted to EUR 81.5 million, compared to EUR 97.0 million in 2014.

In Western Europe, the 2015 EBIT reached EUR 75.1 million (previous year: EUR 85.7 million). Northern/Eastern Europe recorded a marginal negative EBIT of EUR -0.02 million (previous year: EUR 1.4 million). The America/Asia segment contributed EUR 7.3 million to the Group's EBIT (previous year: EUR 10.1 million).

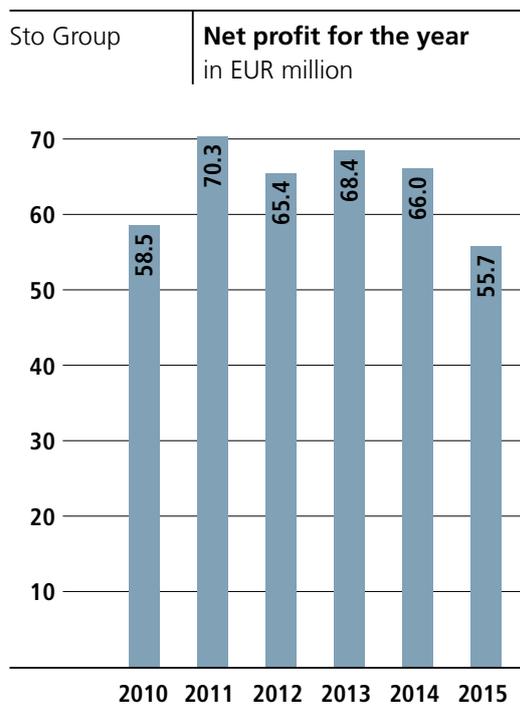
**Income from financial investments and investment property** in the Sto Group improved slightly on the whole, progressing from EUR -0.7 million to EUR -0.3 million. This included a EUR 3.0 million reduction in interest expense to EUR 2.7 million; interest income, meanwhile,



dropped from EUR 2.3 million to EUR 1.5 million due to the continued low market interest rates and the lower systems volume. The remaining financial income totalling EUR 0.9 million (previous year: EUR 0 million) was attributed to the deconsolidation of WT Gebäude-management GmbH.

The Sto Group recorded a consolidated earnings before tax (**EBT**) of EUR 81.2 million (previous year: EUR 96.2 million), with a return on sales of 6.7 % – following 8.0 % in the previous year. The tax rate stayed constant on the previous year at 31.4 % which meant the **net profit for the year** dropped to EUR 55.7 million compared to EUR 66.0 in the fiscal year 2014.

Diluted and basic earnings were EUR 8.77 per limited preference share (previous year: EUR 10.35) and EUR 8.71 per limited ordinary share (previous year: EUR 10.29).



#### Sto SE & Co. KGaA – Dividend

The parent company Sto SE & Co. KGaA reported a reduction in **earnings from ordinary activities**, determined in accordance with the German Commercial Code (HGB), from EUR 79.1 million in the previous year to EUR 64.6 million and the **net profit for the year** fell from EUR 62.8 million to EUR 48.2 million. The financial and asset situation of Sto SE & Co. KGaA remained extremely solid, with an equity ratio of 71.5 % (previous year: 77.4 %).

The Executive Board of the personally liable partner STO Management SE will propose a dividend distribution at the annual general meeting on 9 June 2016 of EUR 31,061,340.00. This means that limited preference shareholders will again receive an ordinary dividend of EUR 0.31 and a one-off bonus of EUR 4.56 per share and limited ordinary shareholders an ordinary dividend of EUR 0.25 and also a one-off bonus of EUR

4.56 per share. In the previous year, a one-off bonus of EUR 25.14 per share was paid out.

#### Financial condition

The Sto Group's **financial management** aims to maintain the Group's liquidity worldwide, to optimise finance expenses and income, and to control and minimise currency and interest risks. We employ a wide range of financing tools in order to provide us with greater entrepreneurial scope, make us less dependent on individual markets, and continue pursuing our sustainable and earnings-oriented growth strategy. We work with banks which enjoy the highest credit ratings and rely on long-term relationships characterised by mutual trust.

The balanced relationship that we maintain between equity and debt capital ensures a long-term financing scope. Our current financial requirements – which can fluctuate significantly with the seasons over the course of the year – are mainly covered 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 only ever required temporarily. Furthermore, we made use of leases during the year under review. On 31 December 2015, the present value of disbursements due from finance leases in the future stood at EUR 0.7 million (previous year: EUR 1.5 million).

To minimise the effect of exchange rate fluctuations on consolidated earnings, foreign currency items are netted within the Sto Group. Additionally, we determine the foreign currency cash flows within the Group during the planning phase for the following year on the basis of which we devise suitable **hedging strategies**. Planned cash positions are hedged through instruments congruent to the time and economic state from the area of derivatives. The measures are agreed on with the relevant committees.

Most of the Sto Group subsidiaries operating in the eurozone are integrated into a **cash-pool-**

**ing system** which is used to optimise liquidity management. This allows us to net cash surpluses and cash requirements automatically within the Sto Group, and minimise the number of external banking transactions. Surpluses can be invested on the best available terms, which helps improve net interest income.

Our **treasury activities** are managed by an independent department which is responsible for the recognition and control of financial resources, for internal and external financing, as well as financial risk management. By doing this, we are taking into account the Sto Group's continuing internationalisation and the increasing risk management requirements that come with it.

### Liquidity movements in 2015

In 2015, **cash flow from operating activity** of the Sto Group totalled EUR 78.9 million compared to EUR 93.9 million in the previous year. The decline could be primarily attributed to the lower result and additional funds tied up in working capital of EUR 14.8 million in the net current assets (previous year: EUR 2.7 million release of funds) which were caused by higher receivables from deliveries and services. This development stood in contrast to the positive effects from the change in provisions and the lower income tax payments than in the previous year. The cash flow margin amounted to 6.5 % (previous year: 7.8 %).

**Cash flow from investment activities adjusted** by deposits and disbursements for financial investments stood at EUR -33.0 million (previous year: EUR -41.5 million). Investment in property, plant and equipment and intangible assets was reduced from EUR 39.1 million to EUR 35.8 million. We were able to invest a sum of EUR 30.3 million during the reporting period, with corresponding resources of EUR 107.9 million becoming available after the end of the period. Including these payments, the **cash flow from investment activities** reached EUR

44.6 million in 2015 (previous year: EUR -53.0 million).

Sto Group	Cash flow statement in EUR K	
	2015	2014
<b>Cash flow</b>		
from operating activities	78,912	93,884
from investment activities	44,592	-52,986
from financing activities	-167,833	-32,439
Change in cash and cash equivalents from changes in exchange rates	2,174	614
<b>Cash and cash equivalents at beginning of period</b>	<b>113,017</b>	<b>103,944</b>
Change in cash and cash equivalents	-42,155	9,073
<b>Cash and cash equivalents at the end of period</b>	<b>70,862</b>	<b>113,017</b>

In terms of our **financing activities** in 2015, there was an outflow of funds totalling EUR 167.8 million (previous year: EUR 32.4 million). The increased dividend distribution to our shareholders, totalling EUR 163.3 million (previous year: EUR 31.1 million), accounted for virtually the entire amount. Furthermore, current net borrowings were reduced by EUR 3.2 million.

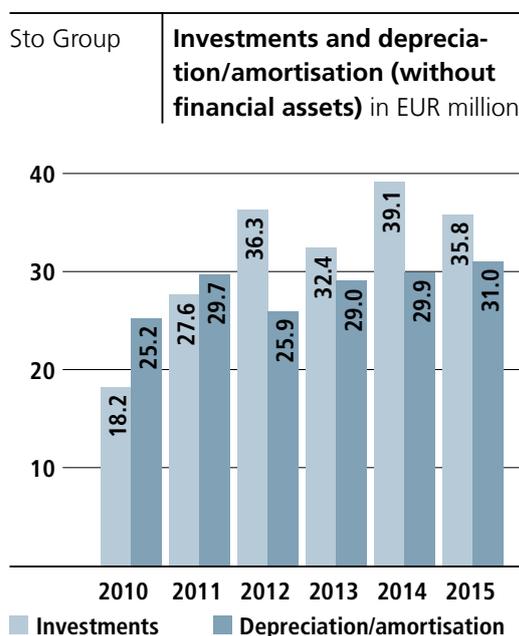
In total, the cash inflows and outflows described here, as well as exchange rate-related changes of EUR +2.2 million (previous year: EUR +0.6 million) led to an decrease in **cash and cash equivalents** of EUR 42.2 million to EUR 70.9 million. This sum once again clearly exceeded the borrowings of EUR 4.5 million on the balance sheet date (previous year: EUR 8.3 million).

### Investments continue at a high level

In 2015, Sto invested EUR 35.8 million in property, plant and equipment and intangible assets compared to EUR 39.1 million in the previous year. The total amount was below the

original projections of EUR 45 million as some large-scale projects had to be postponed or cancelled in response to difficult general conditions. The new office building in Stühlingen, Germany was a key project in the year under review. The building complex, which is expected to be ready for occupation by mid 2016, uses low-emission building products and a highly innovative energy concept involving renewable sources. The German Sustainable Building Council awarded us a platinum pre-certificate for this office building. A new laboratory facility which will also be put into operation in 2016 forms another extension to the headquarters in Stühlingen, Germany. This new building will enable us to further expand our R&D expertise and pursue efforts to broaden the diversity of our product range.

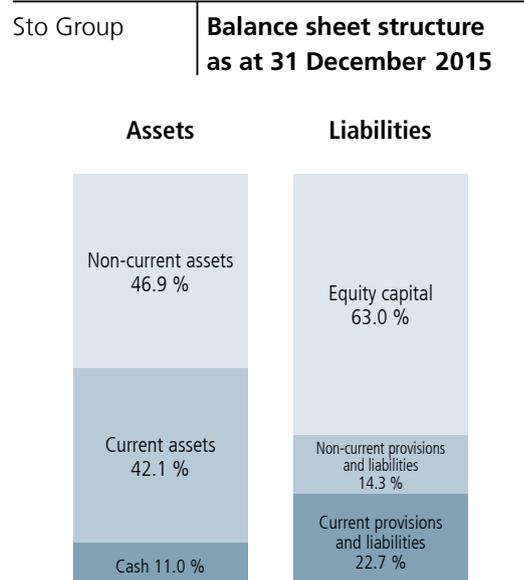
Other key investments in 2015 included measures implemented as part of our "Retrofit" programme, an ongoing project to replace older production plants within the Sto Group or bring them up to the latest standards of technology. Production capacities were also expanded in Sweden with an additional facility for the manufacturing of special EPS-based insulants.



**Asset situation**

As of 31 December 2015, the **consolidated balance sheet** of Sto SE & Co. KGaA witnessed a drop of 14.6 % to EUR 641.9 million. Looking at the assets side, **non-current assets** saw a slight year-on-year rise of 1.4 % to EUR 300.9 million which was exclusively attributed to an increase in assets: at EUR 282.0 million, it stood approximately 1.9% above the previous year's level while intangible assets dropped by a total of 4.5 % to EUR 18.9 million.

**Current assets** dropped drastically: they amounted to a total of around EUR 341.0 million and were approximately 25.0 % below the previous year's value. A significant drop in the current financial assets and cash was recorded in 2015 due to the one-off dividend distribution: they were EUR 58.8 million (previous year: EUR 141.3 million) and EUR 70.9 million accordingly (previous year EUR 113.0 million). In contrast, the inventory has increased slightly, growing by 2.1 % to EUR 71.2, as well as the current trade receivables. This position saw a 6.3 % increase to EUR 123.0 million due to the positive development of turnover over the last two months of the year.



On the **liabilities side**, the high dividend distribution for the fiscal year 2014 and the lower consolidated earnings had a noticeable effect on figures. This caused the **equity** to be cut by 20.1 % to EUR 404.7 million. At the end of 2015, the equity ratio remained at a stable 63.0 % (previous year: 67.4 %).

**Non-current provisions and liabilities** depreciated by a total of 3.4 % to EUR 91.4 million. Non-current borrowings were almost completely repaid from EUR 1.3 million to EUR 0.3 million and financial liability was virtually halved from EUR 1.2 million to EUR 0.7 million. The provisions for pensions remained relatively stable at EUR 81.5 million (previous year: 81.7 %).

At year end 2015, the **current provisions and liabilities** dropped to a total of EUR 145.8 million (previous year: EUR 150.2 million) which could be attributed to lower current borrowings, financial and other liabilities. In contrast, other short-term provisions increased by 14.2 % to EUR 25.8.

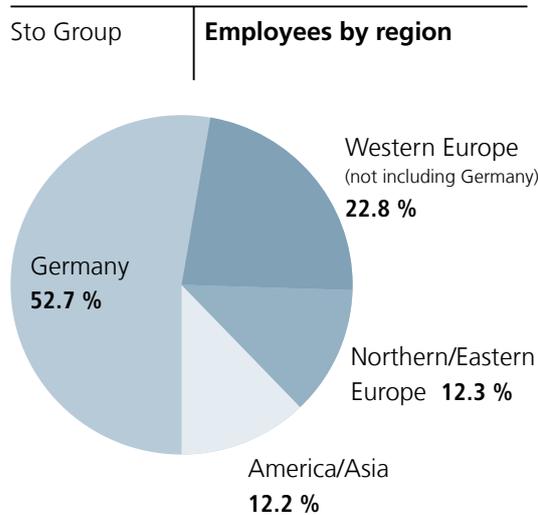
At the end of December 2015, total borrowings could be significantly decreased from EUR 8.3 million to EUR 4.5 million. Taking into account the reduced cash and cash equivalents of EUR 70.9 million, **net financial assets** stood at EUR 66.4 million (previous year: EUR 104.7 million).

## C. Other performance indicators

### Employees

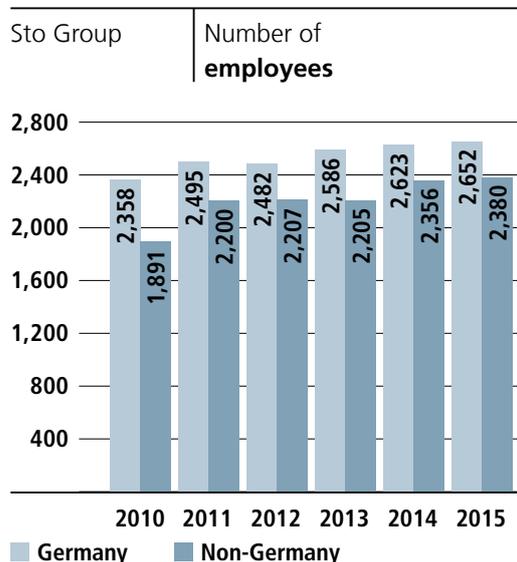
By the 2015 year end, the Sto Group's workforce had expanded by 1.1 % or 53 employees to 5,032 persons. The figure rose by 63 employees in the Western Europe region, taking the total here to 3,801. By contrast, the other seg-

ments saw a slight net reduction in personnel. The breakdown of employees according to the individual regions is illustrated in the diagram below.



On 31 December 2015, the share of the Group's workforce employed abroad stood unchanged at 47.3 %. In total, our workforce amounts to 2,380 employees outside Germany and 2,652 domestic employees.

The average age of the Sto workforce in 2015 was 42.7 (previous year: 42.4) and the proportion of female employees in the Group



stood at approximately 24 %, matching the previous year's figure.

### HR strategy

Qualified and committed employees are one of the major strengths of Sto. They are the key factor that set Sto apart from the rest in a tough competitive environment, represent the closest link to our market partners, and are instrumental in ensuring our long-term success. Our human resources measures are fundamentally concerned with making a measurable, added-value contribution towards implementing the Sto strategy. In this regard, we pursue four primary objectives:

- **Promoting the Sto culture**, which is based on mutual respect, enables our workforce to play their part in shaping the company, and encourages our employees to take responsibility for ambitious targets. We seek to preserve and develop the very core of the values that go hand in hand with this. In 2015, one of our key areas of focus was drafting and implementing a Sto-specific Values and Competency Model, which now serves as the basis for a range of human resources tools.
- At the forefront of our **personnel and management development** measures are customised qualification programmes designed to prepare our workforce for future requirements. These also allow us to create transparency about where there is management potential, develop our existing areas of expertise using a methodical approach, and offer our managers attractive promotion opportunities. As well as this, we provide managers with support in developing their employees. During the year under review, we primarily worked on revising the structure of the performance reviews that are carried out within the Group, and we launched pilot projects for succession planning. Another area of focus was ensuring equal participation of women and men in management

positions. Targeted recruiting, appropriate personnel development activities, and early succession planning are the measures that we hope will help us achieve our goal of increasing the percentage of female managers at department head level to 12 % by 2020, something which has been set in conjunction with the General Works Council for Sto SE & Co. KGaA.

- Where **employer attractiveness and securing the next generation of employees** are concerned, our main objective is to ensure Sto's growth worldwide by filling workplace positions with appropriately qualified employees at all levels of the company. We are responding proactively to the challenge of a future skills shortage by promoting the development of talented young professionals in-house and providing thorough training. We are also keen to offer applicants and employees attractive general conditions.
- With the objective of creating **competitive employment conditions**, we place particular emphasis on flexibility and efficient cost structures, and aim to safeguard these aspects through agreements with our employee representatives. By establishing remuneration models with conditions that are commensurate with those of the market, we ensure that our company pay structure remains fair. We implement forward-looking personnel concepts in order to take account of demographic effects. Reflecting this, in 2015 we created a comprehensive age structure analysis and developed remuneration benchmarks for our management employees worldwide.

Another key aim in our personnel policy is to keep the number of accidents as low as possible. 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 each year. In 2015, the rate at Sto

SE & Co. KGaA reached 19.8 after 14.6 in the previous year. Despite this rise, however, the number of absence days caused by accidents at work remained approximately the same. This amounts to the same effect as a reduction in the severity of accidents. We hope to achieve a steady improvement in this figure through ongoing inspections and optimisations in the areas of occupational safety, day-to-day preventative measures, intensive training, and events designed to communicate information.

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 met again in 2015 with a value of 2.8 % (previous year: 2.0 %). 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.



Qualified and committed employees are one of the major strengths of Sto.

### Health management

With the aim of boosting the well-being of our employees, creating an environment that promotes health and performance, and increasing people's awareness of their own bodies, Sto has put in place a health management programme

geared to specific target groups. In 2015, the focal point of this action was a company-wide works agreement concerning addiction, which came into effect on 1 July. The key aim of this agreement is to provide employees and managers with guidance when it comes to handling team members who are suffering from addiction. A step-by-step plan was drawn up in order to achieve this, and details behaviour patterns that can be identified in colleagues who may be affected. To restrict consumption of addictive substances in the workplace – even if they are legal – a strict ban on alcohol has been enforced on Sto SE & Co. KGaA premises since the company-wide works agreement coming into effect, and smoking is now only permitted in designated locations.

### Qualification and training activities

As part of personnel development, the Sto Group offers a variety of measures designed to help employees gain additional qualifications and further training. During the year under review, these focused primarily on responding to the challenge of a future shortage in managerial staff as well as strengthening the Sto culture.

To encourage integration of new employees (a process known as onboarding), 2015 saw four German-language introductory seminars take place, as well as English-language welcome days for new international members of the workforce. English courses also showed that the Sto Group's growing international alignment was being taken into consideration. Supplementary courses in Russian, Portuguese, and German were made available in addition to this.

In 2015, we drove forward and expanded the qualification programmes that we have now successfully been running for many years. Some of the core elements in these are the development programme for prospective managerial staff and the KuBe Plus ("Kunden begeistern

Plus”, translating approximately as “Inspiring customers even further”) programme, provided specifically for the SalesCentre heads of the future. Our training package received further additions in the form of internal team development workshops, one-on-one coaching sessions, and training on open offer, covering subjects such as communication, working methods, and occupational safety.

### Training at Sto

At the 2015 year end in Germany, a total of 182 trainees and students of cooperative state universities (previous year: 187) were learning a profession at Sto. In relation to the total German workforce, this resulted in a rate of 6.9 %. As a result, Sto far exceeds the 5.2 % training rate of all the businesses working in the chemical industry in Germany during the reporting period.

During the past fiscal year, training at Sto was performed in 25 commercial and industrial careers at our domestic locations. At the beginning of the 2015/2016 training year, we took on 70 young apprentices as compared with 72 in the previous year. With the aim of further improving the quality of training provided in the Group, in 2015 we adopted a Sto training philosophy. The first initiatives in this area – such

as training geared specifically to those who are overseeing training activities – have already taken place, although the majority of the measures will be implemented during 2016.

The wealth of information that we provide for young people is exemplary too: in the year under review, we once again participated in several training fairs and career orientation conventions around Germany with the aim of spreading the word about the training opportunities and prospects available in the Sto Group, and recruiting talented young professionals for our company. Among our youngest employees, we also foster a sense of social commitment as well as support for social and ecological projects.

## Research and development

Intensive and ongoing work in the field of R&D is one of Sto’s central strategic elements. By consistently engaging in research, launching innovative solutions on the market, and enhancing our skills, we are securing the position we are aiming for as a technology leader in our industrial sector, and tapping into new markets and groups of customers. Our Group-wide research and development activities take place predominantly at our Stühlingen headquarters. However, several other Group locations also include R&D departments that focus on market-based product adaptations and developments. In 2015, research and development costs accounted for EUR 13.8 million (previous year: EUR 12.9 million) or 1.1 % (previous year: 1.1 %) of consolidated turnover with an impact on profit and loss.

The year under review saw us once again expand our product portfolio in specific areas. Our new **StoColor Dryonic** facade paint, which we unveiled for the first time at Munich’s BAU trade fair in January 2015, was met with great interest from customers and industry players,



Up close and personal: Sto trainees in conversation with Jochen Stotmeister.

particularly in the German market. This biomimetic exterior paint uses the same principle as a desert beetle in order to achieve exceptionally quick surface drying times when exposed to rain or condensation. This protects the facade against algae and fungal attack – without the use of biocides. Climate Partner GmbH recognised this Sto innovation by naming it Germany's first climate-neutral facade paint. Not only that, but StoColor Dryonic also received the Stuttgart Surface Technology Award, "Die Oberfläche 2015", from Fraunhofer IPA. The high-profile jury selected our product for the top prize from among a wide range of technical surfaces in areas such as aircraft construction, the automotive industry, and electroplating.

Our **StoCalce Functio** system, designed to regulate moisture in interiors, also received its own accolade in the form of the Product

Innovation 2015 award from the Bundesarbeitskreis für Altbauerneuerung (German Federal Working Group for Renovation) and Munich trade fair venue Messe München. Developed in conjunction with Graz University of Technology, our recyclable external wall insulation system **facade4zeroWaste** won the European Construction Material Recycling Award 2015. With no adhesive compounds, this insulation system instead fixes components using Velcro fasteners. Its individual elements can easily be separated from each other and almost all can be reused.

Launched in 2015, **StoColor Sil Premium** is a dead-matt interior silicate paint that demonstrates excellent wet abrasion resistance properties and hiding power, meets the very highest environmental and quality standards, has been tested for harmful substances, and is free from



Dr Martin Metzner (Fraunhofer IPA, second from left) awards the "Surface of the Year" prize to Dr Andreas Weier (Head of Sto R&D, left), plus the Sto team made up of Walter Weh, Reiner Schmid, Dr Christian Schaller, and Stefan Basler, in recognition of their development of the StoColor Dryonic biomimetic facade paint.

preservatives. It is particularly suitable for sensitive areas such as nursery schools or hospitals, and is also ideal for applications such as dairies, abattoirs, and breweries thanks to its compliance with foodstuff hygiene requirements. StoColor Sil Premium has been exceptionally well received by customers.

The launch of our **StoDeco Coll** mineral bonding mortar rounded off our range of facade cladding. This product is designed for bonding mineral facade profiles from the StoDeco range. Compared with conventional materials, it demonstrates higher elasticity, excellent application characteristics, plus outstanding abrasion properties. This gives us the tools to ward off the extreme stress to which architectural elements on building facades are exposed as a result of temperature fluctuations.

In addition to product innovations and further developments, our R&D activities also cover fundamental research, with the aim of unlocking new technologies. Our research activities in 2015 included systems designed to provide sustainable protection for building surfaces – for example using targeted water management.

To ensure that as much expertise as possible feeds into our R&D activities, we regularly work with external partners in industrial spheres and higher education establishments. One example is the EU-funded “Retrokitt” project, which conducts research into new, inexpensive solutions for building energy efficiency measures in a range of European climates. We also maintain an ongoing dialogue with suppliers in order to evaluate new raw material concepts and how they can be applied in Sto products.

## Production and procurement

The excellent quality of Sto products is based on our substantial process expertise in the fields of product development and manufacturing, something we continually work to expand. Our

main focus is on producing coating materials such as renders and paint, which are manufactured in specialised production facilities. The most important input materials in this are lime, marble and quartz sands, cement, pigments, silicates, silicones, and water-based dispersion agents.

Since 2010, we have also been producing some of the insulation materials we sell, such as EPS boards, ourselves. This takes place under the auspices of Innolation GmbH at our locations in Lauingen, Germany and Amilly, France, where we began operating a high-capacity plant in January 2015. A production facility for special EPS-based insulants has also been erected in Sweden. This in-house production both ensures the Group has supplies of materials it needs and strengthens our technological expertise in innovative insulants, an area that we are specifically focusing on expanding. As well as this, it reduces our dependency on suppliers and increases our depth of added value.

### International production network

At the year end, the Sto Group’s production network comprised 28 operations in total, of which 10 were located in Germany and 18 abroad. Capacity utilisation was largely good at these plants in 2015, with each running two or three-shift operation according to its requirements. We are continually modernising and expanding capacity as needed. In 2015, for example, the dry production control system at our Donaueschingen location benefited from refurbishment. The palletising system at our Krißtel plant received an overhaul, and a state-of-the-art stretch hood facility was put into operation.

The exceptionally low rate of faulty batches – that is, the proportion of the production quantity that cannot be delivered due to defects – is testament to the outstanding performance that Sto plants deliver. We aim for this value to remain below 0.1 % across the Group. This

is something we have already achieved almost without exception in our European plants. In particular, our production employees are encouraged to identify with this quality objective as well as identify, address, and eliminate any potential areas of weakness well in advance.

### Tested quality management

A Group-wide quality and environmental management system ensures that records are maintained and internal auditing is carried out at all of Sto SE & Co. KGaA's production locations. Additionally, the majority of the plants throughout the Group have received external certification according to international standards: by the end of 2015, 22 out of a total of 28 locations had been tested in accordance with international quality management standard ISO 9001, with 14 also receiving ISO 14001 certification for their environmental management system. Our three US subsidiaries also possess American SHARP (Safety & Health Achievement Recognition Program) certification, while our Swedish company is approved in accordance with OHSAS (Occupational Health & Safety Assessment Series) 18001, providing documentary proof of high standards of health and safety.

During the reporting period, Verotec GmbH received OHRIS (Occupational Health and Risk Management System) certification in recognition of its company occupational health and safety system – an assurance that it is meeting global standards concerning health and safety at work. The company also took its first important steps on the path towards ISO 50001 (energy management) certification, a process that is set to reach its completion in 2016. As well as this, 2015 saw the Villach production location of Sto Ges.m.b.H. successfully undergo certification in line with both ISO 9001 and ISO 14001. The systems that have been implemented ensure a methodical and verifiable approach to data acquisition and target formu-

lation across the business, something which will also contribute to our ongoing efforts to reduce our consumption of resources.

In the area of EPS insulation boards, Sto has added to its existing quality management strategy by implementing advanced measures beyond the standard that has been in place to date. In particular, these are designed to ensure that a high level of product quality is maintained by all the suppliers involved in the production process. In this respect, 2015 saw us focus particularly heavily on interfaces throughout the supply chain as well as quality planning and quality assurance checks. This allowed us to identify potential areas of improvement – and action has now already been taken in these.

### Procurement

During the 2015 fiscal year, all the raw materials and other types of material that are key to Sto's business were in adequate supply. These primarily included base materials such as sand, cement, and lime, as well as speciality chemicals and petroleum-based raw materials. Propylene was the only material that posed some problems, creating temporary supply bottlenecks as a result of plant failures. Thanks to our extensive multi-supplier strategy, however, these restrictions had no effect on Sto SE & Co. KGaA, whose upstream suppliers require this base material for manufacturing Sto pails.

In spite of the crude oil price continuing to fall, the base materials styrene, ethylene, and propylene experienced a surprisingly sharp rise in their prices from March onwards. By mid-year they had reached record levels, resulting primarily in impacts on our binding agents, EPS insulation boards, and plastic packaging, all of which contain styrene or ethylene. Price quotes then yielded considerably during the second half of the year, however, ultimately reaching their original level at year end. The Group achieved a net improvement in the cost of sales percentage by 1.1 percentage points, an effect that was

partly due to the slight decline in the titanium dioxide price over the course of the year.

2015 also saw reduced costs in logistics, especially in the areas of transport and incoming freight. The significantly lower price of diesel had a positive effect on this, more than compensating for the moderate rises in toll payments and increased operating costs. New supply contracts also led to a reduction in electricity procurement. However, gas costs remained unchanged in 2015.

#### Procurement management

The Sto Group pursues a proactive policy of procurement management in order to ensure uninterrupted security of supply at all production locations. It is based on many years of close cooperation with our suppliers. In 2015, we organised several country and region-specific purchaser meetings with the aim of further optimising our procurement planning and achieving additional pooling effects. Group-wide framework agreements were also expanded in order to guarantee security of supply, while existing agreements were renegotiated each quarter on account of falling crude oil prices. As well as this, international procurement controlling was subjected to reviews and improvements.

To ensure we are always procuring high-quality input products, we perform a systematic supplier evaluation twice a year at our key Euro-

pean 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 87.8 (previous year: 89.4), Sto SE & Co. KGaA was slightly below its 2015 target of 90.0 (previous year: 90.0).

A cornerstone of our procurement strategy involves early identification of price fluctuations and any supply shortfalls in procurement markets. Our risk management strategy sees us systematically monitoring crucial raw materials, continually checking the financial stability of our main suppliers, conducting intensive global supplier negotiations, and working with long-term framework agreements wherever possible. We also expect our suppliers to meet our own high standards of quality.

As part of our **stock management system**, target percentages for stock value (average stock in relation to annual turnover) are agreed together with the Sto companies. In 2015 these ranged between 3 % and 11 %, depending on whether the company was concerned with production and/or sales. The process of agreeing on the targets took into account any particular market conditions, such as product launches and changes that were necessary from a logistics perspective. Consistent, active efforts to pursue the stock management system resulted in the majority of the targets being reached during the year under review. Deviations were analysed and countermeasures introduced where necessary with the input of the company concerned. Thanks to timely handling of stock situations according to the prevailing economic conditions in each case, there was no need to revise the targets during the course of the year.

With the aim of achieving a sustainable improvement in our work procedures and the transparency of our procurement processes, Sto SE & Co. KGaA uses a software-based



Sand and powder – the basis of many Sto products.

e-procurement system. Not only that, but the Sto Group has also defined a Procurement Guideline that applies throughout the Group and aims to strengthen the global procurement network as well as pool internal requirements more efficiently. The goal in this case is to tap into yet more benefits when it comes to procurement.

## D. Events after the reporting period

At the start of 2016, Sto SE & Co. KGaA concluded the acquisition of a majority interest in Ströher GmbH, based in Dillenberg, Germany: a process that had already been contractually agreed on 18 November 2015. Once consent had been received from the German Federal Cartel Office and all contractual conditions had been fulfilled, Sto took over 50.1 % of the shares in the Ströher Group, one of the world's leading manufacturers of brick and ceramic products for use on high-quality facades and floors in interiors and exteriors. First-time consolidation takes place in the 2016 fiscal year.

By acquiring these shares, the Sto Group is able to improve its position in the facade area and expand its range in a targeted manner. Ströher GmbH's brick surfaces in particular provide a multitude of design options in the area of external wall insulation systems, allowing us to significantly broaden our range of innovative surfaces. At the time of the takeover, Ströher GmbH – with 288 employees, including 9 trainees – was achieving an annual turnover of around EUR 32 million. The company has made a name for itself particularly through the production of hard-wearing, frost-proof outdoor ceramics based on a state-of-the-art extrusion technique.

Between the end of the fiscal year and the point at which this report was signed off, there

were no other events of particular note and with a significant impact on the earnings, financial, and asset situation of the Sto Group.

## E. Risks and opportunities report

### Risks and opportunities

Like any medium-sized company with a global presence, Sto SE & Co. KGaA faces a variety of opportunities and risks in its activities. In many cases, it is only possible for us to seize opportunities if we accept that they will be accompanied by certain risks. This means that managing opportunities and risks in a way that focuses on our objectives is an integral part of our management of the company, and is crucially important to ensuring that Sto follows a positive path over the long term. The risk strategy developed by STO Management SE, as the personally liable partner of Sto SE & Co. KGaA, provides for opportunities that arise to be exploited with rigour, while undertaking risks only where a commensurate contribution to corporate earnings can be expected.

### Risk management system

The active management of risks is pursued at Sto by means of a comprehensive **risk management system (RMS)**, 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 finance, earnings, and asset situation, and to have the opportunity to implement appropriate countermeasures where necessary.

The most important constituent of the RMS is a detailed **reporting system** that has been standardised for the Group. It records all operational activities 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. It is supplemented by a **risk manual** defining various risk categories, guidelines for assessing risks, and procedural instructions for every Group company. This manual is binding throughout the Group. These two instruments are complemented by an annual **risk inventory**, which is used to document all current risks on a timely basis. This has three categories of risk, based on a weighted value indicating the level of damage that could be sustained: “low”, “medium”, and “high”. The weighted damage value is calculated on the basis of the likelihood of damage occurring and the potential consequences for the earnings before income taxes (EBT). Where the likelihood of damage occurring is concerned, there are also three categories: “below 30 %”, “30 % to 60 %”, and “above 60 %”. The managing directors of the respective business fields are required to notify the central investment controlling department immediately of any new risks which are identified in the course of the year.

Sto works with internationally renowned **insurance companies** to insure material property and assets against loss and consequential business interruption caused by unforeseeable events such as fire, explosion, or natural disasters. Third-party liability damage caused by Sto or Sto products is also covered by insurance. We bear minor damage ourselves, while maintaining a sufficiently high coverage against major claims. Despite careful planning, our insurance coverage may turn out to be insufficient in isolated cases. For this reason, we regularly review our insurance coverage and perform risk analyses together with our subsidiaries and other business fields in order to reduce the risk of underinsurance. Here, we also seek the advice of an internationally operating and experienced industry insurance broker.

### **Internal control system**

As a supplement to our risks and opportunities management system, we have also implemented 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 Group accounting as well as compliance with the relevant legal regulations. Additionally, the ICS incorporates an internal monitoring system comprising in-process elements and elements independent of the process concerned. One example of an important in-process measure is the “dual control principle”, which is supplemented by automated IT process controls.

We use the SAP ERP software that we have set up in many of Sto’s companies to manage our IT-assisted accounting process and ensure correct and reliable processing and recording of all accounting issues and details. Back in 2011, Sto SE & Co. KGaA introduced an electronic workflow for centralised invoice processing and archiving, which our subsidiaries have been gradually rolling out to the SAP system since 2012. Access to various types of data is clearly regulated and corresponding access restrictions are in place.

A manual containing corporate accounting guidelines, which is regularly updated, provides the basis for drawing up the annual financial statements in accordance with IFRS, which must be included in the consolidated annual financial statement of the Sto Group. This ensures uniform implementation of valuation and reporting rules throughout the Group. All balance sheets as well as 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.

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

We also ensure the correctness and reliability of our accounting processes by applying specific key figure analyses, and through 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 multiple persons ("dual control principle") reduces the attendant risks.

The regular management meetings between the Group management and the managing directors of the subsidiaries are a further important element of the ICS. A meeting focusing on the annual financial statements takes place for each operationally active subsidiary between representatives of Group accounting or investment controlling, the local Management Board, and, in most cases, the Chief Financial Officer of STO Management SE as a representative of the Group's parent company. The local auditor is also present at this. Additionally, a national control committee – such as the "Board of Directors" (BOD) – or the Group auditor may participate in these meetings if necessary.

The rules of procedure for managing directors in the Sto Group include mandatory rules for correct conduct of business processes, which must be adhered to throughout the Group.

The purpose of the Internal Revision department is to ensure that our increasingly complex corporate processes continue to remain transparent in the future. Simultaneously, this ensures that increasingly strict compliance requirements are met. As an independent department, Internal Revision reports directly to the personally liable partner and to the Chairman of the Supervisory Board.

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

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

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. This means that their application is dependent on weathering influences, something on which Sto can only have a very limited effect. In particular, a long and harsh winter can negatively impact on sales at the start or end 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. Conversely, favourable weather conditions can have a positive effect on business development. In most cases, weather-related fluctuations in turnover also have a significant impact on earnings. Measured in relation to the profit obtained in a year with average weather conditions, they may, in extreme cases, result in upward or downward shifts in consolidated earnings before interest and taxes (EBIT) by as much as EUR 20 million to 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 individual market – plays an important role in this. Here, some sales of building products respond directly to the general level of economic activity as well as to general economic and tax-related conditions. A continued downswing in the main German construction sector may lead to high levels of surplus capacity and intense competition accompanied by strongly declining prices. We counter this economy-based risk mainly through internationalisation of our business activities, which ensures regional diversification and makes us more independent of fluctuations in specific countries. This also puts us in a position to reduce subsidiary risks for the Sto Group resulting from market interest rate changes: significant rises in interest can result in a decline in building investments.

#### **Sales risks**

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

buildings. Nevertheless, the debate being held in Germany on not only the advantages of facade insulation systems, but also their ecological impact, fire protection issues, efficiency, and building culture, has caused investors and, in particular, private building owners to adopt a very cautious attitude. These 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. As the market leader, Sto would feel an above-average impact of this, which in turn would be reflected in corresponding levels of loss in turnover and income.

Sto and the Qualitätsgedämmt e.V. association, which has been established in conjunction with other German family-owned companies, hold the belief that it is possible to bolster the confidence of users and investors 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. Sto also offers a number of alternative insulation materials that ensure high-performance facade systems, as well as other products. Additionally, this sales risk is mitigated by Sto's success in regional diversification and the long-term upward trend in energy prices, which has made facade insulation an 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; this also opens up opportunities for launching relevant incentive measures.

As well as this, Sto is responding to the conflicting and, in some cases, highly exaggerated media reports with additional quality measures as well as a quality management system that far exceeds the standard level on the market.

We counter the risk of external wall insulation systems being substituted with competitor products by continually developing the quality, safety, environmental compatibility, and efficiency of our solutions. Inherent system weaknesses can be recognised through the analysis of product life cycles, allowing deficiencies that arise over time to be detected and eliminated. Continuing technical progress and the knowledge derived from this enable Sto to further develop and improve products and systems.

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

To manufacture its products, the Sto Group uses raw materials such as lime, marble and quartz sands, cement, pigments, silicates, silicenes, and water-based dispersion agents. Risks could arise from the concentration tendencies on procurement markets.

The prices of our self-produced products and trading goods are dependent on crude oil; these include paints, renders, and polystyrene insulation boards, for example, and even our plastic containers (e. g. 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. Given that it is a limited resource, its price trend is expected to start climbing again in the medium- to long term. The demand for numerous speciality chemicals such as titanium dioxide, particularly in emerging and developing countries, is also set to increase over the long term.

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

As well as this, a rise in demand for certain raw materials and goods could trigger supply

shortages. We confront the risks resulting from this through advance procurement as well as early contracts with our partners and suppliers. Additionally, the Sto areas of procurement, R&D, and production continually work to optimise the use of materials and make it more flexible in order to ensure a sustainable supply of the relevant raw materials. To this end, alternative materials and suppliers are also taken into consideration.

#### **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 reinforce 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. While new Sto products or product versions are only ever launched on the market once they have undergone extensive testing, we will never be able to completely rule out the possibility of warranty claims against companies within the Group. We reserve the right to react appropriately to recognised risks through adequate innovations or modification of mature products.

Where media reports on systems that use EPS insulation boards are concerned, at present the Sto Group does not believe that there are any significant risks of liability arising from past or future activities. It is particularly worth noting that every case investigated by Sto has met the thermal conductivity (U-value) specifications stipulated in the German Energy Saving Ordinance (EnEV) or funding guidelines. At the same time, Sto's comprehensive quality assurance measures ensure that our EPS facade insulation boards meet our stringent quality requirements, and will continue to do so in the future.

The US insurance industry currently does not offer any sufficiently comprehensive and, at

the same time, economically viable insurance coverage for product risks of facade systems and coatings. The effects of potential damages or liability claims in the USA on the finance and earnings situation of the Sto Group cannot be assessed reliably on account of the country's 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. This applies to not only legal issues, but also technical matters.

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

#### **Payment default risks**

In times of recession, there is an increased risk of default on receivables. To avoid or mitigate the financial consequences potentially arising from this, a credit management system has been implemented in the Sto Group; this takes into account 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 credit on goods. Consistent application of these rules will allow us to keep the default quota at a low level even during difficult economic times.

#### **Currency risks**

As a result of the consistent internationalisation of its business activities, Sto is exposed to currency risks. We control these risks by means

of currency hedges. This involves relevant risks from foreign currency cash flows being analysed, recorded, and reduced by applying suitable hedging measures; these processes take place throughout the Group. Our main focus is on the currencies of countries where we do not have production equipment, i.e. where regular supply and cash flows are necessary to maintain business operations. In 2015, this applied to countries such as Switzerland, Canada, and the United Kingdom. In addition, in specific cases and where necessary, we perform additional hedging.

#### **IT risks**

A global company like Sto can only be managed with the support of complex IT systems. SAP is the central system used within the Sto Group. Serious malfunctions like system failures, attacks on networks, and loss or manipulation of data have the potential to endanger Sto's supply readiness and result in declines in turnover. With this in mind, since 2013 we have been implementing comprehensive cyber security measures in order to ensure maximum continuity, integrity, and availability. We do not use Internet-based services (the cloud) for critical company information and processes, as we believe that they harbour both legal and technological risks.

#### **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 counter the consequences of possible collateral damage in the computing centre, the foundations for adequate physical separation of the existing, redundant computing centres are also currently being laid. The data on the core systems are backed up daily and stored separately.

**Integrity:**

To prevent unauthorised access to the Sto Group's information systems, as far as possible we use technological security systems available on the market. Alongside this multiple-step architecture, we also counter the risk by adopting a restrictive approach to issuing access authorisation and prohibiting the storage of company-related information in unprotected areas, such as Internet cloud systems. This is regulated by a comprehensive IT Policy. What is more, Sto makes use of a Cyber Security Competence Center, provided by the federal association VOICE, in order to stay constantly abreast of the latest knowledge concerning prevailing threats.

**Availability:**

The redundant configuration of all core operational systems and network connections ensures maximum availability for all key business processes. An automated monitoring system serves to continuously monitor system availability. We counteract risks that might result from a difficulty in replacing hardware components or the inability to update software using a gradual strategy of modernising infrastructure in the computing centre and as part of our "Retrofit" programme.

**Human resources risks**

The success of the Sto Group is primarily based on the knowledge and commitment of our employees. If, in the light of the increasingly strong competition for professionals and executives, we do not succeed in recruiting appropriate personnel, this may have a negative impact on our future corporate development. This risk may become even more serious in the medium- to long term due to demographic trends, particularly in western industrialised countries. Not only could the pool of talented young professionals become smaller, but many people may also leave the company for reasons of age which would entail loss of knowledge.

Sto SE & Co. KGaA implements numerous measures to eliminate these risks and position itself as an attractive employer. For example, we provide extensive career development opportunities as well as excellent further and advanced training, and we take steps to make achieving a good work-life balance easier. This enables us to win over new professionals and executives, as well as foster the sense of loyalty felt by those already working for Sto.

**Risks arising from fluctuations in payment flows**

As a result of the seasonal variability affecting Sto products, the demand for liquidity to finance current business is subject to significant fluctuations. There is a particular need for cash in the first few months of a calendar year, whereas cash inflows dominate during the second half of the year. Risks arising from these fluctuations in payment flows are limited at Sto by the available liquid funds. In addition, Sto has at its disposal an adequate and contractually guaranteed variable credit facility as part of a syndicated loan agreement.

To further reduce our exposure to liquidity risks, we also maintain intensive communication with our banks and operate an active financial management system. Where necessary, 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.

The Sto Group's treasury activities – which, along with our growing internationalisation strategy, are becoming increasingly important – have been pooled and are handled in an independent department. This measure strengthens and further centralises the recognition and control of financial resources for internal and external financing as well as financial risk management. The key features of a treasury guideline with a modular structure have been sketched out, with step-by-step expansion and

implementation of the guideline set to take place. It aims to define and outline clear rules and regulations.

### **Environmental risks**

Production at Sto takes place in modern, largely automated plants. This means that manufacturing processes pose only minor environmental risks. We have also implemented an environmental management system 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 2016**

Predictions on 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. Furthermore, our planning is based both on our own forecasts concerning trends in currencies that are relevant to Sto, which may also be subject to significant fluctuations, and on the assumption that a stable political environment will prevail. Should our estimates prove incorrect, however, then expectations for 2016 may deviate from the actual situation.

Additionally, the risks presented may bring about some short-term influencing factors that may have either a positive or a negative effect on Sto's development. Currently, this includes the debate surrounding the ecological impacts, fire protection issues, and efficiency associated with facade systems, and surrounding building culture in general, which is continuing with no end in sight in the foreseeable future. The conflicting and, in some cases, highly exaggerated media reports have the potential to awaken strong emotions, such as anxiety, which industry associations and companies may find

difficult to quell. With this in mind, it is not possible to make a reliable prediction of how EWIS sales will develop. If there are further declines, Sto will be particularly heavily affected given its position as a market-leading company.

The issue of sovereign debt within the eurozone continues to have risks associated with it. 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.

Other uncertain factors are 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, this could result in a decline in construction investments in the public sector.

If the world's economy recovers more effectively in 2016 than research institutes have predicted, the demand for raw materials may rise at a disproportionate rate and lead to non-scheduled price increases at a significant level. These higher costs could be balanced out by turnover effects resulting from higher demand for construction services. Additionally, opportunities could arise if raw materials prices develop more favourably than assumed in our forecasts.

The dependency of the construction industry on the weather remains a significant element of uncertainty. Despite technological progress, extreme weather conditions can still prove a hindrance for construction activities. Conversely, 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.

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 ones are extended. This does, however, require these incentive measures to be designed in a transparent way that is tailored to the relevant target groups. Otherwise, the measures may not have the corresponding effect and facade product manufacturers may 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, as potential building owners may refrain from making investments, resulting in temporary demand shortfalls.

Provided that the economy performs better than expected in regions where we only make plans with a great degree of caution, 2016 will see opportunities for business development.

Targeted internationalisation of our activities will also open up opportunities for growth, arising from exploiting new markets as well as from more intensive development in countries in which we are already represented.

In the long term, we estimate that opportunities for Sto will outweigh the risks. The need to install energy efficiency measures within buildings in order to reduce CO<sub>2</sub> emissions is set to rise. 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 begin escalating again in the medium term, we believe that facade systems will become increasingly appealing from a financial perspective as well. For Sto, as one of the leading manufacturer of external wall insulation systems, this means additional sales potential.

### Overall risk exposure

The risks are listed below in descending order according to their potential impact on earnings before income taxes (EBT), and have been categorised on the basis of their weighted damage value:

Risk type	Risk category
Dependence on weather conditions	high
Overall economic and industry-specific risks	high
Sales risks	high
Risks in the procurement of raw materials	high
Warranty-related and legal risks	high
Payment default risks	high
Currency risks	medium
IT risks	medium
Human resources risks	medium
Risks arising from fluctuations in payment flows	low
Environmental risks	low

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 tiered countermeasures that we are implementing, the Executive Board of the personally liable partner 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

### Global economy

Data from the International Monetary Fund indicates that the global economy in 2016 is set to experience 3.4 % growth, a slightly higher figure than the previous year. Experts believe that the most significant risks to global development are being presented by slowing

growth in China, the USA's tightened monetary policy combined with the strong dollar, as well as numerous sources of geopolitical tension. Additionally, the continuing fall in oil prices is placing an economic burden on the countries that produce this resource; on the other hand, oil-importing countries stand to benefit from it.

In all, newly industrialised countries are expected to achieve a growth rate of 4.3 %, whereas the Chinese economy is likely to expand by just 6.3 %. The IMF believes that Russia and Brazil will continue on their path of recession, although this is expected to be of a much more moderate nature than in 2015, at least in Russia. An increase of 2.1 % is being forecast for industrialised nations. The US economy is likely to grow by 2.6 %, illustrating a somewhat more dynamic trend than in the previous year, while the eurozone countries should, according to the IMF, see an increase of 1.7 %.

Sentiment in Germany appears to have been dampened by the ailing global economy and the costs of the refugee crisis. By contrast, the low oil price is providing the economy with some support. On the whole, the IMF and the German government are expecting 2016 to bring 1.7 % growth in economic performance, which is once again likely to be largely the result of private consumer spending.

#### **Trends for the international construction industry**

Figures from Germany's central construction industry association, the Hauptverband der deutschen Bauindustrie, suggest that turnover in the **German building industry** is set to rise in 2016 by around 3 %. It is expected that the residential construction sector will bring some positive stimulus, with 5 % growth being forecast. Continuing internal migration and the rising number of refugees are making it necessary to construct new residences; this is likely to mean multiple-family dwelling construction once again growing at a higher rate than single-fam-

ily and two-family dwelling construction. Strong growth in turnover amounting to 4 % is also being forecast for public construction; however, the industry association believes that commercial construction will experience stagnation.

In **Europe**, EUROCONSTRUCT is forecasting in 2016 a 3 % rise in volume of construction. As a result, the overall services provided by Sto are expected to rise almost twice as sharply as in the previous year. With 3.2 % growth, residential construction is set to gather particular momentum: this is the result of improved development in the new construction sector, where an increase of 6.1 % is being predicted. This optimism is based on factors such as good forecasts in the German, Dutch, Swedish, and Spanish markets; however, Switzerland and Austria are expected to demonstrate only slight improvement. In France, residential construction activities performed in 2016 have the potential to benefit from the new funding programmes brought into force at the start of the year. It is currently believed that renovation measures on existing buildings, an area that is important to Sto's operations, will develop in a much more restrained fashion than activities involving new buildings. As such, modernisation activities in the residential construction sector are set to rise by just 1.2 % across Europe. Non-residential structural and civil engineering measures in Europe's buildings are being predicted to increase in 2016 by 2.9 % and 2.7 % respectively.

According to forecasts by Germany Trade & Invest (GTAI), the upward trend in the **US construction industry** may continue in 2016. As a result, the value of newly launched construction projects in the USA is set to increase by 6 %. Residential construction is offering a particularly healthy outlook. In 2016, non-residential construction in North America also benefited from the robust overall economy; in this case, an increase of 9 % is being forecast, largely as a result of office and hotel projects. Opportunities for obtaining contracts from publicly financed

projects and the infrastructure sector remain somewhat limited in view of meagre public budgets.

In **China**, the market environment will in all likelihood continue to present many difficulties: GTAI expects 2016 and 2017 to bring a further decrease in construction activities before stabilisation happens. This is leading building developers to crank up pricing pressure, something which is particularly felt by suppliers. Analyses conducted by Swiss bank UBS suggest that the residential market may start to recover during the current year if the measures that have already been taken, and those that are in the pipeline, have the desired effect. On the whole, the bank is predicting the residential construction sector to experience growth in the single-digit range.

### Projected performance of the Sto Group

In spite of difficult general conditions, Sto SE & Co. KGaA believes that 2016 will bring improved business development as compared with the previous year – assuming relatively normal weather conditions. Across the Group, we are expecting a 5 % **rise in turnover** to around EUR 1,277 million.

This forecast is based not only on the development that individual regions are likely to experience, as described previously, but also on the anticipation that demand for facade systems in most countries will rise more significantly than in previous years. Given the high number of older buildings, there continues to be plenty of sales potential for EWIS from a technical perspective, and the trend towards increased energy efficiency in residential construction continues unabated. That said, we cannot rule out the possibility of the industrial sector experiencing additional negative effects from the ongoing debate on the issue of EPS facade systems, and the resulting feelings of reluctance in Germany. We are also currently working on the basis that the euro will remain

relatively stable. Pressure on sales prices is likely to continue.

In addition to organic growth, first-time consolidation of the Ströher Group is set to contribute to an increase in turnover. Particularly where brick slip products are concerned, we believe this will open up significant opportunities for Sto over the medium term.

The first quarter of 2016 marked a cautious start to the current reporting period. Added to this are the positive effects felt from first-time consolidation of the Ströher Group. Consequently, consolidated turnover was above the previous year's level during the first three months of 2016.

As things stand, consolidated earnings before interest and taxes (**EBIT**) is likely to fall between EUR 80 million and EUR 90 million in 2016. Earnings before tax (**EBT**) are expected to reach between EUR 78 million and EUR 88 million. Where the resulting **return on sales** is concerned, we are likely to see a value between 6.1 % and 6.9 %.

On the **procurement markets**, we believe that the subdued development in the global economy will ensure sufficient supplies of all our key basic raw materials. The price of crude oil is likely to have reached its lowest point and should start to rise again gradually in the period up to the 2016 year end. We expect to see sustained increases in the price of titanium dioxide, selected speciality chemicals, and insulants – resulting in a slight overall increase in the Group's cost of sales.

We have planned a budget of approximately EUR 45 million for investments in property, plant, and equipment. As well as completing the new office building in Stühlingen, we will be focusing on areas including the expansion of the production, logistics, and office capacity available at Verotec GmbH in Lauingen. Additionally, we will continue to pursue the long-term measures we have planned as part of our "Retrofit" programme.

2016 will see another rise in the number of **employees**. While we are continuing to expand our workforce in markets demonstrating growth potential, restructuring measures are being carried out in markets battling difficult general economic conditions.

Turning to the area of financing, we do not currently have any extraordinary measures planned for 2016.

#### **Projected performance of the Sto business segments**

Assuming that the underlying economic conditions develop as forecast, we expect the **Western Europe** segment to see an increase in turnover in the middle single-digit percentage range in 2016. However, the situation in parts of Europe is likely to remain a challenge. In France, particularly, we are not expecting the current year to bring any significant revival in the construction industry or the competitive situation. In Austria and Switzerland, general conditions also remain unfavourable. In these cases too, we hope to win a bigger share of the market by introducing new products and tapping into additional groups of customers. In Germany, the increased demand for living space as a result of the influx of refugees may create special circumstances that result in positive effects on the construction industry. However, this is being countered by the still-weak demand in the German EWIS market, where we are currently expecting to see a slightly stagnating market size in 2016.

In the **Northern/Eastern Europe** segment, the predominantly healthy general conditions within each of the regions are bringing us opportunities to increase our business volume; here, we believe that we will also see a net increase in turnover in the middle single-digit percentage range. It is not currently possible to estimate with any certainty the extent to which the ongoing recession in Russia will have a negative impact on bordering regions.

As a result of the healthy economic conditions in the USA, where we are expecting significant growth in the construction industry, we are also predicting 2016 to bring growth in the middle single-digit percentage range to the **America/Asia** segment. In Asia, the further drop in demand that has been seen in China is likely to have a negative impact on the entire economic region, and we are predicting muted demand here as a result.

#### **General statement on future development**

Sto is one of the leading providers of high-quality facade systems and coatings, and has a strong position on the market as well as a solid financial and asset situation. Although the average annual growth rates in the Sto Group and our earnings performance are currently below the targets we have set, we remain committed to our long-term goals. By 2020, our aim is to generate a turnover volume of EUR 2 billion and a commensurate increase in earnings. In pursuing this, we are carrying out consistent internal expansion measures and selective acquisitions where the right opportunities arise.

We believe that improving profitability in the Sto Group will present a significant challenge this year and in subsequent years. Given this situation, we have launched our New Balance programme with the aim of improving efficiency within the Group by concentrating on our key tasks, focusing our priority on projects that offer more economic efficiency, and reducing complexity within processes. Cost savings will also be required if profitability is to be improved. Another of the programme's aims is to achieve a sustainable increase in our turnover performance within defined product groups.

From our current perspective, this will allow us to attain a healthier balance between turnover and cost development over the medium-to long-term, building on some key success factors:

A top-quality product range with a wide scope, enabling us to accommodate different regional requirements and, for the most part, compensate for fluctuations in demand.

Our excellent international standing will boost the Sto Group's sales opportunities worldwide and reduce dependency on individual regions.

Sto demonstrates outstanding strength in innovation, something which our intensive research and development activities are reinforcing and expanding all the time. We set the pace of technology in the industrial sector and want to reinforce this position over the long term.

Our wide-ranging sales base allows us to address numerous groups of customers. By expanding our second distribution channel, which is based on wholesale and specialist trade and supplements our tried-and-tested direct distribution system, we can unlock our potential even more effectively.

Another significant plus point for the Sto Group is our professional, committed workforce. We consistently foster their skills and expertise, and we want to be seen as an attractive employer. We will face up to our social responsibility with equal vigour and integrate sustainability aspects even more firmly into our corporate structures.

Stühlingen, April 2016

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

## The Sto share

### Sto limited preference share data

Ticker symbol	STO3
ISIN	DE0007274136
WKN	727413
Share category	Non-voting preference share
Market segment	Regulated market
Level of transparency	General Standard
German Securities Exchange sector	Consumer
German Securities Exchange subsector	Home Construction & Furnishings
Number of preference shares	2,538,000
Number of non-listed ordinary shares	4,320,000

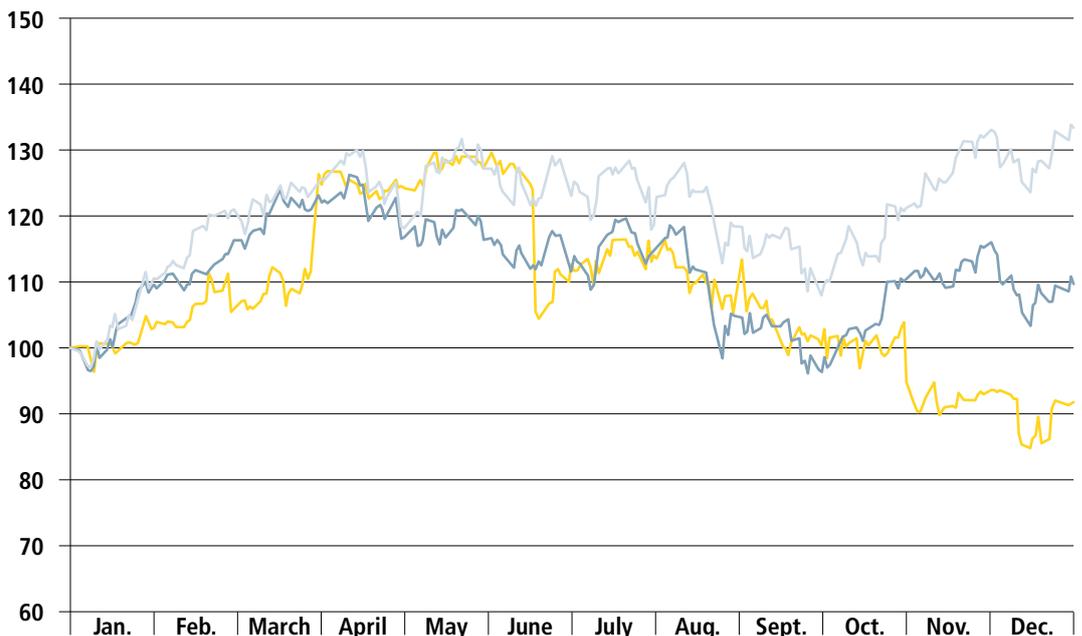
### 2015 on the stock markets

2015 was characterised by exceptionally volatile stock markets across the globe. After a strong first quarter, the period from mid-year onwards demonstrated significant declines in prices, mainly as a result of weaker economic data in China, low raw material prices, and the trend reversal in key rates in the USA. Over the remaining course of the year, the international stock market barometer felt additional pressure from the sharp correction on the Chinese stock market, the crisis in Greece, and the terrorist attacks in Paris. In addition to the losses experienced in industrialised countries – some of which were quoting considerably below the 2014 comparative value by the year end – the American Dow Jones Index, also suffering under the strong US dollar, dropped in value for the first time since 2008 and ended the year 2.2 % down. By contrast, the stock markets in the eurozone benefited from the

### Share price trend for 2015

(indexed on 30 December 2014 = 100)

- Sto limited preference shares
- DAX
- DAXsector Construction



commencement of bond purchases by the ECB and the devaluation in the euro. Year-on-year, the Euro Stoxx 50 index demonstrated a 3.9 % gain.

The German benchmark index – the DAX – also put in a solid performance during 2015, reaching an all-time high in April. While it then experienced some periods of decline due to significant material-related variations, it stood at 10,743 points at the end of December. This equated to a 9.6 % rise. The Construction sector index on the Frankfurt Stock Exchange experienced strong growth and closed trading with a plus of 33.4 % for the whole of the financial year.

### Sto share down

It is clear that the 2015 fiscal year placed the Sto share under pressure. The rate initially experienced a considerable rise over the first few months of the year, reaching a historic high of EUR 162.00 in mid-May. While the value then remained at a high level until the middle of June, a sharp downward trend then took effect from mid-year onwards. Among the effects that led to this were the conflicting and, in some cases, highly exaggerated media reports on the subject of external wall insulation systems, which created feelings of uncertainty in private investors on the domestic market. The drop in the rate was also the result of Sto's business development, which came in below original projections. This led to the company's need to revise the turnover and earnings forecast for the entirety of 2015, placing additional strain on the share. Mid-December then saw a low for the year of EUR 106.05 recorded. During the final days of the year, however, the share revived slightly, ultimately reaching EUR 114.80 at the end of December 2015. Compared to the previous year's value, this corresponded to a decline of 8.2 %.

The market capitalisation of 2.538 million Sto limited preference shares stood on 31 De-

ember 2015 at EUR 291.4 million, compared to EUR 317.3 million on the same day of the previous year.

### Result lower than in previous year

Sto SE & Co. KGaA's consolidated turnover rose slightly in 2015 by 0.7 %, to EUR 1,216.6 million. The operating result EBIT stood at EUR 81.5 million compared with EUR 97.0 million in the previous year, while the consolidated net income result fell from EUR 66.0 million to EUR 55.7 million. This resulted in earnings for the year under review of EUR 8.77 (previous year: EUR 10.35) per limited preference share and EUR 8.71 (previous year: EUR 10.29) per limited ordinary share.

### Sto limited preference share key figures

*Values per share in euros*

	2015	2014
Earnings per preference share	8.77	10.35
Cash flow from current operating activities	12.28	14.61
Equity capital	62.98	78.82
Dividend payout per preference share		
Dividend	0.31	0.31
Bonus	4.56	25.14
Share price at year end*	114.80	125.00
Year high*	162.00	156.00
Year low*	106.05	119.90
PER (31/12)	13.09	12.08
PER (high)	18.47	15.07
PER (low)	12.09	11.58
Capitalisation of preference shares on 31 Dec (in EUR millions)	291.4	317.3

\*XETRA closing price

The net profit for the year of the parent company Sto SE & Co. KGaA, calculated in

accordance with the Handelsgesetzbuch (German Commercial Code), reached EUR 48.2 million in 2015 (previous year: EUR 62.8 million). The personally liable shareholder STO Management SE will therefore propose at the annual general meeting on 9 June 2016 a dividend distribution of EUR 31,061,340.00 in total. This means that the limited liability shareholders will receive an ordinary dividend of EUR 0.31 per limited preference share and EUR 0.25 per limited ordinary share as well as a one-off bonus dividend of EUR 4.56 per limited preference and limited ordinary share. Based on the 2015 closing price of EUR 114.80, this will result in a dividend yield per preference share of 4.2 %; on the basis of the 2015 opening price of EUR 125.40 a yield of 3.9 % applies.

Beteiligungs GmbH. The remaining 10 % were held by Sto SE & Co. KGaA on the reference date.

#### **Trading volume in 2015**

The Sto SE & Co. KGaA limited preference shares are traded on the regulated market on the stock exchanges in Frankfurt (General Standard) and Stuttgart, in the electronic trading system XETRA, and on the unofficial regulated market of the Berlin, Düsseldorf, and Munich stock exchanges. During the 2015 fiscal year, in total 1,050,835 Sto shares changed hands on all German stock exchanges, compared to 756,283 shares in the previous year. 80.0 % (previous year: 80.7 %) of the total turnover was traded on XETRA, 4.3 % (previous year: 6.6 %) at Frankfurt, and a total of 15.7 % (previous year: 12.7 %) at the other trading locations.

#### **Shareholder structure**

At the 2015 year end, of the 2.538 million limited preference shares, an estimated 50 % were in the hands of institutional investors. The remaining shares were free float. The number of non-listed limited ordinary shares remained unaltered at 4.32 million. 90 % of these were held by the Stotmeister family via Stotmeister



## Sustainability and Corporate Social Responsibility

### A changing world

Given the changes we experience in our environment, in society, and on the markets, a sustainable approach to business is a fundamental element of ensuring long-term success. In 2015, we were faced in particular with new social challenges such as the refugee situation in Europe, unsettled political and economic developments in several regions of the world, movements on the raw materials markets that in some cases were significant, and the issue of climate change.

The 21st United Nations Climate Change Conference, hosted by Paris in December 2015, once again illustrated the importance of climate protection and the kind of ambitious targets and measures that need to be pursued if average global warming levels are to be reduced to an acceptable level. The global climate agreement that was reached, which is binding under international law, saw 196 countries commit to reducing average global warming to “considerably below” 2° Celsius by the end of this century.

Some months prior to the agreement, the United Nations also adopted a range of sustainable development goals that are set to have an impact on all aspects of our lives. The 17 Sustainable Development Goals, as they are known, are intended to be reached by 2030 and touch every element of the Sto Group’s business, whether directly or indirectly. Some examples are goal 11, “Make cities inclusive, safe, resilient, and sustainable”; goal 12, “Ensure sustainable consumption and production patterns”; and goal 13, “Take urgent action to combat climate change and its impacts”.

### Assuming responsibility

Since 2013, Sto SE & Co. KGaA has been analysing the latest megatrends as part of this sustainability strategy, and deriving measures for the company to implement on the basis of this. In particular, this work encompasses the following areas:

- Climate protection as a consequence of climate change
- Resource efficiency and a circular economy, in order to answer the question of how to deal with the growing scarcity of resources and find solutions for preventing waste
- Environmental protection as a means of conserving ecosystems
- Qualification and training in order to combat a shortage in young talent and skills
- Health and well-being for employees, applicators, and users, and
- Commitment to social issues, signalling solidarity and individual support

### National and international standards

National and international initiatives provide us with important terms of reference on how to promote sustainability at Sto.

Since 2009 we have been a member of the **UN Global Compact**, a worldwide strategic initiative for global justice under the auspices of the United Nations. Global Compact members are committed to aligning their business activities and strategies with ten universally acknowledged principles taken from the areas of human rights, labour standards, environmental protection, and the fight against corruption. They are also committed to supporting the objectives that go hand in hand with this. 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. Further details relating to the Corporate Governance at Sto are to be found in the Corporate Governance Report in this annual report. We also require our suppliers to accept the Global Compact principles and thus assume certain minimum obligations. In 2015, Sto supported the initiative through a donation of EUR 7,500 to the “Stiftung Deutsches Global Compact Netzwerk” foundation. This report also represents the annual Communication on Progress (COP) required by the Global Compact.

Since 2014, Sto has participated in the nationwide sustainability initiative **Chemie<sup>3</sup>**, which was initiated jointly by the German Chemical Industry Association (VCI), the Mining, Chemical and Energy Industrial Union (IG BCE), and the German Federation of Chemical Employers' Associations (BAVC). It has developed important guidelines for sustainable development in Germany's chemical industry and provides various tools for implementing these in practice.



In 2015, Sto played a major part in the activities carried out by the initiative, supported various Chemie<sup>3</sup> events with the aim of engaging in discussion on examples of best practice, and performed the “Chemie<sup>3</sup> Sustainability Check” in a number of subsidiaries – something we had already successfully done at our Stühlingen-Weizen headquarters in 2014. Taking the form of a workshop, this check involves a self-evaluation of more than 30 areas of activity within the company, an analysis of strengths and weaknesses, as well as specific areas of responsibility and measures that have been derived on the basis of this information. An overall concept is in development based upon already established management processes as well as company and product-related measures,

allowing all Sto's sustainability activities to be pooled, reviewed regularly, and realigned if needed. We are rolling out this action to the entire Group.

Demonstrating the responsibility it takes for sustainability on a regional level, Sto has for many years now been involved in the Sustainability Management Initiative (Wirtschaftsinitiative Nachhaltigkeit, WIN) of the State of Baden-Württemberg, and signed the **WIN charter** in 2014. Through this, Sto has committed itself to twelve principles and objectives of sustainable management, and has undertaken to submit a regular written report as well as carry out specific projects.

As well as this, various subsidiaries are taking part in sustainability initiatives within their own countries and expressing their own sense of responsibility as a result. In Austria, for example, Sto Ges.m.b.H. is a member of “respACT – austrian business council for sustainable development”, the leading business platform for Corporate Social Responsibility (CSR) and sustainable development in Austria.

At Sto SE & Co. KGaA, we supplement these specifications from external sources with **internal corporate regulations**, which are designed to accommodate Sto's specific corporate environment. First and foremost are the “Principles of Cooperation and Management within the Sto Group”, which we use to translate the general ideas outlined in our Guiding Principles into concrete actions. We are also committed to participating in both national and international **trade associations** to discuss important sustainability issues that affect the entire Group, such as new legislation on building products, the harmonisation of product directives, or the grading of hazardous material. For example, Sto is a member of the German Sustainable Building Council (DGNB), natureplus e.V., and a range of other associations. In Austria, meanwhile, it plays an active role on the advisory board of Bau-EPD GmbH



and the “innovative gebäude®” platform. Also at association level, Sto takes part in the “Sustainability” working group of the Verband der deutschen Lack- und Druckfarbenindustrie e.V. (German Paint and Printing Ink Industry Association, VdL), the “Sustainable Building” working group of Deutsche Bauchemie e.V., the European Association for External Thermal Insulation Composite Systems (EAE), and the Fachverband Wärmedämm-Verbundsysteme e.V. (Professional Association for External Wall Insulation Systems, FV WDVS).

### Sustainability Compass

We use our Sustainability Compass in order to perform a concrete evaluation of our sustainability activities at company and product level. Not only does this tool ensure that all aspects of sustainability are taken into consideration, it also provides a source of support during decision-making processes. We live in a dynamic and complex world in which the search for sustainable solutions often fails to produce a win-win situation for everyone – for example, a product that is both eco-friendly and inexpensive – and so it is necessary to weigh up a range of criteria when coming to a decision. Our Sustainability Compass helps us create a four-di-



mensional mindset encompassing Nature, Economy, Society, and Well-being aspects, and arrive at the best possible solution as a result. This approach gives a pivotal role to not only the values that define the main areas of focus and the direction in which decisions are made, but also the information that enables analysis and evaluation to remain as objective as possible. Going in this direction is also an expression of the corporate mission we have drawn up: “Building with conscience.”

### Information and transparency

We provide numerous products and services that are designed to support customers and market partners in their quest for sustainable solutions. The expert advice provided directly through Sto employees represents the most important element in this. For this reason, we also communicate the subject of sustainability to our staff in detail and give them intensive training in handling it. This personal approach to delivering information is accompanied by eco-labels, product declarations, and product data sheets. There are three different types:

### Labels & certificates

Environmental labels and certificates such as Der Blaue Engel, TÜV, and natureplus® are primarily aimed at end consumers, private consumers, and public procurers. For building certification systems such as the one provided by the German Sustainable Building Council (DGNB), environmental certificates are often used as proof of a particularly high ecological standard. Products are evaluated based on various criteria defined by the relevant issuing authority.

Sto exclusively uses recognised test seals and seals of quality, and has had a large number of products certified in the areas of thermal insulation, facade coating, and interiors; in 2015, recertification was carried out where this certification had expired. The natureplus®

eco-label for EWIS confirms not only that the products efficiently save energy, but also that stricter energy efficiency requirements are fulfilled in the product's production, environmental properties, and substances in the system components. Der Blaue Engel for EWIS certifies the use of materials which result in less of an impact on the environment compared with other products within their product group, and which contain no harmful substances requiring disposal, demonstrate excellent durability, and are installed in accordance with statutory regulations.

A large part of our interior product range carries the TÜV seal of quality awarded by TÜV SÜD – “low-emission, physiologically harmless, and production monitored” – or has been tested for harmful substances in accordance with Oeko-Text® standard 100. Several of our products are also natureplus®-certified, meaning that they adhere to the very strictest criteria in respect of their composition, substance prohibitions, substance restrictions (emissions), raw material extraction, pre-product manufacturing, production, and processing.

In Switzerland, we label our interior products with the Swiss eco-label from the Stiftung Farbe (Paints Foundation). Meanwhile, Sto interior products in France are consistently labelled with the French VOC label “Émissions dans l'air intérieur”.



The numerous eco-labels available in the form of private and public product labels are posing an increasing challenge. In most cases, they are only recognised at national level and can therefore only create added value in a

single market. As a result, products that have already been labelled would then have to be given eco-labels from a range of different regions or their certificates would require additional declarations. This is one of the major reasons why we have considerably stepped up the provision of Sustainability Data Sheets.

### Sustainability Data Sheets

In 2015, Sustainability Data Sheets that we drew up ourselves were already available for a wide range of our products. These voluntary self-declarations plug gaps that may be left by existing product information or eco-labels, and meet the increasing demand for concrete, product-specific data on ecological and health-related criteria. Spanning around four pages, they provide all the key information on the DGNB and LEED building certification systems, as well as substances, emissions, and other environmental matters. Like our Technical Data Sheets and Safety Data Sheets, our Sustainability Data Sheets are available to download free of charge or can be posted to anyone who requests them.

### Environmental Product Declarations (EPDs)

Environmental Product Declarations or EPDs, which align with EN 15804, represent a third building block in our efforts to provide information about the sustainability of Sto products. Central to these declarations is a Life Cycle Assessment (LCA) as well as additional information about aspects such as the production process, service life, and provisions for recycling a product. EPDs are purely informative and do not assess a product, but require verification from an independent third party. This internationally valid document explains numerous building product properties from an environmental perspective and provides useful data for determining a building's sustainability, a factor that primarily depends on the building material used.

We are also increasingly using what are known as sample EPDs for our products. These have been developed in collaboration with various associations (such as Deutsche Bauchemie, VdL, and IWM) on the basis of framework guidelines, with each representing a product group. This removes the need for the time-consuming process of calculating and producing individual, product-specific EPDs for every single manufacturer.

As part of its consumer protection efforts, the European Union wishes to promote the provision of individual, product-specific ecological parameters and launch a standardised eco-label on the European market. The European Commission has initiated the Product Environmental Footprint (PEF) to this end. Sto is a participant in the pilot project, and in doing so, aims to follow its developments from an early stage. By 2018, the EU is hoping to decide whether these product labels should be placed on the European market – and if so, in what format – as well as the role that existing EPDs in line with EN 15804 will play.

Alongside eco-labels and declarations, other specific issues are under critical discussion concerning the sustainability of our products. In 2015, we used the Sto White Paper on Facade Insulation, subject-specific brochures, and the Internet to launch a comprehensive outline of these matters in the form of facts about thermal insulation. Additionally, the “dämmen-lohnt-sich.de” initiative of the Qualitätsgedämmt e.V. association, founded in 2014, provides information about thermal insulation with the aim of painting a balanced picture of the issue.

dämmen-lohnt-sich.de



Our websites represent the main source of information about our sustainability activities at company level. In September 2014, the Euro-

pean Union enacted a Transparency Directive, thus agreeing on a non-financial disclosure rule for large companies in the EU. In the future, companies with more than 500 employees will be bound to a process of reporting on ecological and social issues as well as subjects affecting their company management. The Directive will need to be translated into national law by 2017. This annual report represents our efforts to comply with this obligation already, as we have done in previous years; we will adapt our reporting in line with specific national requirements once we become aware of them. At the same time, we are voluntarily ensuring our information is compliant with the criteria of the Global Reporting Initiative (GRI).

#### A. Company-level activities

Ever since the company was founded, Sto has been oriented towards long-term, positive development in fair cooperation with customers and employees. Sustainability is an issue that is found in all areas and departments: from energy-efficient and resource-efficient production, to environmental and quality management, to health management and social responsibility. Following the development of a sustainability strategy and the introduction of key methods designed to implement it, the main focus of 2015 was on coordinating the various tasks and activities involved. In addition to the self-evaluation conducted with the aid of the Chemie<sup>3</sup> Sustainability Check, we focused on defining key areas on which we need to train our efforts and introducing new measures.

#### Climate and resource protection

One particularly important building block of our sustainability management policy is climate protection and efficient use of energy and resources – after all, Sto’s products play an important role in conserving energy and protecting living spaces as well as the resources that are part of them.

Since 2015, activities in this area have ramped up within Europe through the launch of an energy management system in line with ISO 50001. This is set to meet the new legal requirement for performing an energy audit in accordance with EN 16247-1, and will ensure that energy efficiency measures are recorded, implemented, and supported in a professional manner. 2016 will mark the first year in which certifications in line with this standard are issued. The costs associated with this should be recouped through the effects of energy efficiency measures in around three years, then ultimately outweighed thanks to the results gained from these measures. Given Sto's already high level of energy and resource efficiency, we are not expecting to see any dramatic developments, although this action will provide us with inspiration for making additional optimisations and consistently exploiting every area of the company.

In the medium term we will connect this with a company-wide climate protection strategy which will take into account climate data as well as energy data, in particular CO<sub>2</sub> emissions. Instead of defining short-term goals based on estimates and assumptions, Sto is therefore creating a long-term strategy on a foundation of solid data. As climate change is linked to extreme weather events that in some cases have grave effects, this area of concern is also factored into our risk analysis, particularly with regard to supply chains. In addition to this, we are staying abreast of the latest developments in the national and international discussion on resource efficiency, and aligning the suggestions arising from it with the content of our own management systems, especially where ISO 14001 and ISO 50001 aspects are concerned.

Monitoring systems, which continuously record and analyse key consumption figures in our buildings and processes, represent an important basis for gathering information about

and optimising company-wide efficiency measures. In Germany, the data is acquired partly through external service providers, who then evaluate it so that base and peak loads can be optimised and early countermeasures can be put in place if conspicuous deviations occur. This procedure is still undergoing significant expansion and refinement as part of the launch of the ISO 50001 energy management system.

The national Climate Alliance Austria certified all Sto locations in Austria as "climate protection businesses" in 2004, whereby an energy guideline, among other things, is implemented for all factory buildings. Through the installation of an energy monitoring system at our Villach location, conscientious use of lights and other electricity consumers, new thermostats, and regular newsletters for raising employee awareness, it has been possible to achieve 15 % electricity savings as well as 10 % savings in heating costs. Additionally, Villach saw the installation of a photovoltaic plant in 2015. In this case too, on the whole we are not expecting the energy management system to generate any new findings that would result in significant energy consumption reductions. By systematically recording key figures and processes, however, we are aiming to identify more concrete areas of focus and plug any gaps that may be present.

The energy efficiency activities we have implemented by using LED lighting are also being pursued further as part of our energy management system. Thanks to our long-standing efficiency measures, we managed to keep the electricity consumption of our German locations at the same low level in 2015. Since 2011, the consumption of electricity and heating energy per tonne of produced goods has remained constant.

Our climate and resource protection measures also include our efforts to use certified **green electricity**. We believe that the energy revolution can only happen if energy saving

is made the number-one priority, followed by the use of regenerative energy sources in order to cover the reduced energy demand that will result from this. Consequently, in Germany we purchase hydroelectricity almost exclusively and, in 2015, were able to save more than 5,000 tonnes of CO<sub>2</sub> compared with the electricity mix that is used throughout the country.

Conscientious use of water is another element of resource conservation and can be optimised by putting efficiency measures in place. At our Weizen location, for instance, production water is drawn from our own wells, processed internally, and then recycled in a modern silo purification plant. After passing through this circuit several times, the purified water flows into the municipal wastewater treatment plant.

In addition, we consistently strive to ensure the return of packaging and recyclable materials, and to dispose of waste in a manner compatible with the material and environment. Production processes are designed in a way that prevents as little production waste as possible from being generated. In 2015, waste from our production and sales activities remained at a constant level. Absolute rises at individual locations were attributable to the commissioning of new facilities. In Austria, old paint and plaster are returned and then incorporated into a recycling production system.

### Logistics and mobility

Logistics and mobility as part of climate protection measures are equally important to us. We optimise transport routes, ensure an excellent degree of utilisation, promote economical and environmentally conscious driving, and deploy modern monitoring systems. This allows us to save kilometres, fuel, and CO<sub>2</sub>. To name one example, the extension of our production facilities in Villach achieved savings of around 200,000 HGV kilometres and thus created a reduction in CO<sub>2</sub> emissions of more than

3,000 kg. A GPS-controlled telematics system in Austria brought further savings in HGV kilometres, amounting to around 14 % and the same proportion of lower emissions. Using the BahnCard Business for business trips guarantees mobility using 100 % green electricity in long-distance Deutsche Bahn trains. 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> emissions.

Additionally, we continued to promote the use of electromobility during the year under review. Our headquarters in Stühlingen not only feature a charging station with two power connections, but since spring 2015 also now have two electric vehicles, available for use by all employees. As the charging station is supplied with hydroelectricity, this ensures that the vehicles are entirely eco-friendly. Other locations – such as Verotec GmbH in Lauingen – have already incorporated electric vehicles into their fleets or are making plans to launch them over the short or medium term.



Sto employees are delighted with the new electric vehicles.

### Quality and environmental management

Sto has in place a comprehensive quality and environmental management system in which all production locations are recorded and audited internally. Many locations also possess external certifications. In 2015, 22 out of a total of

28 locations were tested in accordance with international quality management standard ISO 9001, with 14 also receiving ISO 14001 certification for their environmental management system. The social component of sustainability is also playing an increasingly important role in externally certifiable management systems. In the USA, all our locations are tested in accordance with not only ISO 9001 and ISO 14001, but also SHARP, the national Safety & Health Achievement Recognition Program. Our Swedish subsidiary has obtained seals of quality for its quality and environmental management systems, as well as certification in line with OHSAS (Occupational Health & Safety Assessment Series) 18001, providing documented proof of high standards of health and safety. Similarly, in 2015 Verotec GmbH was awarded OHRIS certification in recognition of its company occupational health and safety system. This confirms that the company complies with the requirements of an occupational health and risk management system (OHRIS) and meets global standards concerning health and safety at work.

All the systems implemented ensure a methodical and verifiable approach Group-wide and allow the continuous identification of improvement potential and risks – an essential requirement for optimising business processes. Both managers and employees put into practice the requirements made by the management system with regard to quality and environmental protection.

#### **Sustainable building with DGNB: new office building in Stühlingen**

Following its gold pre-certificate awarded by the German Sustainable Building Council (DGNB) at the start of 2015, the new office building at the Stühlingen location went on to receive the council's highest honour in line with the revised DGNB awards system: the platinum pre-certificate. This documents the fact that

the project fulfils at least 80 % of the DGNB criteria. The new building features an extremely innovative energy concept which focuses on energy efficiency and the use of regenerative sources of energy. Only building products containing low levels of harmful substances are allowed to be used, and the building is required to provide as high-quality an environment for users as possible. It also has to ensure that a particular budget is met and that both technical and functional aspects are taken into consideration. The DGNB certification encompasses a total of six key areas: ecology, economy, sociocultural and functional aspects, technology, processes, and location. The new building will be ready for occupation in 2016.

#### **Sustainability in the supply chain**

Public interest in supply chain sustainability grew during 2015, with the subject attracting significant attention at sustainability conferences, for example. The interest is focused on industrial sectors who have received much publicity as a result of their poor working conditions or significant environmental scandals. Although the supply chains affecting Sto's operations have so far remained out of this public gaze, we are following this subject with great concern and taking steps that go beyond our statutory duty of care. Several years ago, an important measure we implemented in the logistics and supply chain was the "Supplier Code of Conduct", which integrates key aspects of sustainability into **procurement processes**. 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. We also ensure we stay regularly informed about opportunities to join larger initiatives whose aims are to minimise risks in the supply chain and raise social and environmental standards. This includes the chemical industry's international "Together for Sustainability" initiative.

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

### Social responsibility

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, safe, and health-promoting working environment. For

this reason, we ensure safety at the workplace, offer numerous qualifications, promote the compatibility of family and working life, and establish health management systems. We also maintain an aid fund for Sto Group employees 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. An annual assessment of CSR and employee measures, training rates, and other key figures help in this sector to quantify sustainability and identify potential for improvement. The Sustainability Day organised by our trainees at our Weizen location in 2015 serves as another example of our manifold initiatives.

Social responsibility for Sto does not end at the factory gates. On the contrary: Sto SE & Co. KGaA, all operational subsidiaries, and several of our employees commit themselves to **social** issues in many ways. As an example, the trainees at our Weizen location conducted an additional project focusing on ecology in the run-up to the Sustainability Day.

As part of the Sustainability Day, Sto trainees created new pike-perch nests at Kofenweiher lake in Hüfingen.



Bright Hill Pre-School in Windhoek, Namibia, is one of the international projects that Sto has funded for many years, and we continued to provide it with financial support in 2015. For 100 children from the surrounding slums, this pre-school offers more than just preparation for starting school – it is also a place where they can learn English and have breakfast and lunch every day. In addition to financial assistance, Sto provides the school with personal support: two employees will once again visit Namibia during spring 2016.

The numerous voluntary activities of Sto employees are funded at certain Sto subsidiaries by the company itself – at Sto Corp. in the USA, for example, where each employee can take 24 paid working hours' leave (3 working days) to volunteer for a non-profit organisation of their choice.



The non-profit Sto Foundation, established in 2005, is another important cornerstone of our charitable activities. It provides support for the painters, plasterers, and architecture students of the future. In 2015, the funding amount provided by the foundation was increased to EUR 600,000 per year to mark the occasion of Sto SE & Co. KGaA's 60th anniversary. The total funds available originate both from subsidies provided by Sto SE & Co. KGaA and the company's limited ordinary shareholders, and from returns on the Foundation's capital to the amount of EUR 1 million. Over the past ten years, up-and-coming talent in the construction industry has already benefited from around EUR 3 million in funding. In 2015, the Sto Foundation was active in Germany, France, the United Kingdom, Italy, Austria, South Africa, and the Czech Republic.



One example of the foundation's activities is its annual competition, "You've got what it takes, now show us!", which equips 130 of the best painter trainees in Germany and Austria with a set of state-of-the-art tools and specialist literature. In addition to this, six scholarships are awarded each year to students who have not received their final secondary school diploma, giving them the opportunity to train as a technician or study at a university. Many young tradesmen also receive further training in one of the international exchange programmes or practical projects that are available.

Through the international summer schools funded by the Sto Foundation, students of architecture, interior design, and construction have the chance to gain an in-depth knowledge of practical aspects of sustainable planning and construction. The November Talks, which we also support, also provide a forum for them to find out about practical examples. Taking place each autumn, these invite representatives from world-renowned architecture firms to deliver expert lectures, and have so far been held at six locations across Europe. In 2015 alone, the

Each year, the Sto Foundation provides incentives for 100 of Germany's best young painters and lacquerers. They are kitted out with high-quality tools in preparation for their trade examination.



Thanks to a grant from the Sto Foundation in the 2015 summer school competition, it was possible to finish construction of the Guga S'Thebe cultural centre in the Langa township of Cape Town, the South African metropolis. Students from five universities have built a theatre there.

University of Stuttgart welcomed around 900 attendees to each event.

More information can be found at [www.sto.com](http://www.sto.com), under Company/Sto Group/Sto Foundation.

### Awards

In 2014, our Austrian subsidiary underwent an ethics check. The exemplary business ethics it demonstrated led the ethics forum at the WEISS Institute For Business Ethics to award it the gold seal of quality in 2015. This renowned institute described Sto Ges.m.b.H. as "sustainable and conscious of future generations". Not only that, but the company's unwavering pursuit of sustainability principles led it to receive the audience award in the 2015 outing of the prestigious Austria's Leading Companies (ALC) competition.

Our research project on the subject of EWIS modulation resulted in us winning both the Innovation Prize for Architecture and Construction in Germany, and the renowned Klimahouse Trend 2015 prize for innovative technology in Italy. What is more, two of the six total Klimahouse Awards went to innovative building projects in which Sto Italia Srl was involved. In

China, our Shanghai Sto Ltd subsidiary also received a raft of awards, including the status of "Enterprise of Quality and Integrity" from the Shanghai Building Material Committee.

### Dialogue with stakeholders

Maintaining dialogue with our stakeholders is an exceptionally important part of our sustainability efforts. We do this in a variety of formats in order to accommodate the many different subjects that are raised, often in specialist and product-specific areas. This includes, in particular, participating and assisting in events as part of the Chemie<sup>3</sup> sustainability initiative as well as in the action-based associations VCI, IG BCE, and BAVC. A sustainability day held by the VdL in 2015 also involved pre-event stakeholder dialogues on key sustainability issues affecting the industrial sector. As well as this, the working sessions of the German Global Compact Network provide crucial opportunities each year to find sources of inspiration and share knowledge.

2015 saw Sto participate for the first time in the German Day of Sustainability as well as the German Sustainability Award given by the Deutscher Nachhaltigkeitspreis e.V. foundation. This national award, recognising superior achievements in sustainability within the fields of business, community, and research, is the most significant of its kind in Europe and encompasses five competitions involving more than 800 candidates. Since 2008, the Deutscher Nachhaltigkeitspreis foundation has awarded it annually in conjunction with the federal government, leading community associations, industry associations, civil society organisations, and research facilities. It also includes a "Sustainable Building" category in cooperation with the German Sustainable Building Council (DGNB e.V.). The intention behind awarding prizes to exemplary stakeholders and projects is to support efforts undertaken in the shift towards a sustainable society. Doing this demonstrates



how “sustainability made in Germany” is not only successfully providing solutions to current challenges, but is also able to provide a forum for competition. These initiatives have created a launch pad for start-ups and honoured them through the Next Economy Awards, and have fostered expert discussion – for example, in a sustainable building forum set up by Sto SE & Co. KGaA in conjunction with the German Sustainable Building Council and prefabricated house business DFH Deutsche Fertighaus Holding AG.

Other key platforms for stimulus and opinion have been provided through our own colloquiums involving architects, planners, tradesmen, and energy suppliers, as well as events with market partners and a range of trade fairs – another area in which sustainability is becoming an increasingly pressing issue. In 2015, specific requirements for building products were voiced through specialist events on subjects such as healthy living and healthy school environments, sustainable construction and sustainable building products, recycling of building materials, and cradle-to-cradle design. These were organised by event holders including Sentinel Haus Institute, TÜV Rheinland, the DGNB, Drees & Sommer, natureplus®, the housing industry, and many others alike.

In addition to the opportunities for direct discussion we have with non-governmental organisations (NGOs), media representatives, and research facilities, the events we currently stage enable us to provide an excellent overview of the latest issues relating to sustainability in the construction industry and the specific requirements being expressed by our market partners. It is also becoming clear that, while sustainability activities carried out at company level – such as social responsibility and energy efficiency measures – are generally viewed as important in the eyes of the construction industry, the main focus is very much on the building products themselves.

## B. Product-level activities

Sto products make a contribution to key aspects of sustainability, such as climate protection; building, energy, and resource efficiency; protection and durability; as well as health and well-being. All of the raw materials fulfil the functions for their application and are optimised with respect to their impact on the environment based on the latest technology. In the production stage, we aim to incorporate energy-efficient and resource-efficient materials, using renewable raw materials wherever possible and viable. Furthermore, Sto evaluates and promotes the potential to dispose of, reuse, and recycle its products, taking technological and economical feasibility into account.

In general, pricing presents a challenge that has to be faced when developing sustainable products. Despite sustainability being a popular topic and rising demand for eco-friendly, healthy, regional, resource-conserving, and climate-neutral products, there is usually little willingness to take on the additional costs that may arise from meeting these criteria. However, sustainability is a path that can only be followed with everyone moving in the same direction and with the right awareness-raising measures. This means that “Building with conscience.” serves as the ideal mission statement in the area of sustainability too.

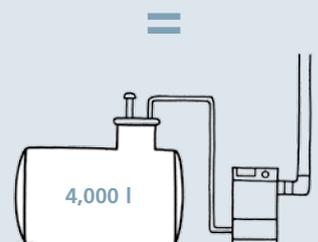
## Climate protection

Sto’s product portfolio makes an active contribution towards protecting our climate. We have been developing and selling facade insulation systems for more than 50 years now, and thanks to their efficient building insulation capacity, we have been able to help achieve significant savings in heating energy. The Sto systems that have been installed worldwide since 1965 have resulted in savings of around 85 billion litres of heating oil up to and including 2015, with the year under review accounting for around 6 billion litres of this

## Thermal insulation helps to protect the environment

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

**85 billion litres of heating oil**



**x 21 million oil tanks**



**x 3 million tanker lorries**



**x 3,400 oil tankers**

Between 1965 and 2015, facade insulation systems from Sto played a direct role in saving the barely conceivable volume of 85 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 264 million tonnes. In 2015 alone, Sto products reduced emissions of this combustion gas by around 17 million tonnes.

figure alone. The resulting reduction in CO<sub>2</sub> emissions totalled 264 million tonnes, including around 17 million tonnes in 2015. In this way, Sto makes a significant contribution to climate and environment protection. This also improves the living comfort and quality of the relevant buildings.

Our direct contribution to climate protection in this way is accompanied by energy-saving measures and the use of regenerative energy during production. Our **CO<sub>2</sub>-neutral products** also help us take things one step further. Based on an Environmental Product Declaration, we calculate the CO<sub>2</sub> emissions generated during raw material supply and production in the case of these products, and balance the outcomes with emission certificates that benefit a climate protection project. In Germany, we achieved climate-neutral status for our new, biomimetic StoColor Dryonic facade paint in 2015 and, in the process, provided assistance for a hydroelectricity project in Indonesia. This made it possible to compensate for 180 tonnes of CO<sub>2</sub>. Two of our paints in Austria are also climate-neutral: StoColor Sil In for interiors and StoColor Lotusan for facades. In this case, Sto Ges.m.b.H. purchases regional environmental certificates as a means of compensating for the CO<sub>2</sub> released during the manufacturing process, thus enabling it to support humus production in the ecoregion of Kaindorf. Our StoTherm Wood facade insulation system is also inherently climate neutral: as the product uses soft wood fibres as an insulant, the growth of trees ensures that more CO<sub>2</sub> is captured with this system than is emitted during production.

### Resource protection and recycling management

The majority of Sto products are coatings which are used to protect buildings. In itself, this is one of the most important contributions we make towards sustainability as far as durability, weather protection, building preserva-

tion, and, therefore, **resource protection** are concerned. Without a protection layer, many of our buildings would age, deteriorate, and need refurbishing much more quickly. This is particularly true in the case of coatings that protect concrete as a construction material or enable concrete buildings to be repaired. Additionally, coatings that are especially hard-wearing help protect the rain screen on buildings from external influences – an increasingly important factor to consider given the rising number of heavy rainfall and hailstorm occurrences. In both areas, we are expecting to see growing demand and are therefore offering products to accommodate this.

Dismantling a building raises the question of the extent to which its installed resources can be fed back into **cycles** that are as closed as possible. With many resources becoming more limited, it is important from both a financial and ecological perspective to maintain and recycle raw materials and products within these cycles. That is why we are now focusing even more attention on this set of issues and looking at every aspect of a building product's value chain, with the aim of developing and offering solutions that have been technically, financially, and ecologically optimised – and are sustainable as a result.

The cycle begins with the selection of raw materials, proceeds to the manufacture of building products, then to the system build-up (e.g. EWIS or RSC); all the way through to options for recycling and energy recovery. There are various approaches available for reusing building products or sending them to recycling facilities, depending on the raw materials in question and what has been used to combine them. One area to which we are devoting our attention is finding applications for treated or contaminated materials. There are also logistics-related challenges when it comes to returning materials to facilities that can recycle them, technical challenges in ensuring unmixed



StoColor Dryonic has been awarded the title "climate-neutral facade paint".

sorting, plus ecological questions about the energy expenditure that is required and financial questions about the economic efficiency of the processes concerned. As things stand, the material quantities that are incurred are so low and so widely distributed that launching a recycling system with coverage across our entire operation would not be efficient, and would not be an incentive for disposal and recycling facilities to invest in the necessary systems. Despite this, Sto is playing an active role in various research projects and is developing approaches to the ways in which the building materials it manufactures and sells could be used in the future.

In principle, recycling opportunities should rise as materials are able to be separated from one another with greater degrees of purity. One of our primary research projects, facade4zeroWaste, is therefore seeking to develop an insulation system which does not use adhesive: instead, Velcro fasteners join the main load-bearing components of the facade system together. This simplifies installation and disassembly, and also ensures that, once the



Dr Eike Messow, Head of Sustainability at Sto (left), and Dr Ferdinand Oswald from Graz University of Technology (right), accept the European Construction Material Recycling Award 2015 from Günter Gretzmacher of the Austrian Construction Materials Recycling Association.

system's working life comes to an end, the individual components can easily be separated from each other and then reused almost entirely. In May 2015, this innovative approach led Sto – together with project partner Graz University of Technology – to receive the European Construction Material Recycling Award 2015.

The company is also pursuing other resource protection and recycling optimisation strategies by selecting raw materials and building elements that can be fed back into existing cycles as easily as possible. These include glass, various types of plastic (PP, PET), iron, and aluminium. Additionally, packaging materials and non-contaminated insulants are re-integrated into the manufacturing process or sent for subsequent treatment.

Sto also provides support for developments in the area of dismantling and recycling processes. The more sophisticated the technology available for returning and recycling building materials and facade systems is, the easier it is to recycle existing products and systems – including those which have been firmly bonded together. These technological methods, such as solvolysis (CreaSolv® process) are becoming increasingly feasible to implement and stand to create and simplify many more recycling options – with polystyrene insulants forming one key area of focus.

### **Environmental protection and health**

Health and well-being represent a significant megatrend in today's society. Where buildings are concerned, this particularly touches on areas such as thermal and acoustic comfort, indoor air hygiene, and health protection. Sto building products have the potential to make a directly positive impact on these subjects of concern. At the same time, the ongoing analysis and external supervision to which we subject our products ensure that applicators and users benefit from excellent quality. Any potentially harmful substances are indicated

transparently in Safety and Sustainability Data Sheets as well as Environmental Product Declarations, and many of our products are certified in accordance with natureplus®, TÜV SÜD, and other eco-labels. This confirms that the impact of raw materials or emissions on health and the environment is either ruled out altogether or reduced to a minimum.

Where environmental protection is concerned, we also pay close scrutiny to the use of biocides in products designed to protect buildings. On our website and in brochures, we explain the subject of algae and fungal growth from different perspectives and provide information on aspects worth considering as well as the solutions and alternatives that Sto can offer. In this context, we look at biomimetics and what significance biodiversity as well as protection of nature and the environment has for our products. “Intelligent” renders and paints use active principles derived from nature to create surfaces that not only stay dry and clean in the long term, but also lack the nutrients that microorganisms need to survive.

We consider it vital to engage with these topics in an open and honest manner, as it is not just down to us to determine how the sustainability of our products is interpreted and evaluated – the opinions and decisions of the public, experts, market partners, and customers also play a role. Comprehensive information on our products, with the environment and health as its main focal points, aims to provide assistance in this regard. This enables us to uphold our “Building with conscience.” philosophy in the realm of sustainability too.

Sto SE & Co. KGaA, Stühlingen  
**Consolidated annual financial statements  
of the Sto Group (IFRS)**

- Statement of profit or loss
- Statement of other comprehensive income
- Statement of financial position
- Statement of changes in equity
- Cash flow statement
- Notes

## Sto SE & Co. KGaA, Stühlingen

# Consolidated statement of profit or loss for 2015

	Notes	2015 EUR	2014 EUR K
1. Revenue	(1)	1,216,552,542.19	1,208,729
2. Changes in product inventories		-1,397,706.03	2,374
3. Other internally generated assets capitalised	(2)	158,727.29	4
<b>Total revenues</b>		<b>1,215,313,563.45</b>	<b>1,211,107</b>
4. Other operating income	(3)	27,861,313.61	24,107
5. Cost of material	(4)	-544,053,429.64	-555,601
6. Personnel expenditure	(5)	-324,056,778.70	-307,909
7. Other operating expenses	(6)	-262,489,374.40	-244,845
<b>EBITDA (Earnings before interest, taxes, depreciation and amortisation)</b>		<b>112,575,294.32</b>	<b>126,859</b>
8. Depreciation and amortisation of intangible assets as well as property, plant and equipment	(7)	-31,036,747.53	-29,904
<b>EBIT (Earnings before interest and taxes)</b>		<b>81,538,546.79</b>	<b>96,955</b>
9. Share in profits of associates	(8)	0	-1
10. Interest and similar income	(9)	1,481,543.48	2,293
11. Interest and similar expenditure	(9)	-2,713,069.52	-3,018
12. Other financial income	(10)	935,787.09	0
13. Other financing expenses	(10)	0	0
<b>EBT (Earnings before taxes)</b>		<b>81,242,807.84</b>	<b>96,229</b>
14. Taxes on income and earnings	(11)	-25,505,992.21	-30,234
<b>EAT (earnings after taxes)</b>		<b>55,736,815.63</b>	<b>65,995</b>
of which:			
Share of minority interests		-389,083.97	-272
Share attributable to the shareholders of Sto SE & Co. KGaA		56,125,899.60	66,267
Earnings per share basic/diluted in EUR			
Limited ordinary share	(12)	8.71	10.29
Limited preference share	(12)	8.77	10.35

## Sto SE &amp; Co. KGaA, Stühlingen

**Consolidated statement of other comprehensive income 2015**

	2015 EUR	2014 EUR K
<b>EAT (earnings after taxes)</b>	<b>55,736,815.63</b>	<b>65,995</b>
Currency translation:		
Currency translation differences	2,951,994.76	4,604
Deferred taxes	0	0
<b>Currency translation differences after taxes</b>	<b>2,951,994.76</b>	<b>4,604</b>
<b>Earnings to be reclassified in the statement of profit or loss in future periods</b>	<b>2,951,994.76</b>	<b>4,604</b>
Actuarial gains or losses:		
Actuarial gains or losses	4,025,006.05	-19,950
Deferred taxes	-1,187,083.88	5,363
<b>Earnings not to be reclassified in the statement of profit or loss in future periods</b>	<b>2,837,922.17</b>	<b>-14,587</b>
<b>Other earnings after taxes</b>	<b>5,789,916.93</b>	<b>-9,983</b>
<b>Total comprehensive income, net of tax</b>	<b>61,526,732.56</b>	<b>56,012</b>
of which:		
Share of minority interests	-382,386.75	-304
Share attributable to the shareholders of Sto SE & Co. KGaA	61,909,119.31	56,316

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

# Sto SE & Co. KGaA, Stühlingen

## Consolidated statement of financial position as at 31 December 2015

Assets	Notes	31 Dec 2015 EUR	31 Dec 2014 EUR K
<b>A. Non-current assets</b>			
I. Intangible assets	(13)	39,470,069.51	42,125
II. Property, plant and equipment	(14)	242,525,335.12	234,629
III. Financial assets accounted for using the equity method	(15)	0	75
<b>Fixed assets</b>		<b>281,995,404.63</b>	<b>276,829</b>
IV. Non-current trade receivables	(17)	1,053,490.57	779
V. Non-current income tax receivables		736,386.90	1,441
VI. Non-current financial assets	(18)	191,369.60	1,955
VII. Other non-current assets	(19)	1,131,407.93	203
VIII. Deferred tax assets	(11)	15,818,744.36	15,382
<b>Other non-current assets</b>		<b>18,931,399.36</b>	<b>19,760</b>
<b>Total non-current assets</b>		<b>300,926,803.99</b>	<b>296,589</b>
<b>B. Current assets</b>			
I. Inventories	(16)	71,223,289.45	69,747
II. Current trade receivables	(17)	123,025,072.53	115,678
III. Current income tax receivables		6,119,299.35	2,783
IV. Current financial assets	(18)	58,761,753.33	141,259
V. Other current assets	(19)	11,000,534.75	10,158
VI. Cash and cash equivalents	(20)	70,861,807.03	113,017
		<b>340,991,756.44</b>	<b>452,642</b>
VII. Available-for-sale assets	(21)	0	2,114
<b>Total current assets</b>		<b>340,991,756.44</b>	<b>454,755</b>
<b>Total assets</b>		<b>641,918,560.43</b>	<b>751,344</b>

Liabilities	Notes	31 Dec 2015 EUR	31 Dec 2014 EUR K
<b>A. Equity</b>			
I. Subscribed capital	(22)	17,556,480.00	17,556
II. Capital reserves	(22)	57,803,590.41	57,804
III. Revenue reserves and other reserves	(22)	328,595,701.54	429,995
<b>Share attributable to the shareholders of Sto SE &amp; Co. KGaA</b>		<b>403,955,771.95</b>	<b>505,355</b>
IV. Share of minority interests	(23)	743,733.07	1,126
<b>Total equity</b>		<b>404,699,505.02</b>	<b>506,481</b>
<b>B. Non-current provisions and liabilities</b>			
I. Provisions for post-employment benefits and similar liabilities	(24)	81,477,201.65	81,742
II. Deferred tax liabilities	(11)	537,531.07	1,039
III. Other non-current provisions	(25)	8,441,698.76	9,316
IV. Non-current borrowings	(26)	312,872.87	1,320
V. Non-current financial liabilities	(28)	662,326.00	1,208
VI. Other non-current liabilities	(29)	10,605.95	1
<b>Total non-current provisions and liabilities</b>		<b>91,442,236.30</b>	<b>94,628</b>
<b>C. Current provisions and liabilities</b>			
I. Other current provisions	(25)	25,796,482.39	22,570
II. Current borrowings	(26)	4,161,563.59	6,953
III. Trade payables	(27)	44,355,069.03	44,211
IV. Current income tax liabilities		4,144,475.64	4,089
V. Current financial liabilities	(28)	26,264,986.05	27,821
VI. Other current liabilities	(29)	41,054,242.41	44,590
<b>Total current provisions and liabilities</b>		<b>145,776,819.11</b>	<b>150,235</b>
<b>Total debt capital</b>		<b>237,219,055.41</b>	<b>244,863</b>
<b>Total assets</b>		<b>641,918,560.43</b>	<b>751,344</b>

## Sto SE &amp; Co. KGaA, Stühlingen

**Statement of changes in equity as at 31 December 2015**

in EUR K	Subscribed capital	Capital reserves	Equity attributable to the shares		
			Revenue reserves	Currency translation reserve	Reserve for pensions
<b>At 01 January 2014</b>	<b>17,556</b>	<b>57,649</b>	<b>437,430</b>	<b>3,275</b>	<b>-12,910</b>
EAT (earnings after taxes)	0	0	66,268	0	0
Other earnings (after taxes)	0	0	0	4,604	-14,555
<b>Income and expenses recognised</b>	<b>0</b>	<b>0</b>	<b>66,268</b>	<b>4,604</b>	<b>-14,555</b>
Dividend payout	0	0	-31,061	0	0
Deposit by associates	0	155	0	0	0
<b>At 31 December 2014</b>	<b>17,556</b>	<b>57,804</b>	<b>472,636</b>	<b>7,879</b>	<b>-27,465</b>
<b>At 01 January 2015</b>	<b>17,556</b>	<b>57,804</b>	<b>472,636</b>	<b>7,879</b>	<b>-27,465</b>
EAT (earnings after taxes)	0	0	56,126	0	0
Other earnings (after taxes)	0	0	0	2,952	2,831
<b>Income and expenses recognised</b>	<b>0</b>	<b>0</b>	<b>56,126</b>	<b>2,952</b>	<b>2,831</b>
Dividend payout	0	0	-163,308	0	0
<b>At 31 December 2015</b>	<b>17,556</b>	<b>57,804</b>	<b>365,454</b>	<b>10,831</b>	<b>-24,634</b>

of the parent company		Total	Share of minority interests	Total equity
Reserve for cash flow hedges	Treasury stock			
<b>0</b>	<b>-23,055</b>	<b>479,945</b>	<b>1,430</b>	<b>481,375</b>
0	0	66,268	-272	65,996
0	0	-9,951	-32	-9,983
<b>0</b>	<b>0</b>	<b>56,317</b>	<b>-304</b>	<b>56,013</b>
0	0	-31,061	0	-31,061
0	0	155	0	155
<b>0</b>	<b>-23,055</b>	<b>505,355</b>	<b>1,126</b>	<b>506,481</b>
<b>0</b>	<b>-23,055</b>	<b>505,355</b>	<b>1,126</b>	<b>506,481</b>
0	0	56,126	-389	55,737
0	0	5,783	7	5,790
<b>0</b>	<b>0</b>	<b>61,909</b>	<b>-382</b>	<b>61,527</b>
0	0	-163,308	0	-163,308
<b>0</b>	<b>-23,055</b>	<b>403,956</b>	<b>744</b>	<b>404,700</b>

## Sto SE & Co. KGaA, Stühlingen

# Consolidated cash flow statement for 2015

in EUR K	Notes	2015	2014
<b>1. Cash flow from operating activities</b>			
Accounting profit		81,242	96,229
Depreciation of non-current assets	(7)	31,037	29,904
Net profit/loss from disposal of non-current assets		-507	-199
Net profit/loss from the fair-value measurement of investments in associates	(15)	0	1
Net interest income/expense and other net finance income/ expense	(9/10)	298	725
Income taxes paid		-28,968	-30,638
Change in provisions		6,112	-4,871
Change in net current assets		-10,302	2,733
<b>Cash flow from operating activities</b>		<b>78,912</b>	<b>93,884</b>
<b>2. Cash flow from investment activities</b>			
Investment in property, plant and equipment and intangible assets	(13/14)	-35,821	-39,132
Payments for the acquisition of consolidated companies and other business units (less acquired cash and cash equivalents)		-48	-4,622
Payments received from other disposal of intangible assets and plant, property and equipment		1,101	727
Interest payment received		1,751	1,495
Disbursements for financial investments		-30,271	-143,618
Deposits from financial investments		107,880	132,164
<b>Cash flow from investment activities</b>		<b>44,592</b>	<b>-52,986</b>
<b>3. Cash flow from financing activities</b>			
Payments for non-current borrowings	(26)	-576	-2,066
Payments for current borrowings	(26)	-33,553	-994
Payments received for current borrowings	(26)	30,330	2,203
Dividend distribution	(12)	-163,308	-31,061
Deposits by associates		0	155
Interest payments		-726	-676
<b>Cash flow from financing activities</b>		<b>-167,833</b>	<b>-32,439</b>
Change in cash and cash equivalents from changes in exchange rates		2,174	614
<b>Cash and cash equivalents at beginning of period</b>	<b>(20)</b>	<b>113,017</b>	<b>103,944</b>
<b>Change in cash and cash equivalents</b>		<b>-42,155</b>	<b>9,073</b>
<b>Cash and cash equivalents at the end of period*</b>	<b>(20)</b>	<b>70,862</b>	<b>113,017</b>

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

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

# Sto SE & Co. KGaA, Stühlingen

## Notes to the consolidated financial statements as at 31 December 2015

### General information

#### 1. Information on the company

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

The only shareholder of the personally liable partner STO Management SE is Stotmeister Beteiligungs GmbH, in which the Stotmeister families have bundled their assigned STO SE & Co. KGaA limited ordinary shares.

Stotmeister Beteiligungs GmbH is the majority shareholder and ultimate parent company of Sto SE & Co. KGaA. The address of the registered offices of Sto SE & Co. KGaA is Ehrenbachstraße 1, 79780 Stühlingen, Germany. It has been entered in the trade register of the district court of Freiburg under number HRB 711236. Sto SE & Co. KGaA is a listed company. Its limited preference shares are listed in the "Regulated Market" segment for official trading on the stock exchange operated by Deutsche Börse AG, Frankfurt/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 2016 by the personally liable partner STO Management SE and will be forwarded to the Supervisory Board of Sto SE & Co. KGaA on 14 April 2016 for approval at the Supervisory Board meeting on 22 April 2016.

#### 2. Basis of preparation

Sto SE & Co. KGaA prepared its consolidated annual financial statement of the Sto Group for the year 2015 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 2015 were observed.

The improvements of *IFRS 2011-2013* represent a collective standard, which was published in December 2013 and deals with amendments of various IFRS effective for the fiscal years beginning on or after 1 July 2014.

- *IFRS 3 Business Combinations*: The amendment is applied prospectively. It clarifies for the scope exceptions within IFRS 3 that joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. Seeing as the consolidated annual financial statement of Sto SE & Co. KGaA is not a joint arrangement, this amendment is not relevant for the Group and its subsidiaries.
- *IFRS 13 Fair Value Measurement*: The amendment is applied prospectively. It clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Sto Group does not apply the portfolio exception in IFRS 13.
- *IAS 40 Investment Properties*: In the description of ancillary services IAS 40 differenti-

ates between “investment properties” and “owner occupied property” (i.e. property, plant and equipment). The amendment is applied prospectively. It clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment does not affect the consolidated annual financial statement of the Sto Group.

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

IFRIC 21 was implemented on 17 June 2014 and does not contain any substantial effects on the net assets, financial position and earnings situation 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 statement of profit or loss 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) issued but not yet effective**

The IASB published the standards and interpretations listed below; these have already been adopted by EU legislation as part of the comitology process, but were not yet subject to mandatory application in the fiscal year 2015. The Sto Group does not apply these standards and interpretations ahead of schedule.

#### *Improvements to IFRS (2010-2012)*

The improvements to *IFRS 2010-2012* represent a collective standard which was published in December 2013 and deals with amendments of various IFRS which are principally applicable to the fiscal years beginning on or after 1 February 2015. The Group has not yet applied the following amendments:

- *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 the income statement.
- *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*: Amendments 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 disclosures on these management services through the external entity and the compensation paid to its employees.
- *IAS 38*: Amendments to the handling of accumulated depreciation when applying the revaluation method.

#### *Improvements to IFRS (2012-2014)*

These improvements are effective for annual periods beginning on or after 1 January 2016. The improvements include in detail:

- *IFRS 5*: Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.
- *IFRS 7*: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the

required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *IAS 19*: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.
- *IAS 34*: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

#### *Amendment to IAS 1 Disclosure Initiative*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- Specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- Entities have flexibility as to the order in which they present the notes to financial statements.

The share of earnings of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that

will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are to be applied for the first time to fiscal years that begin on or after 1 January 2016. Early adoption is permitted.

*Amendment to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

*Amendment to IAS 16 and IAS 41 – Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and

Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

*Amendment to IAS 19: Defined Benefit Plans: Employee Contributions*

The amendment to IAS 19 was published in November 2013 and is to be applied for the first time in the fiscal year beginning on or after 1 February 2015. This amendment regulates the reporting of contributions from employees or third parties to the pension plan as a reduction of the service cost, when this reflects the rendered service in the reporting period. This amendment must be applied retrospectively. Early adoption is permitted.

*Amendment to IAS 27: Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

*Amendment to IFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest

in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. The amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. They are to be applied prospectively to fiscal years that begin on or after 1 January 2016. Early application is permitted.

Implementing the published, but not yet mandatory International Financial Reporting Standards is not expected to have a substantial effect on the net assets, financial position and earnings situation of the Group.

On 24 July 2014 the final version of *IFRS 9* Financial Instruments was published by the IASB. *IFRS 9* replaces all earlier versions of the *IFRS 9* project as well as *IAS 39* Financial Instruments: Recognition and Measurement.

The standard comprises new rules and regulations on the classification and measurement of financial assets and financial liabilities, as well as on impairment and hedge accounting. 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 will 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.

It is to be applied for the first time in the fiscal year starting on 1 January 2018. Earlier application is permitted and retrospective application is obligatory. The standard has not yet been implemented in European law.

The standard is not expected to have a substantial effect on the measurement of financial assets within the Sto Group.

*IFRS 15* was published in May 2014 and is to be applied for first time in the fiscal year beginning on or after 1 January 2018. Early adoption is permitted. The standard introduces a framework for turnover recognition which is based on five analysis steps. The standard rules that an company should recognise sales revenue in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The effective date of recognition is the time of transferring the goods and services.

Implementation of *IFRS 15* is not expected to have substantial effects on the net assets, financial position and earnings situation of the Group. The main part of the Sto Group's turnover consists of goods deliveries without separately identifiable services. These cannot be separated into different components. Usually the service is rendered in full when the goods are delivered and received. The standard has not yet been implemented in European law.

The readjustment of *IFRS 16 – Leases* has not yet been approved by the EU and will probably lead to an extended capitalisation of leases by the balance sheet reporting of operating leases, as well as to a reduced equity ratio by reporting lease liabilities at the same time.

The following new regulations have not yet been approved by the EU and are unlikely to have a significant effect on the Sto Group's net assets, financial position and earnings situation:

- *Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses*
- *Amendment to IFRS 9 – Financial Instruments*
- *Amendment to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *Amendment to IFRS 10, IFRS 12, and IAS 28 – Investment entities: Applying the Consolidation Exception*
- *Amendment to IFRS 15 – Revenue from Contracts with Customers*

The Sto Group has not yet started with the implementation. According to the most recent status, these changes will have no substantial effects on the Sto Group's net assets, financial condition and result of operations of the Sto Group.

#### **4. Companies consolidated**

The consolidated financial statement includes 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 IFRS 10. Control as defined in IFRS 10 exists when an investor has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns.

When evaluating the companies consolidated, the joint control, or the type of joint control, no significant evaluations or assumptions were necessary, because the allocation was clear in the Sto Group without them. With associates where less than 50 % of capital shares are held and which are nevertheless fully consolidated, control is assured via further contractual agreements.

At the start of January 2016, 50.1 % of the equity shares and voting rights of Ströher GmbH, Dillenburg were acquired and control therefore obtained. The Ströher Group, with the parent company Ströher GmbH and the 100% subsidiaries Ströher Produktions GmbH & Co. KG, Ströher Verwaltungs GmbH, and Gepadi Fliesen GmbH – all headquartered in Dillenburg – are therefore part of the companies consolidated of the consolidated annual financial statement of the Sto Group from January 2016.

The Ströher Group has made a name for itself with the production of hard-wearing and frost-proof outdoor ceramics by means of a state-of-the-art extrusion technique. With respect to the application of brick slips on facades and external wall insulation systems, Ströher commands a high degree of professional and manufacturing expertise as well as attractive ranges. By acquiring these shares, the Sto Group is able to improve its position in the facade area and expand its range in a targeted manner. From these turnover opportunities as well as the expected synergies from integrating the Ströher Group into the Sto Group, the difference between the consideration and the net worth identified at fair value is recorded as goodwill.

The fair values of identifiable assets and liabilities of the Ströher companies at the time of acquisition are shown provisionally in the

following, as the final independent valuations of intangible assets are not yet available:

in EUR K	Fair value as at the time of acquisition
Intangible assets	5,545
Property, plant and equipment	11,392
Inventories	12,744
Trade receivables	3,477
Other receivables and financial assets	1,428
Cash and cash equivalents	1,580
<b>Total assets</b>	<b>36,166</b>
Provisions	6,826
Trade payables	2,276
Borrowings	9,751
Other liabilities	1,425
Deferred tax liabilities	1,656
<b>Total liabilities</b>	<b>21,934</b>
<b>Total identifiable net assets at fair value</b>	<b>14,232</b>
Minority shares evaluated with the value of the identifiable net assets	7,102
<b>Acquired shares evaluated with the value of the identifiable net assets</b>	<b>7,130</b>
Goodwill from corporate acquisition	3,570
<b>Transferred consideration</b>	<b>10,700</b>

Sto has decided, as part of the first-time consolidation, to value the shares of the non-controlling shareholders of the Ströher Group with the proportionate value of the net identifiable assets.

If the remaining shares are acquired, depending on the turnover situation of the Ströher Group

in the years 2015-2020, an adjustment can be made to the transferred consideration. At this point in time, Sto assumes that there will be no such adjustment.

In fiscal year 2015, transaction-related costs to the amount of EUR 242 K were included in other operating expenses.

At the time of acquisition the Ströher Group was employing 279 people (not including trainees). The turnover in 2015 amounted to EUR 31.8 million (consolidated), with an expected annual net loss of around EUR 1.5 million.

The net amount of the receivables corresponds to the fair value thereof. Adjustments of EUR 298 K were taken into account.

The deferred tax liabilities mainly include effects of accounting for intangible assets as well as of varying evaluation of property, plant and equipment under the purchase method. Impaired acquired unused tax losses were offset against the deferred tax liabilities.

Cash outflow due to corporate acquisition is as follows:

in EUR K	Cash outflow due to corporate acquisition
Transaction costs of corporate acquisition (accrued in fiscal year 2015, contained in the cash flows from operating activity)	-242
Cash and cash equivalents acquired with the subsidiary	1,580
Outflow of cash and cash equivalents	-10,700
<b>Actual cash outflow due to corporate acquisition</b>	<b>-9,362</b>

During the last fiscal year of 2015, the companies consolidated changed as follows:

At the start of 2015, Johann Neumeyer & Brigl GmbH & Co. KG, Eichstätt, merged with VeroStone GmbH, Kirchheim. The associated companies up to this point, JMA Jura Marmor Abbau GmbH & Co. KG, in Eichstätt, and JMA Jura Marmor Abbau GmbH, in Eichstätt, are fully consolidated due to the acquisition of the outstanding shares in 2015. In the future, only Inotec GmbH is disclosed as a financial asset accounted for under the equity method. The disclosure for the financial assets accounted for under the equity method in 2015 amounted to EUR 0 K (previous year: EUR 75 K). JMA Jura Marmor Abbau GmbH & Co. KG, Eichstätt, had in fiscal year 2015 total assets of EUR 194 K (previous year: EUR 128 K), sales revenues of EUR 0 K (previous year: EUR 6 K, einen annual net loss of EUR 8 K (previous year: EUR 8 K) and did not employ any staff. JMA Jura Marmor Abbau GmbH, Eichstätt, had in fiscal year 2015 total assets of EUR 54 K (previous year: EUR 53 K), no sales revenues (previous year: EUR 0 K), net profit for the year of EUR 2 K (previous year: EUR 2 K) and did not employ any staff.

The existing Sto Gulf Building Material LLC., Dubai, was included in the consolidated annual financial statement of the Sto Group in 2015 when it commenced business activities.

On 11 December 2015 Sto Canada Ltd., Canada, was founded, and the company will start business activities in 2016.

The property and buildings of WT Gebäude-management GmbH, Stühlingen, which did not perform any other business activities other than real estate management, was sold by selling the company shares on 1 January 2015. The sales price amounted to EUR 3,124 K. The income

from the sale is included in the Sto Group's net profit for the year 2015.

With effect on 31 December 2015 Sto Chile Ltda., Santiago de Chile, was merged into Industrial y Comercial Sto Chile Ltda., Santiago de Chile.

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
- Innolation GmbH, Lauingen
- Sto BT GmbH, Stühlingen
- Verotec GmbH, Lauingen
- VeroStone GmbH, Kirchheim/Germany
- Gefro Verwaltungs-GmbH & Co. KG, Stühlingen/Germany
- Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim

## 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 less the 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. Consolidation transactions are subject to regulations on deferred taxes.

## 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:

		Closing rate on		Average annual rate	
EUR 1 =		31 Dec 2015	31 Dec 2014	2015	2014
AED	UAE	4.0004	4.4685	4.0863	4.8816
BRL	Brazil	4.3117	3.2207	3.7004	3.1211
CAD	Canada	1.5116	1.4063	1.4186	1.4661
CHF	Switzerland	1.0835	1.2024	1.0679	1.2146
CLP	Chile	772.0222	736.1344	728.2761	755.3216
CNY	People's Republic of China	7.0608	7.5358	6.9733	8.1857

EUR 1 =		Closing rate on		Average annual rate	
		31 Dec 2015	31 Dec 2014	2015	2014
COP	Columbia	3,457.2616	2,906.9462	3,050.1397	2,663.9828
CZK	Czech Republic	27.0250	27.7250	27.2790	27.5360
DKK	Denmark	7.4626	7.4453	7.4587	7.4548
GBP	Great Britain	0.7340	0.7789	0.7258	0.8061
HUF	Hungary	313.1200	315.5400	310.0000	308.7100
MXN	Mexico	18.9145	17.8679	17.6157	17.6550
MYR	Malaysia	4.6959	4.2473	4.3373	4.3446
NOK	Norway	9.6030	9.0420	8.9496	8.3544
PAB	Panama	1.0892	1.2166	1.1125	1.3261
PLN	Poland	4.2615	4.2623	4.1841	4.1843
RUB	Russia	79.6972	68.3427	68.0720	50.9518
SEK	Sweden	9.1895	9.3930	9.3535	9.0985
SGD	Singapore	1.5417	1.6058	1.5255	1.6823
TRY	Turkey	3.1765	2.8320	3.0255	2.9065
USD	USA	1.0887	1.2141	1.1095	1.3285

### 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.

When the Sto Group acquires a company, it assesses the 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 and 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 statement of profit or loss 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 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 annual impairment testing ("impairment-only approach"). In doing so, it is determined whether goodwill has been impaired. Basically, the recoverable amount was determined to be the higher of the two amounts of the value in use or the net realisable amount of the respective cash-generating unit (CGU) as of 31 December 2015. This recoverable amount is compared with the carrying amount of the respective CGU. A CGU 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 SE & Co. KGaA the cash-generating units identified for purposes of calculating goodwill are identical to the legal entities. The Sto CGU comprises Sto SE & Co. KGaA, Verotec 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 CGU, and these are value-adjusted.

The starting point for the valuation of the CGUs is the 5-year planning of the respective legal entities as of 31 December 2015. This is based on forecasts derived from external estimates of the economic situation and market studies as well as internal maintenance investment plans.

The growth rates in sales implemented during the detailed planning period are based on expectations that the level of demand for thermal insulation will continue to develop positively 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, the respective country-specific risk, 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 discount factor – WACC after taxes – which is adjusted to allow for any differences in the base interest rates of the individual countries and in the respective country-specific risks. In the year under review, interest rates before taxes of between 7.7 % and 12.9 % arose (previous year: 8.5 % to 16.5 %). As in the previous year, the perpetual annuity for all CGUs is based on a growth rate of 1.0 %.

The following important parameters were made with regard to the CGUs Sto SE & Co. KGaA and Beissier S.A.S., La Chapelle la Reine/France, which are key CGUs in the sense of goodwill:

- Pre-tax interest rates: For CGU Sto: 7.7 % (previous year: 10.2 %), CGU Beissier S.A.S. 9.1 % (previous year: 11.3 %).

- 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 CGU.

Argamont Revestimentos e Argamassas Ltda., Sao Paulo/Brazil was determined to be a cash-generating unit: the smallest identifiable unit that generates cash inflows and outflows separate from those of other assets. Due to the determination of the value in use, the customer base (EUR 659 K) and the product brand (EUR 394 K) were depreciated/amortised with an impact on profit and loss. Crucial factors for this adjustment were a poorer development of the result in 2015 and a worse forecast for the detail planning period for the next five years.

The determination of the value in use was carried out in accordance with the IFRS 36 specifications. Underlying the calculation are increasing EBIT and EAT margins, which will rise from -17.9 % and -11.8 % in 2016 to 5.3 % and 3.5 % respectively in 2020. For the time period after 2020 an increase of 1.0 % is assumed. The DCF method was used as the valuation method.

The CGU's fair value less cost of sale amounted to EUR 1.5 million on the balance sheet date.

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 which were in existence at the time of the changeover to IFRS are maintained in the Group's currency in accordance with the simplification provided by IFRS 1.

The sensitivity analysis for the CGUs Sto and Beissier S.A.S., La Chapelle la Reine/France, revealed that if the EBIT had been 30 % below the target for a sustained period, goodwill would not have been 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 only depreciated at 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 contract 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, property, plant and equipment in question are recognised at the lower value, which is either the present value from the minimum lease payments or the activated fair value of the assets which is depreciated on a straight-line basis according to the economic useful life. The obligations arising from future lease payments are carried as discounted liabilities.

In the case of operating leases, the lease payments are recognised directly in the statement of profit or loss 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 statement of profit or loss. 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. 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 shares 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 instruments measured at fair value through profit or loss (FVtPoL)
- Held-to-maturity financial assets (HtM)
- Loans and receivables (LaR)
- Available-for-sale financial assets (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 non-derivative financial assets that are designated as available for sale and not allocated to any of the three above-mentioned 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 recognised through profit and loss.

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 Sto Group assumes the obligation to buy or sell the asset. These transactions are in accordance with normal market conditions if delivery of the assets takes place 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 (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 are 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 of 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 statement of profit or loss 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 (and there is no replacement or rollover of a hedging instrument into another hedging instrument), the amounts recognised in equity until that point remain 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 2014 and 2015 there have been no hedges satisfying the strict hedge accounting criteria.

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

Cash and cash equivalents comprise cash in hand and credit balance with banks including highly liquid deposits available at short notice, which can be converted quickly into cash and cash equivalents, 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 SE & Co. KGaA's 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 defined benefit plans for pension schemes 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 obliga-

tion less existing plan assets which are used to directly settle obligations.

These plan assets each 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 of the pension plan of the Euro companies 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 within a reasonable period of time. 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, as well as 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 statement of profit or loss 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 manufacturer of products and systems for building coatings, the Group mainly provides good deliveries and only provides services to a limited extent. With respect to goods deliveries, turnover recognition is effected in the period in which the control of the asset is transferred to the customer; with services this is the period in which the service is provided. When recording the sales revenue, agreed discounts or volume discounts are taken into account according to the relevant period. 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 and 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, a 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 statement of financial position. 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 decisions 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 assumptions and

estimates 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 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. The discounted cash flow method is used 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 value in use is still heavily dependent on the underlying discount, as well as on the growth rate used for extrapolation purposes.

- **Available-for-sale assets**

The property and buildings of WT Gebäude-management GmbH, Stühlingen, which did not perform any other business activities other than real estate management, were sold by sales contract together with the company shares on 1 January 2015. As at 31 December 2015, there were no non-current assets held for sale.

- **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 2015, the deferred tax liabilities stood at EUR 538 K and the deferred tax assets at EUR 15,819 K. The income tax liabilities total EUR 4,144 K, the income tax receivables EUR 6,856 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 balance sheet 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 running period 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 2015, the provisions for pensions and similar liabilities before offsetting plan assets totalled EUR 114,567 K. EUR 33,090 K of which are offset against the plan assets. Post-employment benefit provisions amount to EUR 81,477 K.

- **Fair value of financial instruments**

To the extent that the fair value of financial assets and financial liabilities recognised in the statement of financial position cannot be measured by means of data sourced on an active market, it will be determined using 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.

From the financial instruments valued at fair value at 31 December 2015, resulted a net receivable of EUR 462 K.

- **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.

On 31 December 2015, the carrying amount of the trade receivables totalled EUR 124,079 K.

- **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 extent is based on past experience, external experts, and 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 2015 amounted to EUR 21,742 K. Non-current warranty provisions amount to EUR 3,900 K.

On the date of preparation of the consolidated financial statements there were no 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.



## Consolidated segment reporting at 31 December 2015

Information on geographic segments by sales markets in EUR K	Western Europe		Other			
			Northern/Eastern Europe		America/Asia	
	2015	2014	2015	2014	2015	2014
External revenues	931,498	943,177	129,735	122,972	155,320	142,580
Inter-segment revenues	36,380	34,429	179	78	85	348
<b>Segment revenues</b>	<b>967,878</b>	<b>977,606</b>	<b>129,914</b>	<b>123,050</b>	<b>155,405</b>	<b>142,928</b>
EBITDA	99,009	108,388	2,496	4,098	11,969	14,686
Depreciation/amortisation	23,958	22,679	2,514	2,687	4,625	4,569
<b>EBIT (Earnings before interest and taxes)</b>	<b>75,051</b>	<b>85,709</b>	<b>-18</b>	<b>1,411</b>	<b>7,344</b>	<b>10,117</b>
Interest income	1,494	2,219	241	275	624	774
Interest expense	3,106	3,423	298	263	188	308
<b>EBT (Earnings before taxes)</b>	<b>74,392</b>	<b>84,505</b>	<b>17</b>	<b>1,423</b>	<b>7,768</b>	<b>10,583</b>
<b>Segment assets</b>	<b>472,395</b>	<b>587,705</b>	<b>66,863</b>	<b>60,618</b>	<b>79,986</b>	<b>83,415</b>
<b>Investments</b>	<b>29,190</b>	<b>30,881</b>	<b>2,985</b>	<b>3,373</b>	<b>3,841</b>	<b>4,878</b>
<b>Staff on balance sheet date</b>	<b>3,801</b>	<b>3,738</b>	<b>618</b>	<b>626</b>	<b>613</b>	<b>615</b>

Notes on product groups in EUR K*	Cladding Systems		Facade coatings		Interiors	
	2015	2014	2015	2014	2015	2014
	External revenues	585,533	591,187	308,814	301,646	160,318

Segment reporting is explained in Note (32).

\* Information on product groups was adjusted for 2014.

Reconciliation/ consolidation booking entries		Group	
2015	2014	2015	2014
0	0	1,216,553	1,208,729
-36,644	-34,855	0	0
<b>-36,644</b>	<b>-34,855</b>	<b>1,216,553</b>	<b>1,208,729</b>
-898	-313	112,576	126,859
-60	-32	31,037	29,903
<b>-838</b>	<b>-281</b>	<b>81,539</b>	<b>96,956</b>
-878	-975	1,482	2,293
-878	-976	2,714	3,018
<b>-933</b>	<b>-282</b>	<b>81,243</b>	<b>96,229</b>
<b>22,674</b>	<b>19,606</b>	<b>641,918</b>	<b>751,344</b>
<b>-195</b>	<b>0</b>	<b>35,821</b>	<b>39,132</b>
<b>0</b>	<b>0</b>	<b>5,032</b>	<b>4,979</b>

Other product groups		Group	
2015	2014	2015	2014
161,887	160,851	1,216,553	1,208,729

## Notes on the statement of profit or loss

### (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, as in the previous year, comprise the required capitalisation of planning costs and internally generated assets for constructed buildings.

### (3) Other operating income

in EUR K	2015	2014
Income from the reversal of provisions and accrued liabilities	10,761	11,978
Income from the reversal of value adjustments for receivables and other assets	3,824	3,136
Currency translation gains	5,982	2,682
Proceeds received towards derecognised receivables	418	398
Income from the disposal of assets	803	326
Income from recharged expenses to third parties	125	290
Government funding	141	182
Other operating income	5,807	5,115
<b>Other operating income in total</b>	<b>27,861</b>	<b>24,107</b>

Other operating income covers EUR 0 K (previous year: EUR 201 K) in connection with legal proceedings.

Public funding consists essentially of grants for research and for the creation and safeguarding of new jobs. 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	2015	2014
Raw materials and manufacturing supplies	246,974	243,201
Goods purchased	287,701	302,560
<b>Total materials and supplies to be consumed in the production process and goods purchased</b>	<b>534,675</b>	545,761
Temporary staff	7,698	7,520
Commission production	1,680	2,320
<b>Total services purchased</b>	<b>9,378</b>	9,840
<b>Total cost of material</b>	<b>544,053</b>	555,601

**(5) Personnel expenditure**

in EUR K	2015	2014
Wages and salaries	265,016	253,672
Social security contributions and expenditure on old-age pensions and support	59,041	54,237
<b>Total personnel expenditures</b>	<b>324,057</b>	307,909

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

In the year under review, research and development costs accounted for approx. EUR 13.8 million with an impact on profit and loss (previous year: approx. EUR 12.9 million).

**Annual average headcount**

Amount	2015	2014
Employees	4,893	4,809
Trainees/apprentices	193	191
<b>Total no. of employees</b>	<b>5,086</b>	5,000

**(6) Other operating expenses**

in EUR K	2015	2014
Sales	123,904	109,301
Administration costs	44,578	44,267
Rental and lease payments	29,226	29,519
Operating costs	27,542	28,395
Adjustments to receivables and other assets	8,519	8,052
Other staff costs	7,011	6,626
Currency translation expense	7,204	4,215
Losses from the disposal of non-current assets	296	127
Other expenses	14,209	14,343
<b>Other operating expenses</b>	<b>262,489</b>	<b>244,845</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 the building of EUR 418 K of Argamont Revestimentos e Argamassas Ltda. and of the customer base of EUR 659 K (in the previous year, the impairment test revealed an adjustment of goodwill of Argamont Revestimentos e Argamassas Ltda. of EUR 1,341 K).

Due to the conducted impairment test further impairments of intangible assets were made to the product brand of Argamont Revestimentos e Argamassas Ltda. to the amount of EUR 394 K (in the previous year due to the conducted impairment test, impairments of intangible assets of Argamont Revestimentos e Argamassas Ltda. amounting to EUR 459 K were made to the product brand).

The discount rate before taxes used for the cash flow forecast for Argamont Revestimentos e Argamassas Ltda. is 12.9 %. The adjustment was caused by the reduced market expectations for business activities in Brazil.

Argamont Revestimentos E Argamassas Ltda. belongs to the America/Asia segment.

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

In the fiscal year 2015 there was no income from financial assets of Inotec GmbH valued at equity. The other financial assets that were until now valued at equity JMA GmbH & Co. KG and JMA GmbH were fully consolidated in fiscal year 2015.

**(9) Net interest income**

in EUR K	2015	2014
Other interest and similar income	1,482	2,293
Interest and similar expenditure	-788	-671
Interest expense for post-employment benefit obligations	-1,792	-2,028
Compounding interest of other non-current provisions and liabilities	-81	-257
Interest expense for finance leasing	-52	-62
<b>Net interest income in total</b>	<b>-1,231</b>	<b>-725</b>

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

in EUR K	2015	2014
Income from the sale of business units	936	0
<b>Other net financial income/ expense in total</b>	<b>936</b>	<b>0</b>

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

in EUR K	2015	2014
Actual domestic tax expense	17,083	16,976
Actual non-domestic tax expense	10,084	13,514
<b>Actual tax expense</b>	<b>27,167</b>	<b>30,490</b>
of which off-period tax expense	1,593	392
Expense/income from reversal of tax provisions (off-period)	20	6
<b>Actual taxes on income and earnings</b>	<b>27,187</b>	<b>30,496</b>
Deferred tax income/liabilities, domestic	-660	-822
Deferred tax income/liabilities, non-domestic	-1,021	560
<b>Deferred tax income/liabilities</b>	<b>-1,681</b>	<b>-262</b>
<b>Income tax expense reported</b>	<b>25,506</b>	<b>30,234</b>

In the 2015 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 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 2015, the realisation of unused tax losses from previous years led to a reduction in current

taxes on income and earnings of EUR 16 K (previous year: EUR 20 K).

Unused tax losses were valued at EUR 13,485 K (previous year: EUR 14,024 K). Unused tax losses of EUR 7,762 K (previous year: EUR 3,283 K) are available for an indefinite period, while EUR 4,490 K (previous year: EUR 7,010 K) may only be utilised within five years and EUR 1,233 K (previous year: EUR 3,731 K) only within ten years.

Of the unused tax losses, a sum of EUR 9,665 K (previous year: EUR 12,957 K) is assumed to not be available for the time being. Of these EUR 3,942 K (previous year: EUR 2,216 K) are available for an indefinite period, while EUR 4,490 K (previous year: EUR 7,010 K) may only be utilised within five years and EUR 1,233 K (previous year: EUR 3,731 K) only within ten years.

Of the unused tax losses rated available, EUR 1,321 K (previous year: EUR 1,067 K) were attributable to companies whose year result for 2015 was negative. Because the earnings plans of the affected companies for the next three years are positive, the unused tax losses in the corresponding amount were classified as available.

EUR 720 K of deferred tax income accounted for temporary differences (previous year: deferred tax expense EUR 76 K).

Changes in tax rates resulted in deferred tax expenditure of EUR 249 K (previous year: deferred tax income EUR 18 K).

Deferred tax assets with no impact on profit or loss amounted to EUR 8,884 K at the balance sheet date (previous year: deferred tax assets EUR 9,797 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 1,187 K in the current financial year due to the reversal of deferred tax assets (previous year: increase in equity to the amount of EUR 5,363 K due to the addition of deferred tax assets).

No deferred taxes were recognised on the profits retained by subsidiaries of EUR 3,781 K (previous year: EUR 3,347 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 statement of financial position at present value. The reimbursement claim had a present value of EUR 1,506 K at the balance sheet date (previous year: EUR 2,211 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 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Intangible assets	322	369	141	516
Property, plant and equipment	597	293	6,058	6,739
Non-current financial assets	616	664	0	65
Inventories	1,738	1,620	179	147
Current trade receivables	1,513	1,418	301	298
Current financial assets	0	0	289	785
Other current assets	230	322	248	163
Cash and cash equivalents	0	61	162	101
Assets held for sale	0	0	0	9
Special tax items	0	0	32	0
Post-employment benefit provisions	12,883	13,863	164	385
Other non-current provisions	441	391	30	34
Non-current borrowings	56	157	0	0
Non-current liabilities	17	12	0	0
Current provisions	2,277	3,001	529	674
Current borrowings	103	246	0	0
Trade payables	2	57	51	47
Other current liabilities	1,358	1,483	8	7
Unused tax losses	1,198	355	0	0
Tax reimbursements not yet utilised	122	1	0	0
<b>Gross amount</b>	<b>23,473</b>	<b>24,313</b>	<b>8,192</b>	<b>9,970</b>
Offset	7,654	8,931	7,654	8,931
<b>Amount recognised in the balance sheet</b>	<b>15,819</b>	<b>15,382</b>	<b>538</b>	<b>1,039</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 related to income taxes levied by one and the same taxation authority from the same tax payer.

**Change in deferred taxes**

in EUR K	Consideration in			<b>Total</b>
	Statement of profit or loss	Equity capital	neutral amendments	
<b>Status of deferred taxes at 01 January 2015</b>	<b>4,545</b>	<b>10,017</b>	<b>-220</b>	<b>14,342</b>
Intangible assets	280	0	0	280
Property, plant and equipment	1,146	0	0	1,146
Non-current financial assets	17	0	0	17
Inventories	80	0	0	80
Current trade receivables	82	0	0	82
Current financial assets	554	0	0	554
Other current assets	-175	0	0	-175
Cash and cash equivalents	-115	0	0	-115
Special tax items	-32	0	0	-32
Post-employment benefit provisions	149	-1,187	0	-1,038
Other non-current provisions	54	0	0	54
Non-current borrowings	-101	0	0	-101
Non-current liabilities	4	0	0	4
Current provisions	-839	0	0	-839
Current borrowings	-143	0	0	-143
Trade payables	-68	0	0	-68
Other current liabilities	-173	0	0	-173
Unused tax losses	841	0	0	841
Tax reimbursements not yet utilised	120	0	0	120
Effects from first-time consolidation and deconsolidation	10	0	0	10
Currency translation effects	161	274	0	435
<b>Status of deferred taxes as at 31 December 2015</b>	<b>6,397</b>	<b>9,104</b>	<b>-220</b>	<b>15,281</b>

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

in EUR K	2015	2014
Accounting profit	81,243	96,229
<b>Expected income tax expense (tax rate: 28.6 %; previous year: 28.6 %)</b>	<b>23,235</b>	27,521
<i>Reconciliation:</i>		
Tax-free income and permanent differences	1,258	2,177
Change in tax rate	249	-18
Deviations of local tax rates from Group tax rate	-528	-726
Deferred tax income on unused tax losses recognised for the first time	-494	0
Tax reduction for unused tax losses not yet recognised	-16	-20
Effects of non-recognition of unused tax losses	325	960
Off-period taxes	1,613	398
Other effects	-136	-58
<b>Income tax expense reported</b>	<b>25,506</b>	30,234
Effective tax rate (%)	31.4	31.4

**(12) Earnings per share**

Earnings per share are calculated by dividing the proportion of earnings attributable to Sto SE & Co. KGaA's shareholders by the weighted average number of limited ordinary and limited preference shares outstanding in the year under review.

Basic earnings in accordance with IAS 33 amounted to EUR 22,260 K for limited pref-

erence shares (previous year: EUR 26,265 K) and for limited ordinary shares EUR 33,866 K (previous year: EUR 40,003 K).

In addition to shares outstanding, diluted earnings per share also include potential shares (e. g. from options). Both at 31 December 2015 and 31 December 2014 there were no potential shares. Accordingly, basic and diluted earnings per share are identical in both years.

Amount	Ordinary shares		Preference shares	
	2015	2014	2015	2014
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	2015	2014
Share attributable to the shareholders of Sto SE & Co. KGaA	56,125,900	66,267,580
Earning per share – basic/diluted of which:		
Limited ordinary shares	33,866,392	40,002,534
Limited preference shares	22,259,508	26,265,046

in EUR	2015	2014
Earnings per share – basic/diluted		
Limited ordinary share	8.71	10.29
Limited preference share	8.77	10.35

In fiscal 2015, a dividend from the earnings of 2014 of EUR 25.39 per ordinary share (total of EUR 97,744 K), consisting of EUR 0.25 plus a bonus of EUR 25.14 and EUR 25.45 per preference share (total: EUR 64,592 K), consisting of EUR 0.31 plus a bonus of EUR 25.14 was distributed. In total, the dividend payout amounted to EUR 163,309 K.

In fiscal 2014, a dividend from the earnings of 2013 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 statement of profit or loss 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 statement of financial position 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	2015	2014
<b>Assets</b>		
Designated assets to be measured at fair value through profit or loss (fair value option)	-116	0
Assets held for trading	-1,290	193
Sum total of financial assets measured at fair value through profit or loss	-1,406	193
Held-to-maturity assets	-278	0
Loans and receivables	-3,545	-5,385
<b>Liabilities</b>		
Financial liabilities measured at amortised cost	-1,065	-957

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	2015	2014
Interest income	1,253	2,161
Interest expense	762	730
<b>Net interest income</b>	<b>491</b>	1,431

**Impairment losses on financial assets by class**

in EUR K	2015	2014
Measured at amortised costs of acquisition	8,519	8,052

The measurement of the portfolio of financial instruments at fair value as at 31 December 2015 resulted in a net income of EUR 124 K (previous year: expense of EUR 242 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 2014

in EUR K	Industrial property rights and licences including software	Goodwill	Payments made on account	Total
<b>Cost of acquisition/production</b>				
<b>01 January 2014</b>	<b>28,541</b>	<b>40,503</b>	<b>758</b>	<b>69,802</b>
Additions	1,518	0	277	1,795
Change to companies consolidated	2,192	1,341	0	3,533
Disposal	1,038	0	0	1,038
Transfers	639	0	-770	-131
Exchange rate differences	65	-51	12	26
<b>31 December 2014</b>	<b>31,917</b>	<b>41,793</b>	<b>277</b>	<b>73,987</b>
<b>Cumulative depreciation and impairment losses</b>				
<b>01 January 2014</b>	<b>22,282</b>	<b>5,645</b>	<b>0</b>	<b>27,927</b>
Depreciation for the year	3,101	0	0	3,101
Impairment losses	473	1,384	0	1,857
Disposal	1,032	0	0	1,032
Transfers	27	0	0	27
Exchange rate differences	25	-43	0	-18
<b>31 December 2014</b>	<b>24,876</b>	<b>6,986</b>	<b>0</b>	<b>31,862</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>
<b>Net carrying amount as at 31 December 2014</b>	<b>7,041</b>	<b>34,807</b>	<b>277</b>	<b>42,125</b>

## Changes in intangible assets from 1 January to 31 December 2015

in EUR K	Industrial property rights and licences including software	Goodwill	Payments made on account	Total
<b>Cost of acquisition/production</b>				
<b>01 January 2015</b>	<b>31,917</b>	<b>41,793</b>	<b>277</b>	<b>73,987</b>
Additions	1,127	0	277	1,404
Change to companies consolidated	0	0	0	0
Disposal	1,700	1,398	0	3,098
Transfers	17	0	0	17
Exchange rate differences	-423	-374	0	-797
<b>31 December 2015</b>	<b>30,938</b>	<b>40,021</b>	<b>554</b>	<b>71,513</b>
<b>Cumulative depreciation and impairment losses</b>				
<b>01 January 2015</b>	<b>24,876</b>	<b>6,986</b>	<b>0</b>	<b>31,862</b>
Depreciation for the year	2,810	0	0	2,810
Impairment losses	1,053	0	0	1,053
Disposal	1,694	1,398	0	3,092
Transfers	0	0	0	0
Exchange rate differences	-251	-339	0	-590
<b>31 December 2015</b>	<b>26,794</b>	<b>5,249</b>	<b>0</b>	<b>32,043</b>
<b>Net carrying amount as at 31 December 2014</b>	<b>7,041</b>	<b>34,807</b>	<b>277</b>	<b>42,125</b>
<b>Net carrying amount as at 31 December 2015</b>	<b>4,144</b>	<b>34,772</b>	<b>554</b>	<b>39,470</b>

**Goodwill**

Goodwill reported, amounting to EUR 34,772 K (previous year: EUR 34,807 K) breaks down as follows:

Cash Generating Units in EUR K	31 Dec 2015	31 Dec 2014
Sto SE & Co. KGaA	15,760	15,760
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany	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 Sp. z o.o., Warsaw/Poland	2,402	2,402
Sto Epitöanyag Kft., Dunaharaszti/Hungary	1,764	1,764
Sto Isoned B.V., Tiel/Netherlands	1,189	1,189
Sto Norge AS, Oslo/Norway	1,021	1,056
Miscellaneous under EUR 1,000 K	3,542	3,542
<b>Goodwill in total</b>	<b>34,772</b>	34,807

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



**(14) Property, plant and equipment****Changes in property, plant and equipment from 1 January to 31 December 2014**

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 2014</b>	<b>294,044</b>	<b>170,932</b>	<b>175,109</b>	<b>8,506</b>	<b>648,591</b>
Additions	5,722	11,406	8,447	11,752	37,327
Change to companies consolidated	2,802	141	149	0	3,092
Disposal	488	2,165	6,085	40	8,778
Transfers	3,124	3,114	-143	-5,964	131
Exchange rate differences	1,494	2,273	555	36	4,358
<b>31 December 2014</b>	<b>306,698</b>	<b>185,701</b>	<b>178,032</b>	<b>14,290</b>	<b>684,721</b>
<b>Cumulative depreciation and impairment losses</b>					
<b>01 January 2014</b>	<b>153,084</b>	<b>134,723</b>	<b>142,107</b>	<b>14</b>	<b>429,928</b>
Depreciation for the year	8,481	6,584	9,644	3	24,712
Impairment losses	0	0	0	235	235
Disposal	406	2,012	5,776	0	8,194
Change to companies consolidated	0	0	0	0	0
Transfers	10	-22	-13	-2	-27
Exchange rate differences	1,023	1,918	499	-2	3,438
<b>31 December 2014</b>	<b>162,192</b>	<b>141,191</b>	<b>146,461</b>	<b>248</b>	<b>450,092</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>
<b>Net carrying amount as at 31 December 2014</b>	<b>144,506</b>	<b>44,510</b>	<b>31,571</b>	<b>14,042</b>	<b>234,629</b>
of which leased assets classified as financial leases, carrying amount as at 31 December 2014	1,952	0	1,315	0	3,267

## Changes in property, plant and equipment from 1 January to 31 December 2015

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 2015</b>	<b>306,698</b>	<b>185,701</b>	<b>178,032</b>	<b>14,290</b>	<b>684,721</b>
Additions	5,502	4,921	9,697	14,295	34,415
Change to companies consolidated	123	0	-13	0	110
Disposal	1,521	2,107	6,195	164	9,987
Transfers	2,744	5,189	1,613	-9,563	-17
Exchange rate differences	2,613	2,606	1,838	-91	6,966
<b>31 December 2015</b>	<b>316,159</b>	<b>196,310</b>	<b>184,972</b>	<b>18,767</b>	<b>716,208</b>
<b>Cumulative depreciation and impairment losses</b>					
<b>01 January 2015</b>	<b>162,192</b>	<b>141,191</b>	<b>146,461</b>	<b>248</b>	<b>450,092</b>
Depreciation for the year	8,602	8,038	10,109	7	26,756
Impairment losses	418	0	0	0	418
Disposal	1,071	1,961	6,005	3	9,040
Change to companies consolidated	-11	0	-13	0	-24
Transfers	2	-49	46	0	-1
Exchange rate differences	1,854	2,048	1,574	6	5,482
<b>31 December 2015</b>	<b>171,986</b>	<b>149,267</b>	<b>152,172</b>	<b>258</b>	<b>473,683</b>
<b>Net carrying amount as at 31 December 2014</b>	<b>144,506</b>	<b>44,510</b>	<b>31,571</b>	<b>14,042</b>	<b>234,629</b>
<b>Net carrying amount as at 31 December 2015</b>	<b>144,173</b>	<b>47,043</b>	<b>32,800</b>	<b>18,509</b>	<b>242,525</b>
of which leased assets classified as financial leases, carrying amount as at 31 December 2015	1,835	1	753	0	2,589

Property, plant and equipment with a carrying amount of EUR 27,992 K (previous year: EUR 25,950 K) serve to secure liabilities to banks. The land charges are valued on the balance sheet date at EUR 62 K (previous year: EUR 1,298 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 2.0 %.

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 2015
Lease payments	932	655	0	1,587
Interest portions	31	13	0	44
<b>Carrying amount/present value</b>	<b>901</b>	<b>642</b>	<b>0</b>	<b>1,543</b>

in EUR K	up to 1 year	1–5 years	5–10 years	31 Dec 2015
Lease payments	447	219	0	666
Interest portions	7	3	0	10
<b>Carrying amount/present value</b>	<b>440</b>	<b>216</b>	<b>0</b>	<b>656</b>

### (15) Financial assets accounted for using the equity method

The carrying amount of investments in associates as at 31 December 2015 stands at EUR 0 K (previous year: in EUR 75 K).

The following amounts are attributable to the Group on account of the 45 % share in the joint venture Inotec GmbH:

in EUR K	31 Dec 2015	31 Dec 2014
Assets	707	683
Liabilities	1,101	1,005
Revenues	4,745	4,704
Net profit/loss for the period	-73	-99

Distributing dividends or repaying loans of the investments in associates to the Sto Group requires the common approval of the shareholders of the respective associates.

The Group had no contingent liabilities as of the balance sheet date.

The associated companies up to this point, JMA Jura Marmor Abbau GmbH & Co. KG, in Eichstätt, and JMA Jura Marmor Abbau GmbH, in Eichstätt, are fully consolidated due to the acquisition of the outstanding shares in 2015. In the future, only Inotec GmbH is disclosed as a financial asset accounted for under the equity method.

**(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 5,502 K (previous year: EUR 5,261 K). Of this, an amount of EUR 241 K reduced earnings (previous year: EUR 245 K reduced earnings).

Net carrying amounts are reported as follows:

in EUR K	31 Dec 2015	31 Dec 2014
Raw materials and manufacturing supplies	17,634	16,723
Work in progress	7,027	6,518
Finished products and goods	45,353	45,926
Payments made on account	1,208	580
<b>Total inventories</b>	<b>71,222</b>	<b>69,747</b>

Neither in the previous year nor in the last fiscal year inventories served to secure payables to banks.

**(17) Current and non-current trade and non-trade receivables**

in EUR K			Carrying amount as at 31 Dec 2015			Carrying amount as at 31 Dec 2014
	short-term	long-term		short-term	long-term	
<b>from</b>						
Third parties	123,019	1,053	124,072	115,672	779	116,451
Investments in associates	6	0	6	6	0	6
<b>Trade receivables in total</b>	<b>123,025</b>	<b>1,053</b>	<b>124,078</b>	<b>115,678</b>	<b>779</b>	<b>116,457</b>

The fair values of trade receivables equal their carrying amounts. Adjustments of EUR 21,073 K (previous year: EUR 21,753 K) were taken into account.

Trade receivables in excess of EUR 2,754 K (previous year: EUR 2,172 K) serve to secure payables to banks.

**(18) Non-current and current financial assets**

in EUR K			Carrying amount as at			Carrying amount as at
	short-term	long-term	31 Dec 2015	short-term	long-term	31 Dec 2014
Financial assets due from third parties	57,556	191	57,747	140,379	1,728	142,107
Other receivables and financial assets due from associates	402	0	402	400	0	400
Positive fair value of derivative financial instruments	804	0	804	480	227	707
<b>Financial assets in total</b>	<b>58,762</b>	<b>191</b>	<b>58,953</b>	<b>141,259</b>	<b>1,955</b>	<b>143,214</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 3,852 K (previous year: EUR 5,101 K). Financial asset adjustments of EUR 401 K (previous year: EUR 401 K) were taken into account.

Derivative financial instruments have the following positive fair values:

in EUR K	31 Dec 2015	31 Dec 2014
<b>Hedges against</b>		
currency risks	804	707
interest risks	0	0
<b>Fair values of derivative financial instruments in total</b>	<b>804</b>	<b>707</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 2015			Carrying amount as at 31 Dec 2014
	short-term	long-term		short-term	long-term	
Other receivables from third parties	1,289	5	1,294	1,064	36	1,100
Other tax reimbursement claims	3,057	0	3,057	3,733	0	3,733
Prepaid expenses	5,958	1,126	7,084	4,909	167	5,076
Other payments made on account	697	0	697	452	0	452
<b>Other assets in total</b>	<b>11,001</b>	<b>1,131</b>	<b>12,132</b>	<b>10,158</b>	<b>203</b>	<b>10,361</b>

Other tax reimbursement claims include VAT reimbursement claims of EUR 2,447 K (previous year: EUR 3,649 K). Other assets allowances of EUR 63 K (previous year: EUR 94 K) were made.

**(20) Cash and cash equivalents**

in EUR K	31 Dec 2015	31 Dec 2014
Credit balances with banks	70,185	112,370
Cheques, cash in hand	677	647
<b>Cash and cash equivalents in total</b>	<b>70,862</b>	<b>113,017</b>

Credit balances are held at various banks in different currencies.

**(21) Available-for-sale assets**

The assets held for sale on the same day of the previous year related to a developed property of WT Gebäudemanagement GmbH, Stühlingen, which did not perform any other business activities than real estate management. The property and buildings were sold on 1 January 2015. On the same day of the previous year an allocation was made to the Western Europe segment and the valuation was 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**

The share capital of Sto SE & Co. KGaA on 31 December 2015 amounted to EUR 17,556 K. It was divided into 4,320,000 registered limited ordinary shares and 2,538,000 limited preference shares with no voting rights with a notional nominal value of EUR 2.56 per share.

The limited preference shares each beforehand bore a higher dividend than the limited ordinary shares by EUR 0.06. A minimum dividend of EUR 0.13 per limited preference share was guaranteed. If distributable profit is not sufficient to pay the priority dividend of at least EUR 0.13 per limited 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 limited preference shares and prior to a dividend being paid on limited ordinary shares.

Stotmeister Beteiligungs GmbH, Stühlingen, holds all but four of the limited ordinary shares of Sto SE & Co. KGaA not in the ownership of Sto SE & Co. KGaA. The personally liable

partner, STO Management SE, Stühlingen, does not have an interest in the capital of Sto SE & Co. KGaA.

The limited preference shares of Sto SE & Co. KGaA are listed at the stock exchanges in Frankfurt/Main and Stuttgart in the "Regulated market" segment. The limited ordinary shares are not listed on the stock market.

The shares of STO Management SE, Stühlingen, are held to 100 % by Stotmeister Beteiligungs GmbH, Stühlingen.

**Capital reserves**

Capital reserves essentially comprise additions from premiums. In the course of the conversion of Sto AG into Sto SE & Co. KGaA in the fiscal year 2014, Stotmeister Beteiligungs GmbH in its capacity as limited shareholder took over the pro rata formation costs amounting to EUR 155 K. Pursuant to Section 272, par. 2 no. 4 of the Handelsgesetzbuch, the amount paid was booked to the capital reserve.

**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 SE & Co. KGaA 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 translation of the financial statements of foreign subsidiaries.
- Reserve for pensions:  
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 2015, Sto SE & Co. KGaA, Stühlingen, holds treasury stock in the form of 432,000 registered limited ordinary shares with a notional 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 SE & Co. KGaA. The treasury stock is not dividend-entitled.

#### 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 48,581 K. The personally liable partner of Sto SE & Co. KGaA, STO Management SE, Stühlingen, will propose via their Executive Board at the Annual General Meeting of Sto SE & Co. KGaA a dividend distribution of EUR 0.25 plus a bonus of EUR 4.56 for a total of EUR 4.81 per ordinary share, EUR 0.31 plus a bonus of EUR 4.56 for a total of EUR 4.87 per preference share, i.e. a total distribution amount of EUR 31,061 K, an amount of EUR 17,000 K to be transferred to revenue reserves, and the balance of EUR 520 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. In selecting financial instruments, the Group attaches importance to matching-maturities finance.

in EUR K	31 Dec 2015	31 Dec 2014	Change in %
<b>Equity attributable to the shareholders of Sto SE &amp; Co. KGaA</b>	<b>403,955</b>	<b>505,355</b>	<b>-20.1 %</b>
Current borrowings	4,162	6,953	-40.1 %
Non-current borrowings	313	1,320	-76.3 %
Less cash and cash equivalents	70,862	113,017	-37.3 %
<b>Net assets</b>	<b>66,387</b>	<b>104,744</b>	<b>-36.6 %</b>
% of equity capital	16.4 %	20.7 %	
Equity ratio	63.0 %	67.4 %	

In the fiscal year 2015, the equity attributable to the shareholders of Sto SE & Co. KGaA sank by 20.1 % under the previous year. This was essentially the result of the decline in revenue reserves by the payment of an extra dividend. Borrowings were further reduced in the expired fiscal year.

As in the previous year, no net debt has been incurred in the current fiscal year.

Due to the credit line arranged with a bank consortium in December 2012, extended in 2015, 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, as well as in the previous year, are attributable to shareholders of Sto Italia Srl, Empoli/ Italy.

**(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 in 2015 were valued in the Sto Group at a total of EUR 1,322 K (previous year: EUR 1,311 K).

Contributions to statutory pension funds came to EUR 17,505 K (previous year: EUR 16,964 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

- a minimum period of service of ten years after the age of 25
- the employee had been in an employment relationship with Sto 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 and EUR 9.20 per year of service and depending on the employee status. The widow's pension amounts to 60 % of the old-age and invalidity pension.

In Switzerland the current benefits agreements for employees are effected by plans which are regulated by Federal Law on Occupational Old-age, Survivor's and Disability Insurance (BVG). Pension plans in Switzerland are administered by collective foundations which are financed by regular employee and employer contributions. The final pension benefits are contribution-based with specific minimum guarantees. Due to these minimum guarantees, pension plans in Switzerland are allocated as being defined benefit plans, although they possess many properties of defined contribution plans. The deficient cover can be remedied by various methods, such as increasing employee and employer contributions, lowering the interest rate for retirement assets, or reducing future benefit claims.

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.

#### Summary of the post-employment benefit provisions

in EUR K	2015	2014
Pension plan of the Euro companies	-68,519	-70,828
Pension plan of Sto AG Switzerland	-12,958	-10,914
<b>Total</b>	<b>-81,477</b>	-81,742

**Changes in post-employment benefit provisions****Pension plan of the Euro companies**

in EUR K	Present value of the defined-benefit obligation	Fair value of the plan assets	Liability from the defined-benefit obligation
<b>At 01 January 2014</b>	<b>-60,998</b>	<b>6,317</b>	<b>-54,681</b>
<b>Expenditure for post-employment benefit obligations recognised through profit and loss</b>			
Current service cost	-2,146	0	-2,146
Interest expense/income	-2,137	224	-1,913
Revenue from plan assets	-163	0	-163
<b>Sub-total recognised in the income statement for the period</b>	<b>-4,446</b>	<b>224</b>	<b>-4,222</b>
<b>Pension benefits paid</b>	<b>2,039</b>	<b>0</b>	<b>2,039</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	8	0	8
Actuarial gains and losses from changes in financial assumptions	-15,047	1,402	-13,645
Experience-based adjustments	-327	0	-327
<b>Sub-total contained in other earnings</b>	<b>-15,366</b>	<b>1,402</b>	<b>-13,964</b>
<b>Employer contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 December 2014</b>	<b>-78,771</b>	<b>7,943</b>	<b>-70,828</b>

**Pension plan of the Euro companies**

in EUR K	Present value of the defined-benefit obligation	Fair value of the plan assets	Liability from the defined-benefit obligation
<b>At 01 January 2015</b>	<b>-78,771</b>	<b>7,943</b>	<b>-70,828</b>
<b>Expenditure for post-employment benefit obligations recognised through profit and loss</b>			
Current service cost	-2,671	0	-2,671
Interest expense/income	-1,840	171	-1,669
Revenue from plan assets	0	0	0
<b>Sub-total recognised in the income statement for the period</b>	<b>-4,511</b>	<b>171</b>	<b>-4,340</b>
<b>Pension benefits paid</b>	<b>1,896</b>	<b>-90</b>	<b>1,806</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	75	0	75
Actuarial gains and losses from changes in financial assumptions	6,965	-793	6,172
Experience-based adjustments	-1,404	0	-1,404
<b>Sub-total contained in other earnings</b>	<b>5,636</b>	<b>-793</b>	<b>4,843</b>
<b>Employer contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 31 December 2015</b>	<b>-75,750</b>	<b>7,231</b>	<b>-68,519</b>

Current service costs are included in staff costs; interest expenses on the obligation is reported under interest expenses, Note (9).

The plan assets of the Euro companies take the form of qualifying insurance contracts. This is 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.

	Germany		Non-Germany	
	2015	2014	2015	2014
Discount rate as at 31 December in %	2.35	2.15	2.35	2.15
Future pension increases in %	1.14	1.53	2.40	2.40
Age of retirement in years	65	65	62 – 65	62 – 65

The Heubeck 2005 G tables have been used as the biometric basis for calculations for German companies since 31 December 2005.

#### Pension plan of Sto AG, Switzerland

in EUR K	Present value of the defined-benefit obligation	Fair value of the plan assets	Liability from the defined-benefit obligation
<b>At 01 January 2014</b>	<b>-28,716</b>	<b>23,788</b>	<b>-4,928</b>
<b>Expenditure for post-employment benefit obligations recognised through profit and loss</b>			
Current service cost	-827	0	-827
Interest expense/income	-657	542	-115
Revenue from plan assets	0	0	0
<b>Sub-total recognised in the income statement for the period</b>	<b>-1,484</b>	<b>542</b>	<b>-942</b>
<b>Pension benefits paid</b>	<b>195</b>	<b>-195</b>	<b>0</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	-5,777	-209	-5,986
Experience-based adjustments	0	0	0
<b>Sub-total contained in other earnings</b>	<b>-5,777</b>	<b>-209</b>	<b>-5,986</b>
<b>Employer contributions</b>	<b>0</b>	<b>942</b>	<b>942</b>
<b>Employee contributions</b>	<b>947</b>	<b>-947</b>	<b>0</b>
<b>At 31 December 2014</b>	<b>-34,835</b>	<b>23,921</b>	<b>-10,914</b>

**Pension plan of Sto AG, Switzerland**

in EUR K	Present value of the defined-benefit obligation	Fair value of the plan assets	Liability from the defined-benefit obligation
<b>At 01 January 2015</b>	<b>-34,835</b>	<b>23,921</b>	<b>-10,914</b>
<b>Current differences</b>	<b>-3,822</b>	<b>2,624</b>	<b>-1,198</b>
<b>Expenditure for post-employment benefit obligations recognised through profit and loss</b>			
Current service cost	-955	0	-955
Interest expense/income	-388	265	-123
Revenue from plan assets	0	0	0
<b>Sub-total recognised in the income statement for the period</b>	<b>-1,343</b>	<b>265</b>	<b>-1,078</b>
<b>Pension benefits paid</b>	<b>4,681</b>	<b>-4,681</b>	<b>0</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	-1,015	195	-820
Experience-based adjustments	0	0	0
<b>Sub-total contained in other earnings</b>	<b>-1,015</b>	<b>195</b>	<b>-820</b>
<b>Employer contributions</b>	<b>0</b>	<b>1,052</b>	<b>1,052</b>
<b>Employee contributions</b>	<b>-2,484</b>	<b>2,484</b>	<b>0</b>
<b>At 31 December 2015</b>	<b>-38,818</b>	<b>25,860</b>	<b>-12,958</b>

The plan assets of Sto AG, Switzerland, take the form of qualifying insurance contracts. All regulatory benefits such as disability, death and longevity are integrally covered in the insurance contract.

The calculation of post-employment benefit provisions of Sto AG, Switzerland, was based on the following assumptions:

	<b>Switzerland</b>	
	<b>2015</b>	2014
Discount rate as at 31 December in %	0.70	1.00
Future pension increases in %	1.00	1.00
Age of retirement in years	65	65

The BVG 2010 Generation Life Table was used as the biometric base for calculation.

The following shows a quantitative sensitivity analysis of the most important assumptions as on 31 December 2015:

in EUR K	Effects on the performance-based obligation of the Euro countries	in EUR K	Effects on the performance-based obligation of the Euro countries
<b>Discount rate</b>		<b>Life expectancy</b>	
Decline by 0.5 %	7,450	Decrease by 1 year	-2,368
Increase by 0.5 %	-6,458	Increase by 1 year	2,347
<b>Pensions</b>		<b>Retirement age</b>	
Decline by 1.0 %	-7,714	Decrease by 1 year	1,600
Increase by 1.0 %	9,270	Increase by 1 year	-1,717

in EUR K	Effects on the performance-based obligation of Sto AG Switzerland	in EUR K	Effects on the performance-based obligation of Sto AG Switzerland
<b>Discount rate</b>		<b>Life expectancy</b>	
Decline by 0.5 %	3,815	Decrease by 1 year	-702
Increase by 0.5 %	-3,308	Increase by 1 year	719
<b>Salary adjustments</b>			
Decline by 0.5 %	-362		
Increase by 0.5 %	370		

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 2015.

The following amounts 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	3,693
between 2 and 5 years	14,203
between 5 and 10 years	22,549
<b>Expected disbursements within the next 10 years</b>	<b>40,445</b>

The running period of the performance-oriented liability averages at 19.0 years at the end of the reporting period (previous year: 19.9 years).

## (25) Non-current and current provisions

in EUR K	Staff division	Production division	Sales division	Other provisions	Total
<b>At 01 January 2014</b>	<b>6,779</b>	<b>1,119</b>	<b>29,323</b>	<b>1,723</b>	<b>38,944</b>
Current differences	1	0	1,347	16	1,364
Consumption	-2,324	-176	-1,586	-690	-4,776
Netting of plan assets	0	0	0	0	0
Additions/formation	1,972	48	4,337	992	7,349
Actuarial gains	20	0	0	0	20
Change to companies consolidated	0	0	0	0	0
Interest cost	118	11	112	6	247
Reversal	-316	-8	-10,786	-151	-11,261
<b>At 31 December 2014</b>	<b>6,250</b>	<b>994</b>	<b>22,747</b>	<b>1,896</b>	<b>31,887</b>
Current differences	19	0	1,032	10	1,061
Consumption	-1,964	-119	-4,442	-993	-7,518
Netting of plan assets	0	0	0	0	0
Additions/formation	2,323	60	15,551	390	18,324
Actuarial gains	-3	0	0	0	-3
Change to companies consolidated	0	67	0	1	68
Interest cost	74	15	127	0	216
Reversal	-401	-6	-9,268	-122	-9,797
<b>At 31 December 2015</b>	<b>6,298</b>	<b>1,011</b>	<b>25,747</b>	<b>1,182</b>	<b>34,238</b>
<b>of which current</b>	<b>2,688</b>	<b>378</b>	<b>21,847</b>	<b>883</b>	<b>25,796</b>
<b>of which non-current</b>	<b>3,610</b>	<b>633</b>	<b>3,900</b>	<b>299</b>	<b>8,442</b>

Provisions in the staff area have been set aside for anniversary expenses, termination settlements and similar obligations, among other things.

Provisions of the production division comprise, inter alia, asset retirement obligations and disposal costs.

Provisions in the sales area essentially comprise provisions for warranties, compensation claims of commercial representatives as well as provisions for litigation risks. 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 acceptance obligations and safe-keeping obligations, 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 2015			Carrying amount as at 31 Dec 2014
	short-term	long-term		short-term	long-term	
Payables to banks	2,757	62	2,819	3,086	638	3,724
Liabilities under finance leases	405	251	656	861	682	1,543
Other borrowings	1,000	0	1,000	3,006	0	3,006
<b>Borrowings in total</b>	<b>4,162</b>	<b>313</b>	<b>4,475</b>	<b>6,953</b>	<b>1,320</b>	<b>8,273</b>

The covenants applicable to finance leases are explained in Note (14).

## (27) Trade payables

in EUR K	31 Dec 2015	31 Dec 2014
<b>from</b>		
Third parties	44,199	44,089
Investments in associates	156	122
<b>Trade payables in total</b>	<b>44,355</b>	<b>44,211</b>

The terms of the trade payables is completely short term.

The fair values of trade payables do not differ from the carrying amounts reported.

**(28) Non-current and current financial liabilities**

in EUR K			Carrying amount as at 31 Dec 2015			Carrying amount as at 31 Dec 2014
	short-term	long-term		short-term	long-term	
Other liabilities to investments in associates	0	0	0	15	0	15
Negative fair values of derivative financial instruments	342	0	342	201	8	209
<b>Other liabilities</b>						
liabilities towards customers	15,295	0	15,295	16,454	0	16,454
liabilities towards employees	1,195	0	1,195	708	0	708
miscellaneous	9,433	662	10,095	10,443	1,200	11,643
<b>Financial liabilities in total</b>	<b>26,265</b>	<b>662</b>	<b>26,927</b>	<b>27,821</b>	<b>1,208</b>	<b>29,029</b>

Derivative financial instruments have the following negative fair values:

in EUR K	31 Dec 2015	31 Dec 2014
<b>Hedges against</b>		
currency risks	342	209
<b>Fair values of derivative financial instruments in total</b>	<b>342</b>	<b>209</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 2015			Carrying amount as at 31 Dec 2014
	short-term	long-term		short-term	long-term	
Advance payment received on orders	1,230	0	1,230	1,469	0	1,469
<b>Other liabilities</b>						
from other taxes	7,926	0	7,926	7,596	0	7,596
social security liabilities	6,079	0	6,079	3,495	0	3,495
liabilities towards employees	20,547	10	20,557	25,420	0	25,420
miscellaneous	5,272	1	5,273	6,610	1	6,611
<b>Other liabilities in total</b>	<b>41,054</b>	<b>11</b>	<b>41,065</b>	<b>44,590</b>	<b>1</b>	<b>44,591</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 2014**

in EUR K	Valuation category according to IAS 39	Carrying amount  31 Dec 2014	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.	75	0	0	0	0	75	0
Trade payables	LaR	116,457	116,457	116,457	0	0	0	0
Other receivables and financial assets								
- Available-for-sale financial assets	AfS	45	45	45	0	0	0	0
- Held-to-maturity investments	HtM	11,703	11,703	11,756	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	707	0	0	707	0	0	0
- Other assets	LaR/n.a.	141,120	130,727	130,773	0	0	30	10,363
Other receivables and financial assets in total		153,575	142,475	142,574	707	0	30	10,363
Cash and cash equivalents	LaR	113,017	113,017	113,017	0	0	0	0
<b>Liabilities</b>								
Borrowings	FLAC	6,731	6,731	6,731	0	0	0	0
Liabilities under finance leases	n.a.	1,543	0	0	0	1,543	0	0
Borrowings in total		8,274	6,731	6,731	0	1,543	0	0
Trade payables	FLAC	44,211	44,211	44,211	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	209	0	0	209	0	0	0
- Other liabilities	FLAC/n.a.	73,410	28,819	28,819	0	0	0	44,591
Other liabilities and financial liabilities in total		73,619	28,819	28,819	209	0	0	44,591

## Reconciliation of balance sheet items with financial instrument categories as at 31 December 2015

in EUR K	Valuation category according to IAS 39	Carrying amount 31 Dec 2015	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	124,078	124,078	124,078	0	0	0	0
Other receivables and financial assets								
- Available-for-sale financial assets	AfS	22	22	22	0	0	0	0
- Held-to-maturity investments	HtM	9,843	9,843	9,854	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	804	0	0	804	0	0	0
- Other assets	LaR/n.a.	60,416	48,284	48,284	0	0	1	12,131
Other receivables and financial assets in total		71,085	58,149	58,160	804	0	1	12,131
Cash and cash equivalents	LaR	70,862	70,862	70,862	0	0	0	0
<b>Liabilities</b>								
Borrowings	FLAC	3,767	3,767	3,767	0	0	0	0
Liabilities under finance leases	n.a.	708	0	0	0	708	0	0
Borrowings in total		4,475	3,767	3,767	0	708	0	0
Trade payables	FLAC	44,355	44,355	44,355	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	342	0	0	342	0	0	0
- Other liabilities	FLAC/n.a.	67,650	26,585	26,585	0	0	0	41,065
Other liabilities and financial liabilities in total		67,992	26,585	26,585	342	0	0	41,065

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 2015	31 Dec 2014
Available-for-Sale (AFS)	22	45
Financial assets held for trading (FAhFT)	804	707
Held-to-Maturity Investments (HtM)	9,843	11,703
Loans and receivables (LaR)	243,225	360,231
Financial liabilities measured at amortised cost (FLAC)	74,707	79,761
Financial Liabilities Held for Trading (FLHFT)	342	209

#### Balance sheet items measured at fair value

in EUR K	31 Dec 2014	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
- Derivatives with no hedge relationship	707	0	707	0
Available-for-sale financial assets				
- Derivatives with a hedge relationship	0	0	0	0
<b>Financial assets measured at fair value</b>	<b>707</b>	<b>0</b>	<b>707</b>	<b>0</b>
Financial liabilities recognised at fair value through profit or loss				
- Derivatives with no hedge relationship	209	0	209	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>209</b>	<b>0</b>	<b>209</b>	<b>0</b>

in EUR K	31 Dec 2015	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
- Derivatives with no hedge relationship	804	0	804	0
Available-for-sale financial assets				
- Derivatives with a hedge relationship	0	0	0	0
<b>Financial assets measured at fair value</b>	<b>804</b>	<b>0</b>	<b>804</b>	<b>0</b>
Financial liabilities recognised at fair value through profit or loss				
- Derivatives with no hedge relationship	342	0	342	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>342</b>	<b>0</b>	<b>342</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	2015	2014
<b>At 01 January</b>	<b>22,248</b>	21,287
Exchange rate differences	-153	4
Additions	7,564	6,710
Consumption	4,298	2,683
Reversals	3,824	3,136
Change to companies consolidated	0	66
<b>At 31 December</b>	<b>21,537</b>	22,248

The following table shows the carrying amounts and fair values of the financial instruments as at 31 December 2015, excluding financial instruments which typically barely differ between carrying amount and fair values.

in EUR K	Carrying amount as at 31 Dec 2015	Fair value as at 31 Dec 2015
<b>Financial assets</b>		
Non-current		
Investments	22	22
Loans	0	0
Forward exchange contracts	0	0
Financial investments	0	0
Other financial assets	170	170
<b>Non-current financial assets in total</b>	<b>192</b>	<b>192</b>
Current		
Financial investments	53,009	53,145
Loans	410	410
Forward exchange contracts	804	804
Other financial assets	4,539	4,539
<b>Current financial assets in total</b>	<b>58,762</b>	<b>58,898</b>
<b>Total financial assets</b>	<b>58,954</b>	<b>59,090</b>
<b>Financial liabilities</b>		
Non-current		
Borrowings	313	313
Other financial liabilities	662	662
Forward exchange contracts	0	0
<b>Non-current financial liabilities in total</b>	<b>975</b>	<b>975</b>
Current		
Borrowings	4,162	4,162
Forward exchange contracts	342	342
Other financial liabilities	25,923	25,923
<b>Current financial liabilities in total</b>	<b>30,427</b>	<b>30,427</b>
<b>Total financial liabilities</b>	<b>31,402</b>	<b>31,402</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 note 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 statement of financial position that include financial investments with an original term of up to three 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. Investment activities comprise disbursements for additions to intangible assets and tangible fixed assets as well as disbursements for the acquisition of consolidated companies and other business units, interest received, inpayments arising from the disposal of intangible assets and property, plant and equipment, as well as disbursements and payments for financial investments.

Financing activities comprise deposits from associates, cash outflows from payments to shareholders, payments for acquisition of minority interests, interest payments and the taking out and payment of loans, as well as changes to other borrowings. Changes in items of the statement of financial position 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 – the personally liable partner STO Management SE – the Group is divided up into geographical business units. The geographical business units were consolidated to form 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 units of the Euro zone (without Finland and Slovakia), 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. In the fiscal year 2015, a financial asset at equity was valued with an amount recognised in the balance sheet of EUR 0 K; in the previous year the share of earnings from at-equity valuation amounted to EUR -1 K which was not assigned to any segment and was reported in the reconciliation column.

Depreciation/amortisation and investments relate to property, plant and equipment and

intangible assets. In the previous year, an impairment test of Argamont Revestimentos e Argamassas Ltda. resulted in a needed depreciation of EUR 1,800 K in the America/Asia segment. This includes the full depreciation of goodwill amounting to EUR 1,341 K.

In the 2015 reporting period, an impairment test of Argamont Revestimentos e Argamassas Ltda. resulted in a needed depreciation of EUR 1,471 K in the America/Asia segment. This includes the full depreciation of customer base (EUR 659 K) and the product brand (EUR 394 K). Furthermore, a non-scheduled depreciation of a building was performed in the amount of EUR 418 K.

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/consolidation 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 10 % or more of sales revenues are generated.

The breakdown of sales revenues is made according to the customer's head office.

in EUR K	2014			Total
	Germany	France	Others	
External revenues	549,243	127,367	532,119	<b>1,208,729</b>
Intangible assets, property, plant and equipment	172,216	26,162	78,376	<b>276,754</b>

in EUR K	2015			Total
	Germany	France	Others	
External revenues	535,347	120,742	560,463	<b>1,216,553</b>
Intangible assets, property, plant and equipment	177,103	25,485	79,407	<b>281,995</b>

### (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 these risks. To this end, the usual instruments such as currency forwards, forward exchange, and interest rate swaps 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 are only 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 extended to 2020 by an amendment contract in 2015. The term of the usual credit lines runs until the year 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 leases shown in Note (14).

in EUR K	Cash outflows			31 Dec 2014
	up to 1 year	1 – 5 years	5 – 10 years	
Borrowings	6,235	130	505	6,870
Trade payables	44,211	0	0	44,211
Other borrowings	27,606	1,200	0	28,806
Derivatives	46,087	890	0	46,977
Guarantees	352	0	0	352
<b>Cash outflows in total</b>	<b>124,491</b>	<b>2,220</b>	<b>505</b>	<b>127,216</b>

in EUR K	Cash outflows			31 Dec 2015
	up to 1 year	1 – 5 years	5 – 10 years	
Borrowings	3,827	10	0	3,837
Trade payables	44,355	0	0	44,355
Other borrowings	25,923	303	0	26,226
Derivatives	50,925	0	0	50,925
Guarantees	253	0	0	253
<b>Cash outflows in total</b>	<b>125,283</b>	<b>313</b>	<b>0</b>	<b>125,596</b>

Under guarantees the occurrence of an obligation is not anticipated at present.

The amounts of the derivatives shown correspond to the un-discounted cash flows. These payments can be processed on a gross or net basis. When levelling on a gross basis, only cash outflows are shown.

In the following table, the cash outflows are compared to the corresponding cash inflows.

in EUR K	Cash inflows/outflows as at 31 December 2014			Total
	up to 1 year	1 – 5 years	5 – 10 years	
Inflow	46,248	932	0	47,180
Outflow	46,087	890	0	46,977
<b>Balance</b>	<b>161</b>	<b>42</b>	<b>0</b>	<b>203</b>

in EUR K	Cash inflows/outflows as at 31 December 2015			Total
	up to 1 year	1 – 5 years	5 – 10 years	
Inflow	50,463	0	0	50,463
Outflow	50,925	0	0	50,925
<b>Balance</b>	<b>-462</b>	<b>0</b>	<b>0</b>	<b>-462</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 credit risks in the event of financial institutions failing to honour their ob-

ligations. 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 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  31 Dec 2014
Other financial assets	131,987	102	11,125	143,214
Trade receivables	74,237	22,267	19,953	116,457
Cash and cash equivalents	113,017	0	0	113,017
<b>Financial assets measured at amortised costs of acquisition in total</b>	<b>319,241</b>	<b>22,369</b>	<b>31,078</b>	<b>372,688</b>

in EUR K	not due, not value- adjusted	overdue, not value- adjusted	overdue, value-adjusted	Carrying amount  31 Dec 2015
Other financial assets	52,117	0	6,836	58,953
Trade receivables	78,611	22,472	22,996	124,079
Cash and cash equivalents	70,862	0	0	70,862
<b>Financial assets measured at amortised costs of acquisition in total</b>	<b>201,590</b>	<b>22,472</b>	<b>29,832</b>	<b>253,894</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 1,259 K was held in the financial year for overdue and impaired trade receivables (previous year: EUR 1,406 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 2014
	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	102	102
Trade receivables	11,487	5,790	1,531	3,459	22,267
<b>Overdue and not value-adjusted financial instruments in total</b>	<b>11,487</b>	<b>5,790</b>	<b>1,531</b>	<b>3,561</b>	<b>22,369</b>

in EUR K	overdue				31 Dec 2015
	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	11,956	5,225	1,383	3,908	22,472
<b>Overdue and not value-adjusted financial instruments in total</b>	<b>11,956</b>	<b>5,225</b>	<b>1,383</b>	<b>3,908</b>	<b>22,472</b>

**Currency risk**

Foreign currency flows are determined in the budget phase for the following year. On the basis of the foreign currency payment flows, suitable hedging strategies are created, agreed upon with the relevant bodies, and implemented. Here the planned cash positions without exception are hedged through hedging instruments congruent to the time and economic state from the area of derivatives. The currency hedge affected CNY/EUR, CZK/EUR, HUF/EUR, RUB/EUR, SGD/EUR, TRY/EUR, USD/EUR as well as EUR/CHF, EUR/CZK, EUR/GBP, EUR/HUF, EUR/NOK, EUR/PLN, EUR/SEK und USD/CAD. The changes in fair value were recognised in the statement of profit or loss with an impact on profit and loss.

The main operative currency risks in the Sto Group are due to the manufacture of products

in Germany and their subsequent selling and delivery 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 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 CNY/EUR. If the Chinese renminbi had been 10 % lower/higher against the euro, pre-tax earnings would have been up by EUR 151 K (previous year: EUR 176 K), or down by EUR 124 K (previous year: EUR 144 K).

**Interest rate risk**

The interest rate risk for the Sto Group results from changes in market interest rates, particularly for current and non-current liabilities subject to floating interest rates.

Interest rate risks as defined in IFRS 7 essentially occur in the case of financial investments. Due to the short-term nature of the financial investments with a running period of up to one year, there is no interest rate risk for the Sto Group as at 31 December 2015.

The volume of non-current, variable-rate borrowings is so low that a change of the market interest level by 100 basis points on 31 December 2015 would have had no significant impact on earnings (previous year: also insignificant).

**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 2015		31 Dec 2014	
	Nominal volume	Market value total	Nominal volume	Market value total
Forward exchange transaction(s)/options	41,438	462	47,241	498
<b>Derivative financial instruments in total</b>	<b>41,438</b>	<b>462</b>	47,241	498

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 decrease in the nominal volume with the foreign currency forwards is based on a reduced hedging of most associates of incoming or outgoing payments other than the functional currency.

The residual maturity of the currency derivatives as a rule lies within a year.

**(34) Contingencies**

in EUR K	2015	2014
Guarantees from the Sto Group to third parties	252	351
Reserve liability to cooperatives	1	1
<b>Contingencies in total</b>	<b>253</b>	<b>352</b>

**(35) Litigation**

Neither Sto SE & Co. KGaA nor its Group companies are involved in any court litigation or arbitration proceedings which are liable to exert a material influence on the Group's economic situation or have done so in the past two years. There is no evidence that any such litigation or proceedings will arise in the future. Provisions in an appropriate amount have been set aside by the individual Group companies to allow for any expenses arising from other court litigation or arbitration proceedings.

**(36) Other financial obligations**

in EUR K	31 Dec 2014	Maturity between		
		within one year	1 – 5 years	after 5 years
Obligations under rental contracts and leases	67,425	20,532	38,783	8,110
Obligations under maintenance contracts	5,131	3,950	1,176	5
Acceptance obligations	14,034	9,094	4,940	0
Other obligations	524	342	182	0
<b>Other financial obligations in total</b>	<b>87,114</b>	<b>33,918</b>	<b>45,081</b>	<b>8,115</b>

in EUR K	31 Dec 2015	Maturity between		
		within one year	1 – 5 years	after 5 years
Obligations under rental contracts and leases	65,277	21,196	37,281	6,800
Obligations under maintenance contracts	5,298	3,826	1,464	8
Acceptance obligations	9,655	9,442	213	0
Other obligations	665	423	241	1
<b>Other financial obligations in total</b>	<b>80,895</b>	<b>34,887</b>	<b>39,199</b>	<b>6,809</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 6,393 K (previous year: EUR 10,324 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 2015:

in EUR K	2015	2014
Audits of financial statements	271	330
Tax consulting services	0	0
Other certification or valuation activities	22	5
Other services	11	25
<b>Auditors' fees in total</b>	<b>304</b>	360

### (38) Events after the balance sheet date

At the start of January 2016, Sto SE & Co. KGaA concluded the acquisition of a majority interest in Ströher GmbH, based in Dillenberg, Germany; a process that had already been contractually agreed on 18 November 2015. Once consent had been received from the German Federal Cartel Office and all contractual conditions had been fulfilled, Sto took over 50.1 % of the shares in the Ströher Group, one of the world's leading manufacturers of brick and ceramic products for use on high-quality facades and floors in interiors and exteriors. First-time consolidation takes place in the 2016 fiscal year.

For further details please see General Information, 4. Companies consolidated.

Between the end of the fiscal year and the point at which this report was signed off, there were no other events of particular note and with a significant impact on the earnings, financial, and asset situation of the Sto Group.

**(39) Related party disclosures**

IAS 24 defines related parties as persons or entities liable to be influenced by the reporting entity or are capable of influencing the reporting entity in question.

All business relations with related parties were conducted on arms-length terms.

As at 31 December 2015, members of the Executive Board of STO Management SE and the Supervisory Board of Sto SE & Co. KGaA are members of the executive boards and supervisory boards of other companies with which Sto SE & Co. KGaA maintains relations as part of its ordinary business activities. All transactions with such companies are conducted on arms-length terms.

The volume of deliveries and services, including net interest income, between companies in the Sto Group and related parties and persons are set out in the following table:

in EUR K	Share	Rendered deliveries and services		Received deliveries and services		Receivables from		Payables to	
		2015	2014	2015	2014	2015	2014	2015	2014
Inotec GmbH, Waldshut-Tiengen/Germany	45 %	6	2	4,745	4,035	408	408	156	99
STO Management SE		837	600	4,874	4,597	100	13	2,942	3,159
Stotmeister Beteiligungs GmbH		0	0	24	0	0	0	0	0
Miscellaneous		0	0	8	0	0	0	0	0

Interest payments were made to Stotmeister Beteiligungsgesellschaft mbH in the year under review to the amount of EUR 24 K (previous year: EUR 0 K).

**(40) List of subsidiaries and investments as at 31 December 2015**

Germany	Capital share in %
Name, registered office	
Verotec GmbH, Lauingen/Germany	100
StoCretec GmbH, Kriftel/Germany	100
Gefro Verwaltungs-GmbH & Co. KG, Stühlingen/Germany	100
Südwest Lacke + Farben GmbH & Co. KG, Böhl-Iggelheim/Germany	100
Südwest Lacke + Farben Verwaltungs-GmbH, Böhl-Iggelheim/Germany	100
Sto BT GmbH, Stühlingen/Germany	100
VeroStone GmbH, Kirchheim/Germany	100
Innolation GmbH, Lauingen/Germany	100
Sto SMEE Beteiligungs GmbH, Stühlingen/Germany	100
JMA Jura Marmor Abbau GmbH & Co. KG, Eichstätt/Germany	100
JMA Jura Marmor Abbau GmbH, Eichstätt/Germany	100
Neumeyer & Brigl GmbH & Co. KG, Eichstätt/Germany	100
Inotec GmbH, Waldshut-Tiengen/Germany	45

For changes in the current year,  
please refer to "General disclosures"  
Note 4 "Companies consolidated".

Non-Germany	Capital share in %
Name, registered office	
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., Amilly/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
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 AG, Niederglatt, Switzerland	100
Sto Ltd., Paisley/Great Britain	100
Sto Sp. z o.o., Warsaw/Poland	100
Sto Epitöanyag Kft., Dunaharaszti/Hungary	100
Sto s.r.o., Dobřejovice/Czech Republic	100
STOMIX spol s.r.o., Skorosice/Czech Republic	100
STOMIX Slovensko s.r.o., Zvolen/Slovakia	100
OOO Sto, Moscow/Russia	100
OOO STOMIX Orel, Orel/Russia	100
Sto Yapi Sistemleri Sanayi ve Ticaret A.S., Istanbul/Turkey	100
Sto Gulf Building Material LLC., Dubai/UAE	49
Sto Corp., Atlanta/USA	100
Sto Canada Ltd., Etobicoke/Canada	100
Industrial y Comercial Sto Chile Ltda., Santiago de Chile/Chile	100
Sto Colombia S.A.S., Bogota D.C./Colombia	100
Sto Mexico S. de R.L. de C.V., Monterrey/Mexico	100
Sto Brasil Revestimentos e Participações Ltda., Itaquaquecetuba/Brazil	100
Argamont Revestimentos e Argamassas Ltda., Itaquaquecetuba/Brazil	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 "General disclosures" Note 4 "Companies consolidated".

No restrictions apply with regard to the liquidation of assets or the payment of debts for a fully consolidated company within the Sto Group.

**(41) German Corporate Governance Code**

In December 2015, the Executive Board of the personally liable partner of Sto SE & Co. KGaA, STO Management SE, and Supervisory Board of Sto SE & Co. KGaA 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 made it available to shareholders on the Internet page of Sto SE & Co. KGaA.

**(42) Remuneration of the Board of Directors and the Supervisory Board**

The remuneration paid to the members of the Executive Board in the fiscal year of 2015 complies with the statutory provisions contained in the German Companies Act. In the fiscal year 2015, current due remunerations of the Executive Board totalled EUR 3,779 K (previous year: EUR 4,301 K). Expenses for future benefits after terminating the employment relationship (current service cost) amounted to EUR 233 K (previous year: EUR 221 K). Executive Board remunerations thus totalled EUR 4,012 K (previous year: EUR 4,522 K). As at 31 December 2015, the post-employment benefit provisions for the current members of the Executive Board amounted to EUR 168 K due to offsetting against plan assets and non-current financial liabilities (previous year: EUR 122 K). As at 31 December 2015, post-employment benefit provisions for former members of the Executive Board were valued at EUR 2,206 K (previous year: EUR 2,394 K) due to offsetting against plan assets. Remuneration paid to former members of the Executive Board and the Supervisory Board came to EUR 332 K (previous year: EUR 239 K). The statements above concerning the previous year apply to the remuneration of the Executive Board of Sto AG until 26 March 2014 and then to 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 since its conversion from Sto AG to Sto SE & Co. KGaA with effect on 26 March 2014.

The remunerations of the Supervisory Board of Sto SE & Co. KGaA and the compensation of expenditure in this regard as stipulated in Section 6 Paragraph 3 of Sto SE & Co. KGaA for the Supervisory Board of STO Management SE for the 2015 fiscal year amounted to EUR 555 K (previous year: EUR 522 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 Management SE in the fiscal year of 2015  
(personally liable partner of Sto SE & Co. KGaA):**

**Jochen Stotmeister**

Chief Executive Officer, responsible for strategy and corporate development, central services, personnel, and internal auditing  
(until 16 June 2015)

Grafenhausen/Germany, Dipl.-Betriebswirt (FH)

Chairman of the Supervisory Board of STO Management SE

Member of the Supervisory Board of Sto SE & Co. KGaA

Member of the BOD of Sto Corp., Atlanta/USA

Member of the Administrative Board Beissier S.A.U., Erreterria/Spain

Member of the Supervisory Board CellGenix GmbH, Freiburg im Breisgau

Member of the Advisory Board of Karl Wörwag, Lack- und Farbenfabrik GmbH & Co. KG, Stuttgart/Germany

Member of the Advisory Board of Paul Bauder GmbH & Co. KG, Stuttgart/Germany

**Rainer Hüttenberger**

Spokesman of the Executive Board (since 01 July 2015), responsible for Marketing and Sales Sto Brand International

Stein a. Rhein/Switzerland, Dipl.-Betriebswirt (FH)

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

**Michael Keller**

Executive Board member responsible for Sales Sto Brand Germany, Distribution, and Central Services (since 01 July 2015)  
Bonndorf, Ing.päd. (TU)

**Gerd Stotmeister**

Chief Technical Officer, responsible for process engineering, innovation, materials management and logistics

Deputy Chairman (until 16 June 2015), Allensbach/Germany, Dipl.-Ing. (FH)

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 Kliniken Schmieder, Allensbach/Germany

Member of the General Assesmbly of IHK Hochrhein-Bodensee

**Rolf Wöhrle**

Chief Financial Officer, responsible for Finances, Controlling, Legal, and Information Technology and for Internal Auditing since 16 June 2015

Bad Dürkheim/Germany, Dipl.-Betriebswirt (BA)

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

**Members of the Supervisory Board of Sto SE & Co. KGaA in the fiscal year of 2015:****Dr. Max-Burkhard Zwosta**

Chairman of the Supervisory Board  
Wittnau, Chartered Accountant and Tax  
Consultant  
Member of the Supervisory Board STO  
Management SE, Stühlingen/Germany  
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  
Member of the Supervisory Board Testo AG,  
Lenzkirch  
Member of the Advisory board EGT AG, Triberg

**Holger Michel**

Deputy Chairman of the Supervisory Board and  
employee representative, Dresden/Germany  
Trade union secretary IG BCE (until 29 February  
2016), pensioner (since 01 March 2016)

**Gertrud Eisele**

Rottweil/Germany  
Publisher  
Member of the Supervisory Board STO  
Management SE, Stühlingen/Germany

**Helmut Hilzinger (until 16 June 2015)**

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

**Prof. Dr.-Ing. Klaus Sedlbauer**

Rottach-Egern/Germany  
Chairholder at the Institute of Building Physics  
of the Technical University Munich/Germany  
Head of the Fraunhofer Institute for Building  
Physics, Stuttgart, Holzkirchen, Kassel,  
Nuremberg, and Rosenheim/Germany  
Member of the Supervisory Board STO  
Management SE, Stühlingen/Germany  
Deputy Chairman of the Supervisory Board of  
Calcon AG, Munich/Germany  
Member of the Supervisory Board RWE Effizienz  
GmbH, Dortmund/Germany

**Charles Stettler**

Stäfa/Switzerland  
Banker/freelance Administrative Board  
Deputy Chairman of the Supervisory Board of  
STO Management SE, Stühlingen/Germany  
President of the Administrative Board of  
Sto AG, Niederglatt-Zurich/Switzerland  
President of the Administrative Board Allco AG,  
Lachen-Zurich/Switzerland  
President of the Administrative Board of  
InvestInvent AG, Zurich/Switzerland  
Member of the Administrative Board of  
BZ Bank AG, Wilen/Switzerland  
Member of the Administrative Board of  
Lienhardt & Partner Privatbank AG,  
Zurich/Switzerland  
Member of the Administrative Board of  
Intershop Holding AG, Zurich/Switzerland  
Member of the Administrative Board ALL  
Swiss-Austria Leasing AG, Zurich/Switzerland  
Member of the Administrative Board of Gadola  
Holding AG, Grüningen-Zurich/Switzerland  
Member of the Administrative Board of  
Wyler AG, Winterthur/Switzerland

**Jochen Stotmeister** (since 16 June 2015)  
 Grafenhausen/Germany, Dipl.-Betriebswirt (FH)  
 Chairman of the Supervisory Board of  
 STO Management SE  
 Member of the BOD of Sto Corp., Atlanta/USA  
 Member of the Administrative Board Beissier  
 S.A.U., Erreterria/Spain  
 Member of the Supervisory Board CellGenix  
 GmbH, Freiburg im Breisgau  
 Member of the Advisory Board Karl Wörwag,  
 Lack- und Farbenfabrik GmbH & Co. KG,  
 Stuttgart  
 Member of the Advisory Board of Paul Bauder  
 GmbH & Co. KG, Stuttgart/Germany

**Peter Zürn**  
 Osterburken  
 Member of the Management of the Würth  
 Group, Künzelsau/Germany  
 Member of the Supervisory Board STO  
 Management SE, Stühlingen/Germany  
 Chairman of the Executive Board Würth Belux  
 N.V., Turnhout/Belgium  
 Member of the Executive Board Würth Hellas  
 S.A., Athens/Greece  
 Member of the Executive Board Würth België  
 N.V., Turnhout/Belgium  
 Member of the Executive Board Wuerth  
 Philippines, Inc., Cabuyao/Philippines  
 Chairman of the Administrative Board  
 InovaChem Engineering AG, Wetzikon/  
 Switzerland  
 Chairman of the Administrative Board Würth  
 á Islandi ehf., Garðabær/Iceland  
 Chairman of the Administrative Board Würth  
 Norge AS, Hagan/Norway  
 Chairman of the Administrative Board Würth  
 Phoenix S.r.l., Bolzano/Italy  
 Member of the Administrative Board of Auto-  
 com Diagnostic Partner AB, Trollhättan/Sweden  
 Member of the Supervisory Board Wuerth India  
 Pvt. Ltd., Mumbai/India

Member of the Administrative Board of Tunap  
 International Trading Co., Ltd., Shanghai/China  
 Member of the Administrative Board Würth AG,  
 Arlesheim/Switzerland  
 Member of the Administrative Board Würth  
 International AG, Chur/Switzerland  
 Member of the Administrative Board Würth  
 Korea Co., Ltd., Chungung Dong/South Korea  
 Member of the Administrative Board Würth  
 Svenska AB, Örebro/Sweden  
 Member of the Administrative Board Würth  
 New Zealand Ltd., Auckland/New Zealand  
 Member of the Administrative Board Würth  
 Promotional Concepts AG, Chur/Switzerland  
 Member of the Administrative Board Würth  
 Logistics, Rorschach/Switzerland  
 Member of the Supervisory Board of Wuerth  
 China Co., Ltd., Shanghai/China  
 Member of the Supervisory Board of Wuerth  
 Indonesia P.T., Jakarta/Indonesia  
 Member of the Supervisory Board Würth  
 Szereléstechnika KFT, Budaörs/Hungary  
 Member of the Administrative Board of Lager-  
 haus Landquart AG, Landquart/Switzerland  
 Member of the Advisory Board Würth Técnica  
 de Montagem Lda., Sintra/Portugal  
 Member of the Advisory Board Würth Australia  
 Pty. Ltd., Dandenong South/Australia

**Uwe Bruchmüller**  
 Employee representative, Thalheim/Germany  
 Head of Business Development for Water  
 Technologies, Veolia Water Technologies  
 Deutschland GmbH  
 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

**Members of the Supervisory Board of  
STO Management SE in the fiscal year 2015  
(personally liable partner of Sto SE & Co. KGaA):**

**Lothar Hinz**

Employee representative, Reutlingen/Germany  
Chairman of the Group Works Council and  
Chairman of the Works 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  
Vice President Materials Management Sto  
Group, Member of the Advisory Board of  
Inotec GmbH, Waldshut-Tiengen/Germany

**Jochen Stotmeister**

(since 16 June 2015 member and Chairman)  
Chairman of the Supervisory Board  
Grafenhausen

**Dr. Max-Burkhard Zwosta**

(until 16 June 2015 Chairman of the  
Supervisory Board) Wittnau

**Charles Stettler**

Deputy Chairman of the Supervisory Board  
Stäfa/Switzerland

**Gertrud Eisele**

Rottweil/Germany

**Helmut Hilzinger** (until 16 June 2015)

Willstätt/Germany

**Prof. Dr.-Ing. Klaus Sedlbauer**

Rottach-Egern/Germany

**Peter Zürn**

Osterburken

Stühlingen/Germany, 14 April 2016

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



Rainer Hüttenberger  
(Spokesman)



Michael Keller



Gerd Stotmeister



Rolf Wöhrle

## 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, Stühlingen, comprising the statement of profit or loss, the consolidated statement of other comprehensive income, the statement of financial position, the statement of changes in 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 2015. 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/Germany,  
14 April 2016

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Wetzel  
Chartered  
accountant

Traub  
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 2016

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



Rainer Hüttenberger  
(Spokesman)



Michael Keller



Gerd Stotmeister



Rolf Wöhrle

# Financial calendar 2016

Electronic publication of the annual financial statements for 2015.....	29 April 2016
Interim report on the first half of 2016 .....	19 May 2016
Annual General Meeting 2016 .....	9 June 2016
Report on the first half of 2016 .....	31 August 2016
Interim report on the second half of 2016 .....	18 November 2016
Electronic publication of the annual financial statements for 2016.....	28 April 2017

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  
D-79780 Stühlingen

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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## Subsidiaries – national

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**SÜDWEST Lacke + Farben  
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Kasseler Straße 41  
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## Subsidiaries – international

Belgium  
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www.sto.com.cn

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asiakaspalvelu@sto.com  
www.sto.fi

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formation@beissier.fr  
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Italy  
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info.it@sto.com  
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Canada  
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