



Sto AG | 2012 Annual Report

Sto at a glance

Sto Group	2007	2008	2009	2010	2011	2012	Changes in % 12/11
Turnover	884.7	946.7	924.6	986.0	1,106.8	1,141.7	3.2 %
Germany	407.4	431.1	450.6	489.2	529.4	524.7	−0.9 %
Non-Germany	477.3	515.6	474.0	496.8	577.4	617.0	6.9 %
Investments (without financial assets)	19.7	21.1	20.3	18.2	27.6	36.3	31.5 %
Depreciation/amortisation (without financial assets)	24.4	24.4	24.5	25.2	29.7	25.9	−12.8 %
EBITDA	99.4	107.7	106.8	110.8	134.2	121.1	−9.8 %
EBIT	75.0	83.2	82.3	85.6	104.5	95.3	−8.8 %
EBT	69.9	76.7	79.2	84.2	103.5	94.6	−8.6 %
EAT (earnings after taxes)	48.5	52.1	55.9	58.5	70.3	65.4	−7.0 %
per ordinary share (EUR)	7.27	8.08	8.65	9.03	10.89	10.11	−7.2 %
per preference share (EUR)	7.33	8.14	8.71	9.09	10.95	10.17	−7.1 %
Cash flow from operating activities	78.9	87.5	113.2	93.0	92.7	71.8	−22.5 %
per share (EUR)	11.89	13.62	17.62	14.48	14.43	11.18	−22.5 %
Total assets	493.1	527.8	568.6	620.1	669.7	684.2	2.2 %
Equity	242.9	284.0	325.3	375.3	426.0	448.8	5.4 %
in % of total assets	49.3	53.8	57.2	60.5	63.6	65.6	
Employees (year end)	4,056	4,155	4,145	4,249	4,695	4,689	−0.1 %
of which in Germany	2,286	2,317	2,313	2,358	2,495	2,482	−0.5 %
of which non-Germany	1,770	1,838	1,832	1,891	2,200	2,207	0.3 %

Sto AG	2007	2008	2009	2010	2011	2012	Changes in % 12/11
Turnover	471.5	499.9	508.7	540.5	586.8	587.9	0.2 %
Export ratio in %	20.9	20.6	18.2	16.7	17.5	17.4	
Investments							
in property, plant and equipment	6.3	7.7	6.4	9.2	11.9	17.3	45.4 %
in financial assets	1.2	1.1	1.0	1.4	16.3	3.9	−76.1 %
Depreciation/amortisation (without financial assets)	14.5	13.1	12.7	12.7	12.2	12.2	0.0 %
Earnings on ordinary activities	48.1	63.4	80.8	72.1	83.3	78.2	−6.1 %
Net profit for the year	37.2	49.3	65.6	51.1	65.4	62.9	−3.8 %
Cash flow from operating activities	48.6	61.2	86.9	84.8	70.6	63.6	−9.9 %
Dividend/bonus							
per ordinary share (EUR)	0.25/0.84	0.25/2.06	0.25/2.06	0.25/3.06	0.25/4.56	0.25/4.56	
per preference share (EUR)	0.31/0.84	0.31/2.06	0.31/2.06	0.31/3.06	0.31/4.56	0.31/4.56	
Total assets	356.1	398.9	447.0	458.0	492.0	497.2	1.1 %
Equity capital	179.2	221.4	272.0	285.5	329.5	361.4	9.7 %
in % of total assets	50.3	55.5	60.9	62.3	67.0	72.7	
Employees (year end)	1,946	1,960	1,947	1,997	2,057	2,100	2.1 %

(Figures in EUR million)

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

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Picture caption for title page:

The Sto SalesCentre that opened in Vienna at the end of May 2012 has already been awarded a gold medal – for its climate-focused design. The Austrian Ministry of Life's climate protection initiative, klima:aktiv, subjected the Sto Ges.m.b.H. three-storey building to a rigorous certification process, assessing its energy efficiency, planning and design quality, building material and construction quality, level of comfort and quality of its ambient air. The office building, which has been erected entirely in line with the passive house standard and represents an outstanding example of sustainable building, scored highly in a number of areas: the "StoVentec Glass" ventilated rainscreen cladding facade; the new "StoTherm In Aevero" internal insulation system that has been installed in critical building physical areas such as the window lintels; the StoCretec floor coatings; various Sto interior coatings; and the "StoSilent Cool" heating and acoustic ceiling.

Foreword



Jochen Stotmeister,
Chairman of the Executive Board

Dear Shareholders,

Although 2012 provided a difficult business environment for Sto AG in some respects, we were still able to achieve solid growth, with consolidated turnover rising by 3.2 % to EUR 1,141.7 million. Cost increases resulted in our EBIT operating result falling from EUR 104.5 million to EUR 95.3 million. Net profit for the year was EUR 65.4 million compared to EUR 70.3 million. As a result, we have had to implement some cuts as forecast after the previous year's record earnings, but have still managed to make a satisfactory profit. This has enabled our already healthy financial and asset situation to continue its upward trend. For this reason, at the Annual General Meeting on 12 June 2013 we will be proposing that the dividend payout remain unchanged in spite of the downturn in earnings. This means that shareholders are expected to receive an ordinary dividend of EUR 0.31 per preference share or EUR 0.25 per ordinary share as well as a bonus dividend of EUR 4.56 per ordinary and preference share.

Company growth was bolstered in 2012 by foreign business, which – partly as a result of exchange rates – grew by 6.9 % to EUR 617.0 million. Outside of Germany, our sound position enabled us to absorb losses in regions such as Eastern and Southern Europe thanks to the growth experienced in other countries. We are extremely pleased with this successful result of our internationalisation strategy. We continued to push forward this strategy in 2012, through measures such as establishing a subsidiary in Turkey, commencing sales activities at our Colombian subsidiary, and developing concepts for increasing our activities in the regions of Asia and South America.

Domestic sales fell by 0.9 % to EUR 524.7 million, primarily as a result of deconsolidation. However, the healthy momentum seen in the German facade sector up to now also dwindled considerably. This trend can in part be blamed on the weather, although it also stems from a noticeable reluctance on the part of potential building owners to invest, something which was rooted in their uncertainty in the months leading up to the year end about the tax advantages that energy efficiency measures would offer in the future.

This lack of certainty has been fuelled by continued discussion of the fire risks and recyclability of facade systems, as well as disputes over the monotonous look that some believe the systems create. This debate is in fact a by-product of the huge success that external wall insulation systems (EWIS) have achieved in recent years. Here at Sto, we take this kind of criticism very seriously and are doing our part to engage in an objective discussion of the issues through open communication that promotes dialogue. At the same time, we are committed to pressing forward with developing our systems and products – and we have already reaped the first fruits of our labours. What is more, we are taking an active role in collaborative initiatives and are supporting research projects. One

example is a promising strategy we are pursuing on the basis of the “Future Building” initiative established by the Federal Ministry of Transport, Building and Urban Development. One of the initiative’s aims is to assess modulation options for building shells using heat-sensitive recording techniques. The measurement results obtained from these are then used to adjust the insulant thickness in line with the thermal conditions that are present at various parts of the building. This three-dimensional approach to modulating insulation boards makes it possible to increase insulation system performance and adapt facade design to reflect the characteristics of an individual building.

Additionally, our extensive search for new solutions in this area is accelerating technological progress both within the industry and at Sto. Against this backdrop, and with the renewed strength we have gained from the debate, we are confident that the political commitment to revolutionising the use of energy and protecting the climate remains unchanged, and that extensive energy efficiency measures will therefore be essential for many years to come. To meet the challenges that this brings, Sto is able to draw on the outstanding expertise it has in using external wall insulation systems for energy efficiency measures and as render carrier systems.

From a strategic perspective, our research and development activities will therefore be taking on an even more important role, so that we can continue to offer innovative, environmentally friendly solutions and products for all the areas of application in which we work. Yet despite how crucial this work will be to us, it also goes without saying that we will not lose sight of the other challenges we face. Quite the opposite, in fact: we have refined our tried-and-tested strategy and planned ahead within the “StoFuture Plus” project already in 2010. Over the past two years, we found successful solutions to and largely finalised one of the main issues that this project addresses, which is

to ensure a smooth generation change within higher management.

Another important focus of “StoFuture Plus” is on optimising the organisation of our company so that we are in a better competitive position and are able to not only manage our anticipated future growth effectively, but also push it at the same time. To this end, we are expanding our existing structure to include a business field organisation. The core element of this organisation is to group Sto’s activities into the four business fields of facades, interiors, concrete restoration and floor coatings. In future, the heads of each business field are responsible for the strategic positioning of their area and will consult the local subsidiaries about which sales activities should be taking place. By doing this, our aim is to become even better acquainted with the vast range of different requirements that the various international markets have. These efforts will be aided by central units such as technical service or strategic marketing, which will provide all product groups and subsidiaries with assistance in dealing with overarching issues. This will create the right conditions for efficient management on a global scale, and for targeted development of our service portfolio. It is likely that the process of implementing this business field organisation will be completed during the course of 2013. Sto is therefore well on its way to achieving its “Think global, act local” objective.

One task we completed in 2012 was setting up our “Internal Auditing” area, an independent body that reports directly to the Chief Executive Officer. The aim is to ensure that our company processes, which have become increasingly complex as the Sto Group has grown over recent years, continue to remain transparent and to stay abreast of the increasing requirements relating to compliance using a systematic approach.

Beyond the projects associated with “StoFuture Plus”, the core elements of our

strategy will continue to be internationalisation, expanding our second distribution channel, and our measures for increasing Sto's appeal as an employer. Additionally, we intend to position Sto even more distinctly in the area of Corporate Social Responsibility. A key part of this is our participation in the UN's "Global Compact" initiative. We support, without reservation, the ten principles contained in the initiative addressing human and labour rights, environmental protection and measures against corruption; and we undertake to promote them within the scope of our responsibility. That is why, since joining the initiative, we have been working systematically to continuously expand our activities in the area of sustainability. The section of this annual report covering sustainability will provide you with an overview of the measures we have implemented over the past year, and also serves as the progress report we are obliged to compile each year as part of the requirements of the "Global Compact".

We are convinced that a sustainable approach is one of the keys to achieving long-term growth in our business – and this is clearly borne out by the successful development that the Sto Group has achieved over recent years. In fact, this approach has enabled us to carve out a significant position in Germany's small and medium-sized business sector: a recent study across all industries identified the top 100 fastest-growing businesses in this category, and Sto was ranked at a very healthy tenth place. This study is particularly significant in light of its lengthy time scale (2001 to 2010) and the large number of companies (1,500) taken into account. One aspect the analysis highlighted is that the leading companies it identified have some significant similarities: they all demonstrate innovative strength, pursue an international strategy, show a keen sense of brand awareness, and have a sound financial basis.

From both a strategic and financial perspective, Sto is in an excellent position to stay

on its earnings-oriented growth course. Of course, this does not exclude the possibility of a weaker performance in some years due to economic and weather-related conditions – and following 2012, we currently believe that 2013 may be affected by this as well. Given the difficult general conditions persisting in some regions, for the current fiscal year we are once again forecasting only moderate growth in turnover of approximately 2 % to around EUR 1,165 million. This forecast also takes into account the fact that 2013 is unlikely to see any significant positive effects from exchange rate movements, owing to a strengthening euro. We expect a further decrease in consolidated earnings before interest and taxes (EBIT), as key cost items are likely to rise more significantly than turnover once again. However, our financial and asset situation will remain solid. Looking to 2014 and beyond, we are confident of our ability to grow more strongly once again, something which will be reflected positively in our earnings.

Qualified and committed employees are one of Sto's key strengths. And they will continue to make a significant contribution to our company's success in the future too. On behalf of the Executive Board, I would like to thank all our employees and managers for the exemplary service and dedication they once again showed during the previous fiscal year.

Sincerely,



Jochen Stotmeister

Chairman of the Executive Board