

Sherwin-Williams Denmark A/S

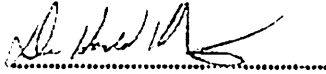
Nystedvej 5, DK-7400 Herning

CVR no. 24 50 25 11

Annual report 2018

Approved at the Company's annual general meeting on 16 May 2019

Chairman:



Dennis Harold Karnstein



**Building a better
working world**



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sherwin-Williams Denmark A/S for the financial year 1 January - 31 December 2018.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.


Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Herning, 16 May 2019
Executive Board:


Klaus Mikkelsen

Board of Directors:


Dennis Harold Karnstein
Chairman
James Michael Donchess
Jeffrey James Mikklich
Klaus Mikkelsen

Independent auditor's report

To the shareholders of Sherwin-Williams Denmark A/S

Opinion

We have audited the financial statements of Sherwin-Williams Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Herning, 16 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Niels J. Jørgensen
State Authorised Public Accountant
mne8217

Management's review

Company details

Name	Sherwin-Williams Denmark A/S
Address, Postal code, City	Nystedvej 5, DK-7400 Herning
CVR no.	24 50 25 11
Established	1 August 1967
Registered office	Herning
Financial year	1 January - 31 December
Website	www.sherwin-williams.com
Telephone	+45 97 21 61 11
Board of Directors	Dennis Harold Karnstein, Chairman James Michael Donchess Jefferey James Miklich Klaus Mikkelsen
Executive Board	Klaus Mikkelsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Industrivej Nord 9, 7400 Herning, Denmark
Bankers	Nordea Bank Danmark A/S

Management's review

Business review

The Company's main activity consists of purchase, production and sale of paint, varnish and stain to the wood and furniture industries and to window manufacturers. The purchases are primarily made as intragroup purchases from entities in the Sherwin-Williams Group.

Financial review

The income statement for 2018 shows a profit of DKK 8,009,771 against a profit of DKK 8,052,485 last year, and the balance sheet at 31 December 2018 shows equity of DKK 25,348,564.

Management considers the Company's result of the year satisfactory.

Events after the balance sheet date

No events have occurred subsequent to the financial year-end, which could significantly affect the company's financial position.

Financial statements 1 January - 31 December

Income statement

Note	DKK	<u>2018</u>	<u>2017</u>
	Gross margin	24,156,332	23,626,221
2	Staff costs	-12,980,158	-12,305,413
	Amortisation/depreciation and impairment of property, plant and equipment	-418,066	-613,166
	Profit before net financials	<u>10,758,108</u>	<u>10,707,642</u>
	Financial expenses	-445,643	-333,426
	Profit before tax	<u>10,312,465</u>	<u>10,374,216</u>
3	Tax for the year	-2,302,694	-2,321,731
	Profit for the year	<u>8,009,771</u>	<u>8,052,485</u>
	Recommended appropriation of profit		
	Extraordinary dividend distributed in the year	5,000,000	16,000,000
	Retained earnings/accumulated loss	<u>3,009,771</u>	<u>-7,947,515</u>
		<u>8,009,771</u>	<u>8,052,485</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Non-current assets		
4	Property, plant and equipment		
	Land and buildings	1,930,236	2,051,989
	Other fixtures and fittings, tools and equipment	1,367,866	1,587,242
		<u>3,298,102</u>	<u>3,639,231</u>
	Total non-current assets	<u>3,298,102</u>	<u>3,639,231</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	9,208,355	9,078,836
		<u>9,208,355</u>	<u>9,078,836</u>
	Receivables		
	Trade receivables	14,289,332	13,815,504
	Receivables from group entities	7,585	0
	Income taxes receivable	304,366	0
	Other receivables	30,938	33,954
	Deferred income	276,655	270,659
		<u>14,908,876</u>	<u>14,120,117</u>
	Cash	<u>3,129,052</u>	<u>6,331,058</u>
	Total current assets	<u>27,246,283</u>	<u>29,530,011</u>
	TOTAL ASSETS	<u>30,544,385</u>	<u>33,169,242</u>
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	3,500,000	3,500,000
	Retained earnings	21,848,564	18,838,793
	Total equity	<u>25,348,564</u>	<u>22,338,793</u>
	Non-current liabilities		
	Deferred tax	145,922	184,862
	Total non-current liabilities	<u>145,922</u>	<u>184,862</u>
	Current liabilities		
	Trade payables	302,898	505,544
	Payables to group entities	1,867,076	7,003,577
	Income taxes payable	0	52,252
	Other payables	2,879,925	3,084,214
	Total current liabilities	<u>5,049,899</u>	<u>10,645,587</u>
	Total liabilities	<u>5,195,821</u>	<u>10,830,449</u>
	TOTAL EQUITY AND LIABILITIES	<u>30,544,385</u>	<u>33,169,242</u>

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Collateral
- 8 Related parties

Financial statements 1 January - 31 December**Statement of changes in equity**

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2018	3,500,000	18,838,793	22,338,793
Transfer through appropriation of profit	0	8,009,771	8,009,771
Extraordinary dividend distributed	0	-5,000,000	-5,000,000
Equity at 31 December 2018	3,500,000	21,848,564	25,348,564

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sherwin-Williams Denmark A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross margin

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

External expenses

Other external expenses include the years expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	20-40 years
Other fixtures and fittings, tools and equipment	3-10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash and cash equivalents comprise cash and bank deposits.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2018	2017	
2 Staff costs			
Wages/salaries	11,530,145	11,057,008	
Pensions	1,321,367	1,127,183	
Other social security costs	128,646	121,222	
	<u>12,980,158</u>	<u>12,305,413</u>	
Average number of full-time employees	<u>19</u>	<u>20</u>	
3 Tax for the year			
Estimated tax charge for the year	2,341,634	2,328,337	
Deferred tax adjustments in the year	-38,940	-6,606	
	<u>2,302,694</u>	<u>2,321,731</u>	
4 Property, plant and equipment			
	Land and buildings	Other fixtures and fittings, tools and equipment	Total
DKK			
Cost at 1 January 2018	10,226,917	7,038,887	17,265,804
Additions in the year	0	99,053	99,053
Disposals in the year	0	-25,516	-25,516
Cost at 31 December 2018	<u>10,226,917</u>	<u>7,112,424</u>	<u>17,339,341</u>
Impairment losses and depreciation at 1 January 2018	8,174,928	5,451,645	13,626,573
Amortisation/depreciation in the year	121,753	296,313	418,066
Reversal of amortisation/depreciation and impairment of disposals	0	-3,400	-3,400
Impairment losses and depreciation at 31 December 2018	<u>8,296,681</u>	<u>5,744,558</u>	<u>14,041,239</u>
Carrying amount at 31 December 2018	<u>1,930,236</u>	<u>1,367,866</u>	<u>3,298,102</u>
DKK	2018	2017	
5 Share capital			
Analysis of the share capital:			
100 shares of DKK 35,000.00 nominal value each	3,500,000	3,500,000	
	<u>3,500,000</u>	<u>3,500,000</u>	

The Company's share capital has remained DKK 3,500,000 over the past 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

6 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include liabilities under operating leases for cars, totalling DKK 923,452, with remaining contract terms of 1-3 years.

7 Collateral

No security for loans had been placed at 31 December 2018.

8 Related parties

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
The Sherwin-Williams Company	USA	http://investors.sherwin-williams.com/annual-reports/