

# Sherwin-Williams Denmark A/S

Nystedvej 5, DK-7400 Herning

CVR no. 24 50 25 11

## Annual report 2019

Approved at the Company's annual general meeting on 18 June 2020

Chairman:



Dennis Harold Karnstein





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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 18 June 2020  
Executive Board:

  
Klaus Mikkelsen

Board of Directors:

  
Dennis Harold Karnstein  
Chairman  
James Michael Donchess  
Jeffrey James Miklich  
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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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.

## Independent auditor's report

- ▶ 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.
- ▶ 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, 18 June 2020

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                    | <a href="http://www.sherwin-williams.com">www.sherwin-williams.com</a>                                  |
| Telephone                  | +45 97 21 61 11   |
| Board of Directors         | Dennis Harold Karnstein, Chairman<br>James Michael Donchess<br>Jeffrey James Miklich<br>Klaus Mikkelsen |
| Executive Board            | Klaus Mikkelsen   |
| Auditors                   | Ernst & Young Godkendt Revisionspartnerselskab<br>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 2019 shows a profit of DKK 2,497,883 against a profit of DKK 8,009,771 last year, and the balance sheet at 31 December 2019 shows equity of DKK 58,962,029.

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

### Events after the balance sheet date

Due to Covid-19 it is currently expected that the sales for 2020 will go down with 20% and earnings with 15%. No employees are expected to be terminated due to the compensations packages from the Danish government.

No other 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   | 2019             | 2018             |
|------|---|------------------|------------------|
|      | Gross profit  | 16,519,431       | 24,156,332       |
| 2    | Staff costs   | -12,559,153      | -12,980,158      |
|      | Amortisation/depreciation and impairment of property, plant and equipment | -434,613         | -418,066         |
|      | Profit before net financials  | 3,525,665        | 10,758,108       |
|      | Financial expenses  | -282,463         | -445,643         |
|      | Profit before tax   | 3,243,202        | 10,312,465       |
| 3    | Tax for the year  | -745,319         | -2,302,694       |
|      | Profit for the year   | <u>2,497,883</u> | <u>8,009,771</u> |
|      | Recommended appropriation of profit                                       |                  |                  |
|      | Proposed dividend recognised under equity                                 | 5,000,000        | 0                |
|      | Extraordinary dividend distributed in the year                            | 0                | 5,000,000        |
|      | Retained earnings/accumulated loss  | -2,502,117       | 3,009,771        |
|      |   | <u>2,497,883</u> | <u>8,009,771</u> |



## Financial statements 1 January - 31 December

### Balance sheet

| Note | DKK  | 2019              | 2018              |
|------|--|-------------------|-------------------|
|      | ASSETS   |                   |                   |
|      | Non-current assets                               |                   |                   |
| 4    | Intangible assets                                |                   |                   |
|      | Acquired intangible assets                       | 25,442,705        | 0                 |
|      |  | <u>25,442,705</u> | <u>0</u>          |
| 5    | Property, plant and equipment                    |                   |                   |
|      | Land and buildings                               | 1,813,632         | 1,930,236         |
|      | Other fixtures and fittings, tools and equipment | 4,658,503         | 1,367,866         |
|      |  | <u>6,472,135</u>  | <u>3,298,102</u>  |
|      | Total non-current assets                         | <u>31,914,840</u> | <u>3,298,102</u>  |
|      | Current assets                                   |                   |                   |
|      | Inventories                                      |                   |                   |
|      | Raw materials and consumables                    | 2,070,742         | 613,448           |
|      | Finished goods and goods for resale              | 9,840,031         | 8,594,907         |
|      |  | <u>11,910,773</u> | <u>9,208,355</u>  |
|      | Receivables                                      |                   |                   |
|      | Trade receivables                                | 15,255,671        | 14,289,332        |
|      | Receivables from group entities                  | 536,998           | 7,585             |
|      | Income taxes receivable                          | 1,988,366         | 304,366           |
|      | Other receivables                                | 28,596            | 30,938            |
|      | Deferred income                                  | 654,157           | 276,655           |
|      |  | <u>18,463,788</u> | <u>14,908,876</u> |
|      | Cash   | <u>2,718,901</u>  | <u>3,129,052</u>  |
|      | Total current assets                             | <u>33,093,462</u> | <u>27,246,283</u> |
|      | TOTAL ASSETS                                     | <u>65,008,302</u> | <u>30,544,385</u> |

## Financial statements 1 January - 31 December

### Balance sheet

| Note | DKK                            | 2019              | 2018              |
|------|--------------------------------|-------------------|-------------------|
|      | EQUITY AND LIABILITIES         |                   |                   |
|      | Equity                         |                   |                   |
| 6    | Share capital                  | 3,500,000         | 3,500,000         |
|      | Retained earnings              | 50,462,029        | 21,848,564        |
|      | Dividend proposed for the year | 5,000,000         | 0                 |
|      | Total equity                   | <u>58,962,029</u> | <u>25,348,564</u> |
|      | Non-current liabilities        |                   |                   |
|      | Deferred tax                   | 891,241           | 145,922           |
|      | Total non-current liabilities  | <u>891,241</u>    | <u>145,922</u>    |
|      | Current liabilities            |                   |                   |
|      | Trade payables                 | 599,669           | 302,898           |
|      | Payables to group entities     | 1,637,643         | 1,867,076         |
|      | Other payables                 | 2,917,720         | 2,879,925         |
|      | Total current liabilities      | <u>5,155,032</u>  | <u>5,049,899</u>  |
|      | Total liabilities              | <u>6,046,273</u>  | <u>5,195,821</u>  |
|      | TOTAL EQUITY AND LIABILITIES   | <u>65,008,302</u> | <u>30,544,385</u> |

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

## Financial statements 1 January - 31 December

### Statement of changes in equity

| DKK   | Share capital | Retained earnings | Dividend proposed<br>for the year | Total      |
|---|---------------|-------------------|-----------------------------------|------------|
| Equity at 1 January 2018                    | 3,500,000     | 18,838,793        | 0                                 | 22,338,793 |
| Transfer through appropriation of<br>profit | 0             | 8,009,771         | 0                                 | 8,009,771  |
| Extraordinary dividend distributed          | 0             | -5,000,000        | 0                                 | -5,000,000 |
| Equity at 1 January 2019                    | 3,500,000     | 21,848,564        | 0                                 | 25,348,564 |
| Capital increase                            | 0             | 31,115,582        | 0                                 | 31,115,582 |
| Transfer through appropriation of<br>profit | 0             | -2,502,117        | 5,000,000                         | 2,497,883  |
| Equity at 31 December 2019                  | 3,500,000     | 50,462,029        | 5,000,000                         | 58,962,029 |

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Sherwin-Williams Denmark A/S for 2019 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 profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit 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.

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

## Depreciation

The item comprises depreciation of property, plant and equipment.

Acquired intangible assets is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Acquired intangible assets is amortised on a straight-line basis over the amortisation period, which is between 1 and 7 years.

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

|  |             |
|--|-------------|
| Acquired intangible assets                       | 1-7 years   |
| Buildings  | 20-40 years |
| Other fixtures and fittings, tools and equipment | 3-10 years  |

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or 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

## Intangible assets

Acquired intangible assets is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Acquired intangible assets is amortised on a straight-line basis over the amortisation period, which is between 1 and 7 years.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### 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.

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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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 |  | 2019                  | 2018   |
|-----|--|-----------------------|--|
| 2   | Staff costs  |                       |  |
|     | Wages/salaries   | 11,388,657            | 11,530,145   |
|     | Pensions   | 1,030,367             | 1,321,367  |
|     | Other social security costs  | 140,129               | 128,646  |
|     |  | <u>12,559,153</u>     | <u>12,980,158</u>                                      |
|     | Average number of full-time employees                                | <u>20</u>             | <u>19</u>  |
| 3   | Tax for the year   |                       |  |
|     | Estimated tax charge for the year                                    | 0                     | 2,341,634  |
|     | Deferred tax adjustments in the year                                 | 745,319               | -38,940  |
|     |  | <u>745,319</u>        | <u>2,302,694</u>                                       |
| 4   | Intangible assets  |                       |  |
|     | DKK  |                       | Acquired<br>intangible assets                          |
|     | Additions on merger / corporate acquisition                          |                       | <u>25,442,705</u>                                      |
|     | Cost at 31 December 2019   |                       | <u>25,442,705</u>                                      |
|     | Carrying amount at 31 December 2019                                  |                       | <u>25,442,705</u>                                      |
| 5   | Property, plant and equipment  |                       |  |
|     | DKK  | Land and<br>buildings | Other fixtures<br>and fittings, tools<br>and equipment |
|     |  |                       | Total  |
|     | Cost at 1 January 2019   | 10,226,917            | 7,112,424  |
|     | Additions in the year  | 0                     | 3,608,646  |
|     | Disposals in the year  | 0                     | -151,920   |
|     | Cost at 31 December 2019   | <u>10,226,917</u>     | <u>10,569,150</u>                                      |
|     | Impairment losses and depreciation at<br>1 January 2019              | 8,296,681             | 5,744,558  |
|     | Amortisation/depreciation in the year                                | 116,604               | 318,009  |
|     | Reversal of amortisation/depreciation and<br>impairment of disposals | 0                     | -151,920   |
|     | Impairment losses and depreciation at<br>31 December 2019            | <u>8,413,285</u>      | <u>5,910,647</u>                                       |
|     | Carrying amount at 31 December 2019                                  | <u>1,813,632</u>      | <u>4,658,503</u>                                       |



## Financial statements 1 January - 31 December

### Notes to the financial statements

| DKK  | 2019      | 2018      |
|--|-----------|-----------|
| 6 Share capital                                |           |           |
| Analysis of the share capital:                 |           |           |
| 100 shares of DKK 35,000.00 nominal value each | 3,500,000 | 3,500,000 |
|  | 3,500,000 | 3,500,000 |

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

### 7 Contractual obligations and contingencies, etc.

#### Other financial obligations

Rent and lease liabilities include liabilities under operating leases for cars, totalling DKK 1,021,409, with remaining contract terms of 1-3 years.

### 8 Collateral

No security for loans had been placed at 31 December 2019.

### 9 Related parties

#### Information about consolidated financial statements

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