

Annual report

01.01.2018 – 31.12.2018



STO DANMARK A/S

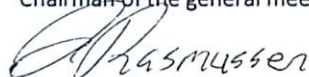
CVR no. 31875283

Avedøreholmen 48

DK-2650 Hvidovre

The annual general meeting adopted the annual report on 5 April 2019

Chairman of the general meeting



Name: Jesper Rasmussen

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Company information

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Auditor Ernst & Young
Osvald Helmuths Vej 4
2000 Frederiksberg
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Statement by Management

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

The annual report has been 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.

5, April 2019

Executive Board:



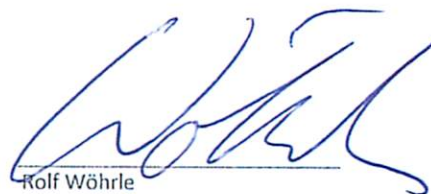
Jan Tore Andersen

Board of Directors:



Rainer Hüttenberger
Chairman

Svein Oftedal



Rolf Wöhrle

Independent auditor's report

To the shareholders of STO Danmark A/S

Opinion

We have audited the financial statements of STO Danmark 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 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 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 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 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.

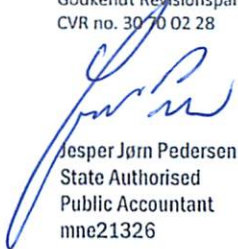
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

5, April 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Jesper Jørn Pedersen
State Authorised
Public Accountant
mne21326



Kim Thomsen
State Authorised
Public Accountant
mne26736

Management's review

Business review

The Company's primary activities consist of trade in construction materials. Production is located in the Parent Company.

Financial review

The income statement for 2018 shows a profit of DKK 2,319 thousand against a profit of DKK 4,239 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 9,572 thousand.

Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year end.

Outlook

Management expects a profit for the financial year 2019 and the coming years.

Financial statements 1 January – 31 December

Income statement

Note	DKK	2018	2017
	Gross profit/loss	15,666,231	18,008,200
2	Staff costs	-11,937,084	-11,960,095
3	Amortisation, depreciation and impairment losses	-614,105	-572,702
	Profit/loss before net financials	3,115,042	5,475,403
	Financial income	10,816	6,070
	Financial expenses	-94,203	-35,016
	Profit/loss before tax	3,031,655	5,446,457
4	Tax for the year	-712,990	-1,207,319
	Profit/loss for the year	2,318,665	4,239,138
	Proposed distribution of profit/loss		
	Dividend proposed for the year	2,350,000	4,200,000
	Transferred to reserves under equity	-31,335	39,138
		2,318,665	4,239,138

Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Non-current assets		
5	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	1,410,612	1,716,725
	Leasehold improvements	657,388	530,302
		<u>2,068,000</u>	<u>2,247,027</u>
	Total non-current assets	<u>2,068,000</u>	<u>2,247,027</u>
	Current assets		
	Inventories		
	Raw materials and consumables	2,795,881	3,122,534
		<u>2,795,881</u>	<u>3,122,534</u>
	Receivables		
	Trade receivables	6,291,951	6,789,197
	Receivables from subsidiaries	304,868	466,826
	Other receivables	523,004	593,416
	Prepayments	302,408	362,073
	Corporation tax	168,427	0
		<u>7,590,658</u>	<u>8,211,512</u>
	Cash	<u>2,662,922</u>	<u>7,137,080</u>
	Total current assets	<u>13,049,461</u>	<u>18,471,126</u>
	TOTAL ASSETS	<u>15,117,461</u>	<u>20,718,153</u>

Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	501,000	501,000
	Retained earnings	6,720,596	6,751,931
	Dividend proposed for the year	2,350,000	4,200,000
	Total equity	9,571,596	11,452,931
	Non-current liabilities		
	Deferred tax	36,843	50,426
	Total non-current liabilities	36,843	50,426
	Current liabilities		
	Trade payables	836,134	1,239,030
	Payables to group entities	2,209,997	3,471,542
	Income taxes	0	1,124,824
	Other payables	2,462,891	3,379,400
	Total current liabilities	5,509,022	9,214,796
	Total liabilities	5,545,865	9,265,222
	TOTAL EQUITY AND LIABILITIES	15,117,461	20,718,153

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

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2017	501,000	6,712,793		7,213,793
Dividend distribution			4,200,000	4,200,000
Transfer, see "Proposed distribution of profit/loss"		39,138		39,138
Equity at 1 January 2018	501,000	6,751,931	4,200,000	11,452,931
Dividend distribution			-4,200,000	-4,200,000
Transfer, see "Proposed distribution of profit/loss"		-31,335	2,350,000	2,318,665
Equity at 31 December 2018	501,000	6,720,596	2,350,000	9,571,596

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of STO Danmark 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 financial statements have been prepared in accordance with the same accounting policies as last year.

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be measured reliably and is expected to be received.

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

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

Other operating income

Other operating income comprises items secondary to the Company's activities, including rental income from temporary renting-out of production facilities.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

On initial recognition, items of property, plant and equipment are measured at cost.

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are 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 depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Production overheads and borrowing costs are not included in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual 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 determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

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.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

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 with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's credit risk management policy. The objective indicators used for portfolios are 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 comprise expenses incurred concerning subsequent financial years.

Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under 'Equity'.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.



Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

DKK	2018	2017
2 Staff costs		
Wages and salaries	10,594,455	10,452,635
Pensions	930,955	754,769
Other social security costs	411,674	752,691
	<u>11,937,084</u>	<u>11,960,095</u>
Average number of full-time employees	<u>20</u>	<u>18</u>
3 Amortisation, depreciation and impairment losses		
Depreciation of property, plant and equipment	614,105	572,702
	<u>614,105</u>	<u>572,702</u>
4 Tax for the year		
Estimated tax on the taxable income for the year	726,573	1,154,824
Adjustment of the deferred tax charge for the year	36,843	50,426
Adjustment of prior-year taxes	-50,426	2,069
	<u>712,990</u>	<u>1,207,319</u>
5 Property, plant and equipment		
DKK	Leasehold improvements	Fixtures and fittings, tools and equipment
Cost at 1 January 2018	1,065,944	3,465,875
Additions	280,939	161,955
Disposals	0	-224,967
Cost at 31 December 2018	<u>1,346,883</u>	<u>3,402,863</u>
Depreciation and impairment losses at 1 January 2018	535,642	1,749,149
Depreciation	153,853	460,252
Depreciation, assets sold	0	-217,150
Depreciation and impairment losses at 31 December 2018	<u>689,495</u>	<u>1,992,251</u>
Carrying amount at 31 December 2018	<u>657,388</u>	<u>1,410,612</u>



Financial statements 1 January – 31 December

Notes

6 Share capital

The Company's share capital has amounted to DKK 501,000 for the past five years.

7 Contractual obligations and contingencies, etc.

The Company has entered into operating leases with total remaining lease payments of DKK 1,363 thousand.

Further, the Company has an obligation of DKK 9,479 thousand at 31 December 2018 relating to rent agreements.

8 Related parties

The Company is included in the consolidated financial statements of: STO SE & Co. KGaA, Germany.

The consolidated financial statements of Sto SE & CO. KGaA may be obtained from the Company or on the website www.sto.com.

