

Sto Danmark A/S

Annual report
01.01.2021 – 31.12.2021



CVR no. 31875382
Avedøreholmen 48
DK-2650 Hvidovre

The annual general meeting adopted the annual report on 6th of May 2022

Chairman of the general meeting

Name: Jesper Rasmussen

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Company information

Company

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1256 København K
Denmark

SEB
Bernstorffsgade 50
1577 København V
Denmark

Auditor

PwC
Strandvejen 44
2900 Hellerup
Denmark
CVR no.: 33771231

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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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.

6th of May 2022
Executive Board:

Jan Tore Andersen

Board of Directors:

Rainer Hüttenberger
Chairman

Svein Oftedal

Thade Bredtmann

Independent auditor's report

To the shareholders of Sto Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sto Danmark A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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 are independent of the Company in accordance with the Inter-national Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not ex-press any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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 about 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 over-ride 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.
- 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 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.

Hellerup, 6th of May 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kaare von Cappeln
State Authorised Public Accountant
mne11629

Thomas Lauritsen
State Authorised Public Accountant
mne34342

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 2021 shows a positive result of DKK 1,691 thousand against a positive result of DKK 1,919 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 8,364 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

The outlook is subject to uncertainty and depends on economic conditions, including development of the virus outbreak. Sto Danmark A/S is also facing increased cost prices due to the war in Ukraine.

Financial statements 1 January – 31 December

Income statement

Note	DKK	2021	2020
	Gross profit/loss	15,338,247	13,968,436
2	Staff costs	-10,068,662	-9,007,791
3	Amortisation, depreciation and impairment losses	-2,996,950	-2,999,850
	Other operating expenses	0	-8,570
	Profit/loss before net financials	2,272,635	1,952,227
	Financial income	0	10,236
	Financial expenses	-102,019	-154,661
	Profit/loss before tax	2,170,616	1,807,802
4	Tax for the year	479,402	110,743
	Profit/loss for the year	1,691,214	1,918,545
	Proposed distribution of profit/loss		
	Transferred to reserves under equity	1,691,214	1,918,545
		1,691,214	1,918,545

Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2021	2020
	ASSETS		
	Non-current assets		
5	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	775,422	883,370
	Leasehold improvements	195,928	346,325
	Right of Use assets	11,403,460	4,348,782
		<u>12,374,810</u>	<u>5,578,477</u>
	Financial assets		
	Deferred tax assets	0	110,743
	Other receivables	400,004	400,004
		<u>400,004</u>	<u>510,747</u>
	Total non-current assets	<u>12,774,814</u>	<u>6,089,223</u>
	Current assets		
	Inventories		
	Raw materials and consumables	1,843,299	2,258,965
		<u>1,843,299</u>	<u>2,258,965</u>
	Receivables		
	Trade receivables	3,955,640	4,171,013
	Receivables from group entities	286,506	562,905
	Other receivables	0	34,306
	Prepayments	139,099	278,508
	Corporation tax	0	161,000
		<u>4,381,245</u>	<u>5,207,732</u>
	Cash	<u>5,410,256</u>	<u>16,434,845</u>
	Total current assets	<u>11,634,800</u>	<u>23,901,542</u>
	TOTAL ASSETS	<u><u>24,406,614</u></u>	<u><u>29,990,765</u></u>

Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	501,000	501,000
	Retained earnings	7,862,785	6,171,571
	Total equity	8,363,785	6,672,571
	Non-current liabilities		
	Other payables	0	343,612
	Lease liability	9,211,000	2,019,465
	Total non-current liabilities	9,211,000	2,363,077
	Current liabilities		
	Trade payables	301,003	446,546
	Payables to group entities	1,263,012	11,246,038
	Prepayments received from customers	0	261,038
	Other payables	3,003,410	6,648,745
	Corporation tax liability	56,720	0
	Lease liability	2,210,684	2,352,749
	Total current liabilities	6,834,829	20,955,116
	Total liabilities	16,045,829	23,318,193
	TOTAL EQUITY AND LIABILITIES	24,406,614	29,990,765

1 Accounting policies

7 Related parties

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2020	501,000	4,253,026	4,754,026
Transfer through appropriation of profit	0	1,918,545	1,918,545
Equity at 1 January 2021	501,000	6,171,571	6,672,571
Transfer through appropriation of profit	0	1,691,214	1,691,214
Equity at 31 December 2021	501,000	7,862,785	8,363,785

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Sto Danmark A/S for 2021 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.

Income statement

Revenue

The Company is in the business of selling surface materials to various industries.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Variable consideration

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company does not provide customers with the right to return goods within a specified period of time.

Rights of return

The company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover the goods from the customer.

Significant financing component

The company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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	8-10 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.

Leases

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor vehicles and other equipment 3 to 4 years
- Buildings 5 years

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-current assets.

Lease liabilities

At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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. 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 carry forwards, 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	2021	2020
2 Staff costs		
Wages and salaries	9,014,216	7,868,597
Pensions	906,554	806,359
Other social security costs	147,892	332,835
	<u>10,068,662</u>	<u>9,007,791</u>
Average number of full-time employees	<u>15</u>	<u>17</u>
3 Amortisation, depreciation and impairment losses		
Depreciation of property, plant and equipment	2,996,950	3,008,417
	<u>2,996,950</u>	<u>3,008,417</u>
4 Tax for the year		
Estimated tax on the taxable income for the year	384,167	0
Adjustment of the deferred tax charge for the year	95,235	110,743
	<u>479,402</u>	<u>110,743</u>

Financial statements 1 January – 31 December

Notes

5 Property, plant and equipment

	Right of use assets	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
DKK				
Cost at 1 January 2021	9,626,281	1,346,884	3,409,050	14,382,215
Additions	9,552,253	0	195,646	9,747,899
Disposals	0	0	-188,011	-188,011
Cost at 31 December 2021	19,178,534	1,346,884	3,416,685	23,942,103
Depreciation and impairment losses at 1 January 2021	5,277,499	1,000,559	2,525,680	8,803,738
Depreciation	2,497,574	150,397	298,527	2,946,498
Depreciation, assets sold	0	0	-182,945	-182,945
Depreciation and impairment losses at 31 December 2021	7,775,073	1,150,956	2,641,262	11,567,291
Carrying amount at 31 December 2021	11,403,461	195,928	775,422	12,374,811

6 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.