Mapei Denmark A/S

Park Alle 14, 6600 Vejen

CVR no. 33 35 85 04

Annual report 2016

Approved at the annual general meeting of shareholders on 26 May 2017

Chairman:

Rasmus Eske Bruun

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working world

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Mapei Denmark A/S for the financial year 1 January - 31 December 2016.

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 Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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.

Vejen, 31 March 2017
Executive Board:

Trond Hagerud

Board of Directors:

Giorgio Squinzi
Chairman

Trond Hagerud

Veronica Squinzi

Independent auditors' report

To the shareholders of Mapei Denmark A/S

Opinion

We have audited the financial statements of Mapei Denmark A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 2016, and of the results of the Company operations for the financial year 1 January - 31 December 2016 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the 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 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditors' report

- 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 conclusion is 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.

Statement on 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 our procedures, 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.

Kolding, 31 March 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus E. Andreasen
State Authorised Public Accountant

Management's review

Company details

Name	Mapei Denmark A/S
Address, Postal code, City	Park Alle 14, 6600 Vejen
CVR no.	33 35 85 04
Established	29 November 2010
Registered office	Vejen
Financial year	1 January - 31 December
Website	www.mapei.dk
Telefax	+45 69 60 74 89
Board of Directors	Giorgio Squinzi, Chairman Trond Hagerud Veronica Squinzi
Executive Board	Trond Hagerud
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. sal, 6000 Kolding, Denmark
Bankers	Nordea Bank

Management's review

Management commentary

Business review

The Company is a sales company engaging in wholesaling of building materials.

Financial review

The income statement for 2016 shows a loss of DKK 5,719,665 against a DKK 8,405,567 last year, and the balance sheet at 31 December 2016 shows equity of DKK 648,824.

The Parent Company has carried through a capital increase of nominal DKK 200 at a premium of DKK 7,459,800, or a total of DKK 7,460,000.

The parent company has issued a comfort letter, guaranteeing to provide the Company with sufficient liquidity to continue operations until the next general meeting.

Events after the balance sheet date

No significant events have occurred subsequent to the financial year-end.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
	Gross margin	1,680,670	-2,303,933
3	Staff costs	-6,642,598	-5,683,370
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-742,481	-355,682
	Profit/loss before net financials	-5,704,409	-8,342,985
	Financial income	27,776	0
	Financial expenses	-43,032	-62,582
	Profit/loss for the year	-5,719,665	-8,405,567

Proposed profit appropriation/distribution of loss		
Retained earnings/accumulated loss	-5,719,665	-8,405,567
	-5,719,665	-8,405,567

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	259,106	302,227
		259,106	302,227
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	2,037,484	1,592,160
		2,037,484	1,592,160
	Investments		
	Deposits, investments	96,945	93,945
		96,945	93,945
	Total fixed assets	2,393,535	1,988,332
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	3,181,640	1,265,951
		3,181,640	1,265,951
	Receivables		
	Trade receivables	8,471,041	9,289,727
	Other receivables	35,000	1,482
	Prepayments	212,488	133,688
		8,718,529	9,424,897
	Cash at bank and in hand	2,378,933	9,755,461
	Total non-fixed assets	14,279,102	20,446,309
	TOTAL ASSETS	16,672,637	22,434,641

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	500,800	500,600
	Retained earnings	148,024	-1,592,111
	Total equity	648,824	-1,091,511
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	1,765,162	1,964,202
	Payables to group entities	10,145,956	19,176,525
	Other payables	4,112,695	2,385,425
		16,023,813	23,526,152
	Total liabilities other than provisions	16,023,813	23,526,152
	TOTAL EQUITY AND LIABILITIES	16,672,637	22,434,641

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2 Going concern uncertainties
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Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2016	500,600	-1,592,111	-1,091,511
Capital increase	200	7,459,800	7,460,000
Profit/loss for the year	0	-5,719,665	-5,719,665
Equity at 31 December 2016	500,800	148,024	648,824

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mapei Denmark A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act to report reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies applied by the Company 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.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

Income from the sale of goods held for sale 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 made up reliably and is expected to be received.

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 recognised in revenue.

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'.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

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

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

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

Software	3 years
Other fixtures and fittings, tools and equipment	5 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from realised and unrealised capital gains and losses relating to currency.

Balance sheet

Intangible assets

Other intangible assets include other acquired intangible rights, including software licences.

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

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

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. 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, which usually corresponds to the nominal value. An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired, in which case the carrying amount is reduced to the net realisable value.

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.

Write-downs 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 is used as discount rate.

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Grants without consideration within a group

Grants received from the Parent Company are recognised under 'Retained earnings in equity' in the balance sheet as a capital injection.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 Going concern uncertainties

The Parent Company has issued a comfort letter, guaranteeing to provide the Company with sufficient liquidity to continue operations until the next general meeting.

	DKK	2016	2015
3	Staff costs		
	Wages/salaries	5,618,985	4,836,376
	Pensions	821,069	662,184
	Other staff costs	202,544	184,810
		6,642,598	5,683,370
	Average number of full-time employees	9	7
4	Amortisation/depreciation of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	134,814	15,626
	Depreciation of property, plant and equipment	607,667	340,056
		742,481	355,682

5 Intangible assets

DKK	Acquired intangible assets
Cost at 1 January 2016	317,853
Additions in the year	91,693
Cost at 31 December 2016	409,546
Impairment losses and amortisation at 1 January 2016	15,626
Amortisation in the year	134,814
Impairment losses and amortisation at 31 December 2016	150,440
Carrying amount at 31 December 2016	259,106
Amortised over	3 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	2,272,095
Additions in the year	1,052,990
Cost at 31 December 2016	3,325,085
Impairment losses and depreciation at 1 January 2016	679,935
Depreciation in the year	607,666
Impairment losses and depreciation at 31 December 2016	1,287,601
Carrying amount at 31 December 2016	2,037,484
Amortised over	5 years

7 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK	2016	2015	2014	2013	2012
Opening balance	500,600	500,400	500,000	500,000	500,000
Capital increase	200	200	500,000	500,000	500,000
Capital reduction	0	0	100	100	0
	500,800	500,600	1,000,100	1,000,100	1,000,000

8 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	762,126	481,435

9 Contingent assets

The Company had a non-recognised tax asset of DKK 7,013 thousand at the balance sheet date.

The tax asset has not been recognised in the balance sheet due to uncertainty as to when the tax loss carryforwards can be utilised.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Collateral

No assets had been placed as collateral or otherwise charged at 31 December 2016.

11 Related parties

Mapei Denmark A/S' related parties comprise the following:

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Mapei S.p.A.	Sede: Via Cafiero, 22 - 20158 Milano, Italy	http://www.mapei.com/IT-EN/financial-report.asp