

Wagner Spraytech Scandinavia A/S

Helgeshøj Alle 28

2630 Taastrup

CVR No. 50750019

Annual Report

1 February 2019 - 31 January 2020

43. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14 February 2020

Roland Frotscher
Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of Wagner Spraytech Scandinavia A/S for the financial year 1 February 2019 - 31 January 2020.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 January 2020 and of the results of the Company's operations for the financial year 1 February 2019 - 31 January 2020.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Høje taastrup, 14 February 2020

Executive Board

Roland Frotscher
Manager

Supervisory Board

Roland Frotscher
Member

Guido Bergman
Member

Bruno Wilhelm Johannes Niemeyer
Member

Independent Auditors' Report

To the shareholders of Wagner Spraytech Scandinavia A/S

Opinion

We have audited the financial statements of Wagner Spraytech Scandinavia A/S for the financial year 1 February 2019 - 31 January 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes. 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 Company's financial position at 31 January 2020 and of the results of its operations for the financial year 1 February 2019 - 31 January 2020 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter regarding the audit

With effect from the current financial year, the Company has become subject to statutory audit. We wish to emphasise that, as stated in the financial statements, the comparative figures in the financial statements are not audited.

Management's responsibility 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 considers 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

Independent Auditors' Report

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- * Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Independent Auditors' Report

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 opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements 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 with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Roskilde, 14 February 2020

Azets audit

Statsautoriseret Revisionspartnerselskab

CVR-no. 36074981

Anders Salomonsen

State Authorised Public Accountant

mne40143

Management's Review

The Company's principal activities

The Company's principal activities consist in providing sales and marketing support regarding coating and painting systems.

Accounting Policies

Reporting Class

The Annual Report of Wagner Spraytech Scandinavia A/S for 2019/20 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with the adoption of individual rules from class C.

Changed accounting policies

As of 1 February 2019, the company has implemented:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The Danish Financial Statements Act states that IFRS 15 and IFRS 16 can be used as basis of the accounting policies for revenue and leases. The management has decided that the use of IFRS 15 and IFRS 16 will provide more relevant information than the accounting policies applied previous years.

IFRS 15

The company has implemented the new accounting policy for revenue, IFRS 15, by using the modified retrospective approach.

The implementation of IFRS 15 had no financial effect on revenue recognition and therefore no material effect on the profit from ordinary activities before tax, equity or assets and liabilities.

IFRS 16

The company implemented IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 February 2019. The details of the changes in accounting policies are disclosed below.

According to IFRS 16, the company must, with few exceptions, recognize all leases in the balance sheet. At transition, lease liabilities are measured at the present value of the remaining lease payments and the lease assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The company has decided to apply the exemption not to recognise assets or liabilities of leases with less than 12 months of lease term.

The accumulated effect of the change in accounting policies recognised is a decrease in profit from ordinary activities before tax by DKK 1,432. Due to the change, the balance sheet total is increased by DKK 930,966, and equity at 31 January 2020 is decreased by the effect on profit of the year. The equity at the beginning of the year is not affected by the change in accounting policies.

Apart from the above mentioned fields, the accounting policies are consistent with those of the previous year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

Accounting Policies

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Gross profit is a combination of the items of revenue, cost of raw and consumables and other external expenses.

Revenue

Income from delivery of services is recognised on a straight-line basis in net sales, as the service is delivered.

Raw materials and consumables used

Costs for raw materials and consumables comprise the cost of goods purchased less discounts, costs subcontractors and change in inventories for the year.

Other external expenses

Other external costs include costs for distribution, sales, administration, short-term operating leasing costs etc.

Staff expenses

Staff expenses comprise wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement, pensions and social security costs.

Other staff expenses are recognised in other external expenses.

Amortisation and impairment of tangible assets

Amortisation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	5 years	0%
Leasehold improvements	5 years	0%

Profit or loss resulting from the sale of tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies

Tax on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Accounting Policies

Balance Sheet

Tangible assets

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

Lease assets

Lease assets are measured at the present value of the lease payments, discounted at a marginal borrowing rate, on initial recognition. Lease assets are amortised on a straight line basis on the basis of the leasing period.

Financial assets

Deposits are measured at cost.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Deferred expenses, assets

Deferred expenses recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Accounting Policies

Liabilities

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Lease commitments

Lease liabilities are measured at the present value of the remaining lease payments, discounted at a marginal borrowing rate.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2019/20 DKK	2018/19 DKK
Gross profit		8.265.808	5.940.185
Employee benefits expense	1	-6.666.220	-5.058.266
Depreciation, amortisation expense and impairment losses of equipment recognised in profit or loss		-567.174	-20.925
Profit from ordinary operating activities		1.032.414	860.994
Other finance income		23.715	24.304
Other finance expenses		-22.050	-11.912
Profit from ordinary activities before tax		1.034.079	873.386
Tax expense on ordinary activities		0	0
Profit		1.034.079	873.386
 Proposed distribution of results			
Retained earnings		1.034.079	873.386
Distribution of profit		1.034.079	873.386

Wagner Spraytech Scandinavia A/S

Balance Sheet as of 31 January

	Note	2020 DKK	2019 DKK
Assets			
Lease assets		930.966	0
Fixtures, fittings, tools and equipment		11.121	28.190
Property, plant and equipment		942.087	28.190
Deposits, investments		196.149	191.077
Investments		196.149	191.077
Fixed assets		1.138.236	219.267
Short-term receivables from group enterprises		1.004.870	1.161.788
Other short-term receivables		304.689	340.090
Deferred expenses		258.566	275.976
Receivables		1.568.125	1.777.854
Cash and cash equivalents		3.796.538	2.487.471
Current assets		5.364.663	4.265.325
Assets		6.502.899	4.484.592

Balance Sheet as of 31 January

	Note	2020 DKK	2019 DKK
Liabilities and equity			
Contributed capital		501.000	501.000
Retained earnings		3.307.480	2.273.401
Equity		3.808.480	2.774.401
Other payables		283.543	0
Lease liabilities		492.226	0
Long-term liabilities other than provisions	2	775.769	0
Short-term part of long-term liabilities other than provisions		440.172	0
Trade payables		289.947	353.344
Other payables		1.188.531	1.356.847
Short-term liabilities other than provisions		1.918.650	1.710.191
Liabilities other than provisions within the business		2.694.419	1.710.191
Liabilities and equity		6.502.899	4.484.592
Contingent liabilities	3		
Related parties	4		

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Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 February 2019	501.000	2.273.401	2.774.401
Profit (loss)	<u>0</u>	<u>1.034.079</u>	<u>1.034.079</u>
Equity 31 January 2020	<u>501.000</u>	<u>3.307.480</u>	<u>3.808.480</u>

Notes

	2019/20	2018/19
1. Employee benefits expense		
Wages and salaries	6.392.874	4.906.049
Post-employment benefit expense	191.360	99.904
Social security contributions	81.986	52.313
	6.666.220	5.058.266
Average number of employees	12	9

2. Long-term liabilities

	Due after 1 year	Due within 1 year	Due after 5 years
Holiday pay liabilities	283.543	0	0
Lease liabilities	492.226	440.172	0
	775.769	440.172	0

3. Contingent liabilities

The company is liable for rental agreements for DKK 275.759.

The company is jointly taxed with other enterprises in the group and are jointly and severally liable for the taxes that concern the joint taxation. The total amount appears from the annual report.

4. Related parties

The Company is included in the group annual report of Wagner International AG, Switzerland.