

# Kemira Water Danmark A/S

Amager Strandvej 390, 2770 Kastrup

CVR no. 11 28 69 33

## Annual report 2019

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

Chairman:



Ulrika Rubensson

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.



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# Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Kemira Water Danmark A/S for the financial year 1 January - 31 December 2019.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

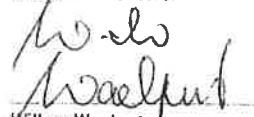
We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 18 May 2020

Executive Board:

  
Anders Fredrik Nyren

Board of Directors:

  
Willem Waelput  
Chairman

  
Lennart Peter Kihlgren

  
Maximilian Gallist

## Independent auditor's report

To the shareholders of Kemira Water Danmark A/S

### Opinion

We have audited the financial statements of Kemira Water Danmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.


Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 18 May 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Kennet Hartmann  
State Authorised Public Accountant  
mne40036

## Management's review

### Company details

Name	Kemira Water Danmark A/S
Address, Postal code, City	Amager Strandvej 390, 2770 Kastrup
CVR no.	11 28 69 33
Established	30 September 1987
Registered office	Tårnby
Financial year	1 January - 31 December
Board of Directors	Willem Waelput, Chairman Lennart Peter Kihlgren Maximilian Gallist
Executive Board	Anders Fredrik Nyrén
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

### Management commentary

#### Business review

The Company operates as a sales agent on behalf of Kemira Oyj.

The Company's activities comprise production and marketing of as well as trade with chemical products.

Kemira's activities in Denmark is an active sales company to serve existing customers.

#### Financial review

The income statement for 2019 shows a profit of DKK 2,174,237 against a profit of DKK 2,590,367 last year, and the balance sheet at 31 December 2019 shows equity of DKK 8,771,350.

#### Special risks

There have been changes in Kemira Group's (referred here as Kemira) short-term risks and uncertainties due to COVID-19 circumstances. The COVID-19 pandemic has created significant near-term uncertainty in the global operating environment and hence also for Kemira. The potential impacts on Kemira depend on the length and the economic impacts of the COVID-19 pandemic. At this point, it is difficult to exactly estimate these impacts. The situation could result in a widespread decline in customer demand in some business areas. There could also be potential disruption to Kemira's manufacturing and logistics network as well as to the availability of raw materials.

Kemira has set up regional crisis management teams to monitor the COVID-19 situation and to mitigate the impact on Kemira in order to ensure business continuity. To mitigate the impact on its supply chain, Kemira reviews alternative suppliers on a continuous basis. In several countries with government-imposed restrictions on economic activity, the chemical industry and Kemira's customer industries are almost always classified as essential industries, and as a consequence, exempt from government restrictions

Subsidiaries, like Kemira Water Danmark A/S, act as limited risk entities in Kemira's EMEA Business Model, which also protects the subsidiary from financial impacts.

#### Events after the balance sheet date

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

## Financial statements 1 January - 31 December

### Income statement

Note	2019 DKK	2018 DKK'000
Gross profit	7,914,571	6,397
2 Staff costs	-6,274,697	-4,716
Profit before net financials	1,639,874	1,681
Income from investments in group enterprises	923,279	0
Financial income	0	2
Financial expenses	-6,912	-9
Profit before tax	2,556,241	1,674
3 Tax for the year	-382,004	916
Profit for the year	2,174,237	2,590
Recommended appropriation of profit		
Proposed dividend recognised under equity	3,729,200	0
Retained earnings/accumulated loss	-1,554,963	2,590
	2,174,237	2,590

## Financial statements 1 January - 31 December

### Balance sheet

Note		2019 DKK	2018 DKK'000
	ASSETS		
	Fixed assets		
4	Investments		
	Investments in group enterprises	2,330,039	2,900
		<u>2,330,039</u>	<u>2,900</u>
	Total fixed assets	<u>2,330,039</u>	<u>2,900</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	498	555
	Receivables from group enterprises	1,888,734	1,487
	Deferred tax	1,004,307	1,386
	Other receivables	364,995	198
5	Prepayments	0	47
		<u>3,258,534</u>	<u>3,673</u>
	Cash	<u>7,740,596</u>	<u>3,985</u>
	Total non-fixed assets	<u>10,999,130</u>	<u>7,658</u>
	TOTAL ASSETS	<u>13,329,169</u>	<u>10,558</u>



## Financial statements 1 January - 31 December

### Balance sheet

Note	2019 DKK	2018 DKK'000
<b>EQUITY AND LIABILITIES</b>		
Equity		
6 Share capital	602,000	601
Retained earnings	4,440,150	5,884
Dividend proposed	3,729,200	0
Total equity	8,771,350	6,485
Liabilities other than provisions		
Non-current liabilities other than provisions		
Other payables	154,838	0
	154,838	0
Current liabilities other than provisions		
Trade payables	543,553	345
Payables to group enterprises	231,058	73
Other payables	3,628,370	3,655
	4,402,981	4,073
Total liabilities other than provisions	4,557,819	4,073
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,329,169</b>	<b>10,558</b>

- 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	Total
Equity at 1 January 2019	601,000	5,884,113	0	6,485,113
Additions on merger/corporate acquisition	1,000	111,000	0	112,000
Transfer through appropriation of profit	0	-1,554,963	3,729,200	2,174,237
Equity at 31 December 2019	602,000	4,440,150	3,729,200	8,771,350

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Kemira Water Danmark A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

#### Changes in accounting policies

The reporting class has been changed from reporting class C (medium) to reporting class B since Kemira Water Danmark A/S fulfill the requirements for reporting class B.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

### Income statement

#### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

#### Gross profit

The items revenue, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

##### Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables 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.

##### Staff costs

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

##### Profit from investments in subsidiaries

The item includes dividend received from subsidiaries in so far as the dividend does not exceed the accumulated earnings in the subsidiary in the period of ownership.

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

##### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

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

##### Equity

##### Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Deferred tax

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 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.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

	2019 DKK	2018 DKK'000
2 Staff costs		
Wages/salaries	4,646,420	3,759
Pensions	497,278	393
Other social security costs	-38,884	30
Other staff costs	1,169,883	534
	<u>6,274,697</u>	<u>4,716</u>
Average number of full-time employees	<u>5</u>	<u>4</u>
3 Tax for the year		
Deferred tax adjustments in the year	382,004	-916
	<u>382,004</u>	<u>-916</u>

The company has a none recognised tax asset primarily related to tax lossess carried forward.

The Company is involved in a pending transfer pricing audit from the authorities related to previous income years.

#### 4 Investments

DKK	Investments in group enterprises
Cost at 1 January 2019	65,580,376
Cost at 31 December 2019	65,580,376
Value adjustments at 1 January 2019	-62,680,376
Value adjustments for the year	-569,961
Value adjustments at 31 December 2019	-63,250,337
Carrying amount at 31 December 2019	<u>2,330,039</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 4 Investments (continued)

Name	Interest	Equity DKK	Profit/loss DKK
Subsidiaries			
Scandinavian Tanking System A/S	100.00%	2,330,039	0

#### 5 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

	2019 DKK	2018 DKK'000
6 Share capital		
Analysis of the share capital:		
6,020 shares of DKK 100.00 nominal value each	602,000	601
	602,000	601

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

DKK	2019	2018	2017	2016	2015
Opening balance	601,000	601,000	601,000	601,000	601,000
Capital increase	1,000	0	0	0	0
	602,000	601,000	601,000	601,000	601,000

#### 7 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

	2019 DKK	2018 DKK'000
Rent and lease liabilities	12,678,999	14,776

The entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities also for obligations, if any relating to the withholding of tax on interest, royalties and dividends for these entities.

#### 8 Related parties

Kemira Water Danmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Kemira Oyj	Energiakatu 4, P.O Box 330, FI-00101 Helsinki Finland	Parent company