



Sun Chemical A/S

Københavnsvej 112
4600 Køge
CVR No. 21420018

Annual report 2023

The Annual General Meeting adopted the annual report on 24.06.2024

Mette Ravn Steenstrup Scheel
Chairman of the General Meeting

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Entity details

Entity

Sun Chemical A/S
Københavnsvej 112
4600 Køge

Business Registration No.: 21420018
Registered office: Køge
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Mette Ravn Steenstrup Scheel, Chairman
Brian Keith Panczyk, Deputy Chairman
Karl Bukin
Russell Jay Schwartz
Esteve Bosch Torres

Executive Board

Niels Gregers Johansen, Chief executive officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Sun Chemical A/S for the financial year 01.01.2023 - 31.12.2023.

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 Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Koege, 24.06.2024

Executive Board

Niels Gregers Johansen

Chief executive officer

Board of Directors

Mette Ravn Steenstrup Scheel

Chairman

Brian Keith Panczyk

Deputy Chairman

Karl Bukin

Russell Jay Schwartz

Esteve Bosch Torres

Independent auditor's report

To the shareholder of Sun Chemical A/S

Opinion

We have audited the financial statements of Sun Chemical A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the 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 Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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.
- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 24.06.2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Hartmann Olesen

State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

Primary activities

The company's primary activity is ownership and management of real estate.

Description of material changes in activities and finances

Profit for the financial year 2023 amounts to negative DKK 24,521 thousand. The Equity on December 31, 2023 amounts to DKK 20,592 thousand.

During the year the company has continued to cooperate closely with the authorities to ensure that relevant and proportionate environmental measures following the manufacturing discontinuation in 2022 have been implemented in accordance with the applicable permits and regulations.

Considerable efforts have been put into implementation and modifications of a new wastewater treatment plant. However, after thorough testing and investigations it has proven disproportionate to meet two distinct elements of the discharge permit. The pertinent application process to obtain the necessary dispensation from the EPA has therefore been initiated in close cooperation with the authority. The EPA has expressed that they are positive about being able to complete an approval the dispensation application.

Sun Chemical continues to pursue options that include the disposal of the property in Køge. Activities in this connection will continue to be a priority for the company. In this connection, the company has terminated a long-term Master ERP system agreement at the end of 2023.

Profit/loss for the year in relation to expected developments

The result of the year is in line with expectations but affected by non-recurring costs for closing down activities.

Uncertainty relating to recognition and measurement

Sun Chemical continues to pursue options that encompass the disposal of the property in Køge. Activities related to the negotiations with a third party to achieve this objective are ongoing.

Although the company has managed to settle several environmental issues with the authorities during the year, some remain unresolved.

The outcome and thus the financial consequences of the above events are subject to uncertainty.

Outlook

The result for 2024 will to a high degree depend on the potential completion of the above ongoing third-party negotiations regarding disposal as well as determination of any substantial changes to the company's future environmental obligations.

Environmental performance

Monitoring systems and protocols are continuously maintained with the aim to ensure compliance with all applicable environmental laws and permits.

Statutory report on corporate social responsibility

Being a subsidiary of an international corporation, the company does not have a separate CSR policy in Denmark.

Please refer to <https://www.sunchemical.com/about/sustainability/sustainability-report/>

Events after the balance sheet date

A capital reduction from DKK 82,980 thousand to DKK 4,980 thousand and subsequent dividend distribution to the shareholder was executed in February 2024. A letter of comfort in financial support of the company has been issued by Sun Chemical Group Coöperatief UA in this connection limited to a maximum amount of DKK 20,000 thousand until December 31, 2024.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Gross profit/loss		1,900	8,036
Distribution costs		0	(1,059)
Administrative expenses		(20,589)	(6,992)
Other operating expenses		(7,341)	(10,739)
Operating profit/loss		(26,030)	(10,754)
Income from investments in group enterprises		0	30,150
Other financial income		1,513	180
Other financial expenses		(4)	(13)
Profit/loss before tax		(24,521)	19,563
Tax on profit/loss for the year	4	0	4
Profit/loss from continuing operations		(24,521)	19,567
Profit/loss from discontinued operations	5	0	(989)
Profit/loss for the year		(24,521)	18,578
Proposed distribution of profit and loss			
Retained earnings		(24,521)	18,578
Proposed distribution of profit and loss		(24,521)	18,578

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Land and buildings		7,822	8,111
Plant and machinery		136	166
Other fixtures and fittings, tools and equipment		1	23
Property, plant and equipment	6	7,959	8,300
Fixed assets		7,959	8,300
Receivables from group enterprises		771	2,696
Other receivables		245	264
Prepayments	7	29	132
Receivables		1,045	3,092
Cash	8	28,757	54,100
Current assets		29,802	57,192
Assets		37,761	65,492

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	9	82,980	82,980
Retained earnings		(62,388)	(37,867)
Equity		20,592	45,113
Other provisions	10	14,313	14,313
Provisions		14,313	14,313
Trade payables		1,689	1,648
Payables to group enterprises		5	1,680
Other payables		1,162	2,738
Current liabilities other than provisions		2,856	6,066
Liabilities other than provisions		2,856	6,066
Equity and liabilities		37,761	65,492

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Statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	82,980	(37,867)	45,113
Profit/loss for the year	0	(24,521)	(24,521)
Equity end of year	82,980	(62,388)	20,592

Notes

1 Events after the balance sheet date

A capital reduction from DKK 82,980 thousand to DKK 4,980 thousand and subsequent dividend distribution to the shareholder was executed in February 2024. A letter of comfort in financial support of the company has been issued by Sun Chemical Group Coöperatief UA in this connection limited to a maximum amount of DKK 20,000 thousand until December 31, 2024.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

2 Uncertainty relating to recognition and measurement

Sun Chemical continues to pursue options that include the disposal of the property in Køge. Activities in this connection will continue to be a priority for the company.

Although the company has managed to settle several environmental issues with the authorities during the year, some remain unresolved.

The outcome and thus the financial consequences of the above events are subject to uncertainty.

3 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	0	5,181
Pension costs	0	760
Other social security costs	0	242
	0	6,183
Average number of full-time employees	0	9

4 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Adjustment concerning previous years	0	(4)
	0	(4)

The company has an unrecognized deferred tax asset of DKK 27,472 thousand as of 31 December 2023. The tax asset consist of tax losses carried forward from previous years and unutilized tax deductions on tangible fixed assets in the form of differences between accounting and tax values. It is the Management's assessment not to recognize the tax asset due to uncertainty about how soon utilisation can take place.

5 Discontinued operations

	2022
	DKK'000
Revenue	12,906
Production costs	(3,425)
Other operating expenses	(10,470)
Profit/loss for the period	(989)
Net profit/loss from discontinued operations	(989)

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment
	DKK'000	DKK'000	DKK'000
Cost beginning of year	10,300	365	465
Disposals	0	0	(365)
Cost end of year	10,300	365	100
Depreciation and impairment losses beginning of year	(2,189)	(199)	(442)
Depreciation for the year	(289)	(30)	(22)
Reversal regarding disposals	0	0	365
Depreciation and impairment losses end of year	(2,478)	(229)	(99)
Carrying amount end of year	7,822	136	1

7 Prepayments

Prepayments comprises insurance etc. Related to subsequent financial years.

8 Cash

Cash comprises a group cash pool arrangement between the Group's main bank connections and Sun Chemical Corporation. The cash is available for daily operations according to the Group's instructions.

9 Share capital

	Number	Par value	Nominal value
		DKK'000	DKK'000
Ordinary shares	1	82,980	82,980
	1		82,980

The Company's share capital consists of 1 share at DKK 82,980k.

10 Other provisions

In connection with the impending closure, the company is required to take proper environmental cessation measures on the property according to the applicable environmental permit. The company has recognized DKK 14,313 thousand in other provisions to cover the expected costs in this regard.

11 Unrecognised rental and lease commitments

No unrecognised rental and lease commitments in 2022 and 2023.

12 Contingent liabilities

The Company participates in a Danish group taxation arrangement. According to the group taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for group taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of the tax interest, royalties and dividend for the group taxed companies.

13 Related parties with controlling interest

The following related parties have a controlling interest in Sun Chemical A/S:

DIC Corporation, Japan, Ultimate parent

Sun Chemical AB, Sweden, Parent

Related parties with significant influence:

The Company's lawyer, who is also Chairman of the Board of Directors, has continuously provided assistance to the Company.

14 Non-arm's length related party transactions

No transactions on non-arm's length are disclosed in the financial statements.

15 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

DIC Corporation, Waterras Tower, 101, Kanda Awajicho 2-chome, Chiyoda-ku, Tokyo 101-0063, Japan

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Sun Chemical Group Coöperatief U.A., Leeuwendeldseweg 3-t, 1382 LV Weesp, The Netherlands.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

Last year the annual report was presented as reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Discontinued operations

Discontinued operations are material business areas or geographical areas planned, or decided, to be disposed of, discontinued or abandoned and which may be separated from the Entity's other operations.

Results from discontinued operations are presented in the income statement as a separate item consisting of profit/loss after tax of the relevant operation and any gains or losses from fair value adjustments or sale of the assets and liabilities related to the operation.

Assets relating to the discontinued operations are presented separately in the balance sheet as assets related to discontinued operations. Liabilities related to the discontinued operations are presented separately in the balance sheet as liabilities related to discontinued operations.

The comparative figures in the income statement and the balance sheet are not restated.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Revenue

Revenue from the provision of services is recognised in the income statement when delivery is made and risk has passed to buyer. Revenue is recognised net of VAT, duties and sales discounts.

Distribution costs

Distribution costs comprises cost incurred for distribution of goods sold and also for sales campaigns, including cost for sales and distribution staff and advertising costs.

Administrative expenses

Administrative costs comprise expenses incurred for management and administration of the Entity, including expenses for the administrative staff and Management, stationary and office supplies.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including expenses relating to lease activities and losses from the sale of intangible assets and property, plant and equipment. Restructuring cost are included as other operating expenses.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payable to group enterprises, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group entities. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Property, plant and equipment**

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For company-manufactured assets, cost comprises direct and indirect cost of materials, components, sub-suppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	20-40 years
Plant and machinery	5-11 years
Other fixtures and fittings, tools and equipment	5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from sale of property, plant and equipment are calculated as the difference between selling price minus selling cost carrying amount at the time of sale. Profits and losses are recognised in the income statement as other operating income or expenses.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise environmental obligation with regard to soil and groundwater pollution in accordance with applicable legislation.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.