

Sun Chemical A/S

Københavnsvej 112
4600 Køge
CVR No. 21420018

Annual report 2019

The Annual General Meeting adopted the
annual report on 05.05.2020

Mette Ravn Steenstrup Scheel
Chairman of the General Meeting

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Entity details

Entity

Sun Chemical A/S
Københavnsvej 112
4600 Køge

CVR No.: 21420018
Registered office: Køge
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Mette Ravn Steenstrup Scheel, Chairman
Brian Keith Panczyk, Deputy Chairman
Russell Jay Schwartz
Karl Bukin
Peter Krummeck
Esteve Bosch Torres
Carsten Boye Frederiksen
Martin Fris Jensen
Jørn Reenberg Thorsson

Executive Board

Niels Gregers Johansen, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

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 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Køge, 05.05.2020

Executive Board



Niels Gregers Johansen
CEO

Board of Directors



Mette Ravn Steenstrup Scheel
Chairman



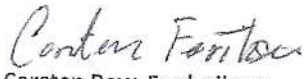
Brian Keith Panczyk
Deputy Chairman

Russell Jay Schwartz

Karl Bukin

Peter Krummeck

Esteve Bosch Torres



Carsten Boye Frederiksen



Martin Fris Jensen



Jørn Reenberg Thorsson

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Carsten Boye Frederiksen



Martin Fris Jensen



Jørn Reenberg Thorsson

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 of 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 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 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 under the Danish Financial Statements Act.


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 of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

København, 05.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556



Henrik Hartmann Olesen

State Authorised Public Accountant

Identification No (MNE) mne34143

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Revenue	68,686	62,785	62,819	64,016	62,802
Gross profit/loss	24,164	16,230	17,852	19,057	18,136
Operating profit/loss	(2,315)	(3,720)	564	(3,673)	(817)
Net financials	5,691	(2,523)	(625)	(1,059)	(5,287)
Profit/loss for the year	(23,454)	(4,524)	(1,392)	(3,959)	(14,557)
Total assets	129,373	125,096	130,031	129,296	136,005
Investments in property, plant and equipment	3,571	2,022	7,871	2,025	17,780
Equity	48,316	71,770	76,294	77,686	81,656
Average number of employees	57	59	62	64	67
Ratios					
Return on equity (%)	(39.06)	(6.11)	(1.81)	(4.97)	(16.41)
Equity ratio (%)	37.35	57.37	58.67	60.08	60.04
Revenue per employee	1,164	1,064	1,013	1,000	937

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Revenue per employee:

$\frac{\text{Revenue}}{\text{Average number of employees}}$

Primary activities

The Company's primary activity is production of pigment preparations on behalf of a group enterprise.

Development in activities and finances

Loss for the financial year 2019 amounts to DKK 23,454k. Equity amounts to DKK 48,316k. The result of the year is significantly impacted by tax adjustment from prior years of DKK 26,243k.

The Company's revenue for 2019 amounts to DKK 68,686k against DKK 62,785k in 2018. Revenue in 2019 includes a recharge of restructuring expenses DKK 8,937k to a group enterprise.

The primary activity of the Company's has been stable in 2019 with production volumes on par with 2018. The development in the cost base has been positive with noticeable reductions especially within energy expenses.

Significant resources have been dedicated to the ongoing infrastructural restructuring program on site again in 2019. In addition, efforts have been made to streamline the support functions of the company.

During the year the Board of Directors has decided to initiate a more thorough investigation of the financial viability of selling the property. If such a decision is taken it will lead to a shutdown of the manufacturing facilities. The costs associated with these studies are recorded as Other Operating Expenses.

The subsidiary Sun Chemical Inks A/S generated a net profit for the year of DKK 5.703k which is a considerable improvement compared to recent years. While DKK 4.129k of the profit is related to a joint taxation income from the parent company it should also be highlighted that the earnings from the primary activities of the subsidiary have improved.

The beforementioned tax expense from prior years is attributable to transfer price adjustments related to restructuring costs. The Company has applied for Mutual Agreement Procedure with the Tax Authorities in early 2020.

Outlook

The operating profit from the primary activity is expected to be stable in the coming year.

The activities that potentially will lead to selling the property and shutting down the operations will continue throughout 2020 and a final decision is not expected until 2021.

Environmental performance

A key objective of the company is to be continuously looking for opportunities to reduce the total resource consumption per unit produced. This effort is supported by an active and well-functioning energy management system according to ISO 50001.

Since January 1, 2018 the company is operating under a new environmental permit. The terms of the permit include an agreement with the Danish Environmental Protection Agency (EPA) regarding a small number of measures to further benefit the environment to be implemented before the end of 2020. Work on these initiatives is proceeding as planned and they are not expected to significantly affect the company's financial performance.

In addition to the general environmental permit, the company has also from the EPA received a wastewater permit for installing a new wastewater facility with associated discharging requirements applicable at the latest

from September 2023.

Research and development activities

The research and development activities of the Sun Chemical Group mainly take place in central units outside Denmark. However, process and product development of the Company's product range will still continue locally on an ongoing basis in close collaboration with customers and other companies of the Sun Chemical Group as continuous improvements are considered key to maintaining the Company's competitiveness.

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

The outbreak of the Corona virus in China did not impact the company's performance in 2019. As the main activity of the company is associated with the supply of packaging materials for the food industry, the subsequent development of Covid-19 into a global pandemic has so far into 2020 only had very limited impact on the operations.

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

Income statement for 2019

	Notes	2019 DKK'000	2018 DKK '000
Revenue		68,686	62,785
Production costs		(44,522)	(46,555)
Gross profit/loss		24,164	16,230
Distribution costs		(3,862)	(4,796)
Administrative expenses		(7,509)	(7,872)
Other operating expenses		(15,108)	(7,283)
Operating profit/loss		(2,315)	(3,721)
Income from investments in group enterprises		5,703	(2,490)
Other financial income		6	35
Other financial expenses		(18)	(68)
Profit/loss before tax		3,376	(6,244)
Tax on profit/loss for the year	2	(26,830)	1,720
Profit/loss for the year	3	(23,454)	(4,524)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK'000	2018 DKK'000
Land and buildings		32,022	32,918
Plant and machinery		9,408	10,664
Other fixtures and fittings, tools and equipment		913	1,169
Property, plant and equipment in progress		229	1,288
Property, plant and equipment	4	42,572	46,039
Investments in group enterprises		0	0
Deferred tax	6	5,694	6,281
Other financial assets	5	5,694	6,281
Fixed assets		48,266	52,320
Receivables from group enterprises		19,585	12,724
Other receivables		1,199	1,206
Prepayments	7	668	668
Receivables		21,452	14,598
Cash	8	59,655	58,177
Current assets		81,107	72,775
Assets		129,373	125,095

Equity and liabilities

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	9	82,980	82,980
Retained earnings		(34,664)	(11,210)
Equity		48,316	71,770
Provisions for investments in group enterprises		37,901	43,606
Provisions		37,901	43,606
Trade payables		1,667	2,058
Payables to group enterprises		9,373	102
Income tax payable		22,114	0
Other payables		10,002	7,559
Current liabilities other than provisions		43,156	9,719
Liabilities other than provisions		43,156	9,719
Equity and liabilities		129,373	125,095
Staff costs	1		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Related parties with controlling interest	13		
Non-arm's length related party transactions	14		
Group relations	15		

Statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	82,980	(11,210)	71,770
Profit/loss for the year	0	(23,454)	(23,454)
Equity end of year	82,980	(34,664)	48,316

Notes

1 Staff costs

	2019	2018
	DKK'000	DKK'000
Wages and salaries	27,032	28,524
Pension costs	3,080	3,112
Other social security costs	556	501
	30,668	32,137
Average number of full-time employees	57	59

Pursuant of section 98(3) of the Danish Financial Statement Act, the Company has omitted disclosing remuneration to the Executive Board.

2 Tax on profit/loss for the year

	2019	2018
	DKK'000	DKK'000
Current tax	0	(1)
Change in deferred tax	587	0
Adjustment concerning previous years	26,243	(1,719)
	26,830	(1,720)

3 Proposed distribution of profit and loss

	2019	2018
	DKK'000	DKK'000
Retained earnings	(23,454)	(4,524)
	(23,454)	(4,524)

4 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	60,191	109,988	10,902	1,288
Additions	1,139	1,063	113	1,256
Disposals	(98)	(1,211)	(1,843)	(2,315)
Cost end of year	61,232	109,840	9,172	229
Depreciation and impairment losses beginning of year	(27,273)	(99,324)	(9,732)	0
Depreciation for the year	(2,014)	(2,234)	(370)	0
Reversal regarding disposals	77	1,126	1,843	0
Depreciation and impairment losses end of year	(29,210)	(100,432)	(8,259)	0
Carrying amount end of year	32,022	9,408	913	229

5 Financial assets

	Investments in group enterprises DKK'000	Deferred tax DKK'000
Cost beginning of year	116,500	6,281
Disposals	0	(587)
Cost end of year	116,500	5,694
Impairment losses beginning of year	(116,500)	0
Share of profit/loss for the year	5,703	0
Investments with negative equity value transferred to provisions	(5,703)	0
Impairment losses end of year	(116,500)	0
Carrying amount end of year	0	5,694

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Sun Chemical Inks A/S	DK-4600 Køge	A/S	100

6 Deferred tax

	2019	2018
Changes during the year	DKK'000	DKK'000
Beginning of year	6,281	6,281
Recognised in the income statement	(587)	0
End of year	5,694	6,281

The company has a material unrecognised tax asset. The tax asset is incumbent upon property, plant and equipment and tax loss carryforward, based on the expected use of the tax asset.

7 Prepayments

Prepayments consist of insurance etc.

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 DKK'000	Nominal value 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 Provisions for investments in group enterprises

Provisions for investments in group enterprises concern the investments in the subsidiary Sun Chemical Inks A/S, which is recognised according to the equity method. The provision amounts to DKK 37,901k.

11 Unrecognised rental and lease commitments

	2019	2018
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	811	1,378

12 Contingent liabilities

A Subordination letter from Sun Chemical Coöperatief U.A. has been issued regarding the subsidiary's intra-group debt that is valid until 5 May 2020. The equity of the subsidiary at 31 December 2019 is negative by DKK 37,901k.

The Company participates in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for jointly 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 jointly 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

The Company's services consist of processing raw materials and manufacturing products on behalf of group enterprises.

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., Leeuwenveldseweg 3-t, 1382 LV Weesp, The Netherlands.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

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

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.

Production costs

Production costs comprises direct and indirect costs. Costs of consumable and production staff as well as

depreciation are recognised in production costs.

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 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 subsidiaries. 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, 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:

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.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

The Entity's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses is recognised in the income statement.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Entity's share of such negative equity if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Entity has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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 deposits in the Group's cash pool arrangement.

Other provisions

Other provisions comprise investments in subsidiaries with negative equity, which are recognised and measured according to the equity method.

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

Referring to section 86(4) and 112(1) of the Danish Financial Statement Act, Sun Chemical A/S has not prepared a cash flow statement.