

## Sun Chemical A/S

Københavnsvej 112  
4600 Køge  
CVR No. 21420018

## Annual report 2021

The Annual General Meeting adopted the  
annual report on 12.05.2022

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**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: 01.01.2021 - 31.12.2021

## Board of Directors

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

## Executive Board

Niels Gregers Johansen, CEO

## 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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 12.05.2022

**Executive Board**



**Niels Gregers Johansen**  
CEO

Board of Directors



**Mette Ravn Steenstrup Scheel**  
Chairman

**Brian Keith Panczyk**  
Deputy Chairman

**Jørn Reenberg Thorsson**

**Carsten Boye Frederiksen**


**Martin Fris Jensen**

**Peter Krummeck**

**Karl Bukin**

**Russell Jay Schwartz**

**Esteve Bosch Torres**

12/17/22 

**Board of Directors**

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Deputy Chairman

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**Esteve Bosch Torres**

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**Board of Directors**



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Chairman



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# 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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 under the Danish Financial Statements Act.

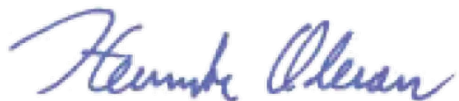
Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 12.05.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556



**Henrik Hartmann Olesen**

State Authorised Public Accountant

Identification No (MNE) mne34143

# Management commentary

## Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
<b>Key figures</b>					
Revenue	5,775	56,923	68,686	62,785	62,819
Gross profit/loss	5,775	13,480	24,164	16,230	17,852
Operating profit/loss	(19,501)	(7,173)	(2,315)	(3,720)	564
Net financials	7,333	3,136	5,691	(2,523)	(625)
Profit/loss for the year	(16,652)	(5,129)	(23,454)	(4,524)	(1,392)
Total assets	86,722	91,344	129,373	125,096	130,031
Investments in property, plant and equipment	300	589	3,571	2,022	7,871
Equity	26,535	43,187	48,316	71,770	76,294
Average number of employees	5	52	57	59	62
<b>Ratios</b>					
Return on equity (%)	(47.77)	(11.21)	(39.06)	(6.11)	(1.81)
Equity ratio (%)	30.60	47.28	37.35	57.37	58.67
Revenue per employee	2,888	1,094	1,164	1,064	1,013

The elements of the discontinued operations have been identified and disclosed separately in the income statement and the Balance sheet and not included in the key figures for 2021.

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

### Return on equity (%):

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

Average equity

### Equity ratio (%):

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

Total assets

### Revenue per employee:

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

Average number of employees

### Primary activities

The Company's primary activity in 2021 has been production of pigment preparations on behalf of a group enterprise.

### Development in activities and finances

Loss for the financial year 2021 amounts to DKK 16,652k. The Equity on December 31, 2021 amounts to DKK 26,535k.

During 2021 the company was duly notified that the contract manufacturing agreement with a group enterprise will be terminated end of January 2022. Consequently, the company has initiated the preparations for shutting down all production activities at the plant in Køge including issuing letters of resignation to a significant part of the company's employees.

Appropriate accounting provisions have been made in 2021 to cover the costs expected to be incurred in connection with the impending discontinuation of production activities, including severance commitments and fixed asset write offs. Expenses in this connection are recharged to a group enterprise.

The elements of the discontinued operations have been identified and disclosed separately in the income statement and the Balance sheet.

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. Appropriate accounting provisions have been made to cover the expected costs in this regard.

The booked value of the company's deferred tax asset has been reversed in 2021 due to uncertainty about utilization in later income years. Reference is made to note 9 for further details.

The subsidiary Sun Chemical Inks A/S has generated a net profit for the year of DKK 7.336k against DKK 3.116k in 2020. A significant proportion of the improvement in the result is due to an adjustment of the subsidiary's tax asset.

### Profit/loss for the year in relation to expected developments

Operationally, 2021 has been a difficult year for the company due to many complications in relation to the announced upcoming shutdown combined with the operational limitations and challenges associated with the Covid-19 pandemic. However, given the circumstances it is the management's opinion that the result for the year is considered satisfactory.

### Uncertainty relating to recognition and measurement

Sun Chemical continues to pursue the possibility to dispose of the property in Køge. A process has been initiated that has led to initial negotiations with an interested third party regarding a path forward to achieving this objective.

The company has an ongoing and unsettled dialogue with the authorities regarding the environmental obligations in connection with the production shutdown and the property.

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

**Outlook**

The company's primary activity will change and be significantly reduced in 2022 from being a production facility to being a provider of various administrative services for group enterprises.

The shutdown activities combined with the efforts in connection to handling the company's environmental obligations are expected to require considerable attention also in 2022.

The result for 2022 will depend of the outcome of the shutdown and of the possible disposal of the property and related environmental obligations.

**Environmental performance**

All relevant implemented monitoring protocols are continuously maintained 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**

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 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue		5,775	56,923
Production costs		0	(43,443)
<b>Gross profit/loss</b>		<b>5,775</b>	<b>13,480</b>
Distribution costs		(1,338)	(1,396)
Administrative expenses		(4,086)	(5,975)
Other operating expenses		(19,852)	(13,282)
<b>Operating profit/loss</b>		<b>(19,501)</b>	<b>(7,173)</b>
Income from investments in group enterprises		7,336	3,116
Other financial income		8	37
Other financial expenses		(13)	(17)
<b>Profit/loss before tax</b>		<b>(12,170)</b>	<b>(4,037)</b>
Tax on profit/loss for the year	4	(5,253)	(1,092)
<b>Profit/loss from continuing operations</b>		<b>(17,423)</b>	<b>(5,129)</b>
<b>Profit/loss from discontinued operations</b>	5	<b>771</b>	<b>0</b>
<b>Profit/loss for the year</b>	6	<b>(16,652)</b>	<b>(5,129)</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK'000	2020 DKK'000
Land and buildings		8,614	30,128
Plant and machinery		0	7,470
Other fixtures and fittings, tools and equipment		188	639
Property, plant and equipment in progress		0	570
<b>Property, plant and equipment</b>	7	<b>8,802</b>	<b>38,807</b>
Investments in group enterprises		0	0
Deferred tax	9	0	4,602
<b>Financial assets</b>	8	<b>0</b>	<b>4,602</b>
<b>Fixed assets</b>		<b>8,802</b>	<b>43,409</b>
Receivables from group enterprises		571	11,572
Other receivables		0	988
Prepayments	10	0	618
<b>Receivables</b>		<b>571</b>	<b>13,178</b>
<b>Cash</b>	11	<b>39,251</b>	<b>34,757</b>
<b>Current assets</b>		<b>39,822</b>	<b>47,935</b>
<b>Assets regarding discontinued operations</b>	5	<b>38,098</b>	<b>0</b>
<b>Assets</b>		<b>86,722</b>	<b>91,344</b>



**Equity and liabilities**

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	12	82,980	82,980
Retained earnings		(56,445)	(39,793)
<b>Equity</b>		<b>26,535</b>	<b>43,187</b>
Other provisions	13	15,008	0
Provisions for investments in group enterprises	14	27,451	34,785
<b>Provisions</b>		<b>42,459</b>	<b>34,785</b>
Other payables		0	3,108
<b>Non-current liabilities other than provisions</b>		<b>0</b>	<b>3,108</b>
Trade payables		0	872
Payables to group enterprises		163	119
Tax payable		15	0
Joint taxation contribution payable		636	0
Other payables		2,604	9,273
<b>Current liabilities other than provisions</b>		<b>3,418</b>	<b>10,264</b>
<b>Liabilities other than provisions</b>		<b>3,418</b>	<b>13,372</b>
<b>Liabilities regarding discontinued operations</b>	5	<b>14,310</b>	<b>0</b>
<b>Equity and liabilities</b>		<b>86,722</b>	<b>91,344</b>
Events after the balance sheet date	1		
Uncertainty relating to recognition and measurement	2		
Staff costs	3		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Non-arm's length related party transactions	18		
Group relations	19		

# Statement of changes in equity for 2021

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	82,980	(39,793)	43,187
Profit/loss for the year	0	(16,652)	(16,652)
<b>Equity end of year</b>	<b>82,980</b>	<b>(56,445)</b>	<b>26,535</b>

# Notes

## 1 Events after the balance sheet date

No 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 the possibility to dispose of the property in Køge. A process has been initiated that has led to initial negotiations with an interested third party regarding a path forward to achieving this objective.

The company has an ongoing and unsettled dialogue with the authorities regarding the environmental obligations in connection with the production shutdown and the property.

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

## 3 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	3,127	27,310
Pension costs	362	2,769
Other social security costs	54	490
	<b>3,543</b>	<b>30,569</b>
Average number of full-time employees	5	52

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

Staff costs included in discontinued operations amounts to DKK 28,407k and 47 average number of full-time employees in 2021.

## 4 Tax on profit/loss for the year

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	15	0
Change in deferred tax	4,602	1,092
Refund in joint taxation arrangement	636	0
	<b>5,253</b>	<b>1,092</b>

## 5 Discontinued operations

	<b>2021</b>
	<b>DKK'000</b>
Revenue	84,048
Production costs	(42,236)
Distribution costs	(51)
Administrative expenses	(2,018)
Other operating expenses	(38,972)
<b>Post-tax profit/loss from discontinued operations</b>	<b>771</b>
Plant and machinery	201
Receivables from group enterprises	36,427
Other receivables	829
Prepayments	641
<b>Assets related to discontinued operations</b>	<b>38,098</b>
Trade payables	605
Other payables	13,705
<b>Liabilities related to discontinued operations</b>	<b>14,310</b>

## 6 Proposed distribution of profit and loss

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Retained earnings	(16,652)	(5,129)
	<b>(16,652)</b>	<b>(5,129)</b>

## 7 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	61,351	109,916	9,225	570
Transfers	0	261	529	(830)
Additions	40	0	0	260
Disposals	0	(110,177)	0	0
<b>Cost end of year</b>	<b>61,391</b>	<b>0</b>	<b>9,754</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(31,223)	(102,446)	(8,586)	0
Impairment losses for the year	(19,552)	(5,802)	(604)	0
Depreciation for the year	(2,002)	(1,728)	(376)	0
Reversal regarding disposals	0	109,976	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(52,777)</b>	<b>0</b>	<b>(9,566)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>8,614</b>	<b>0</b>	<b>188</b>	<b>0</b>

## 8 Financial assets

	Investments in group enterprises DKK'000	Deferred tax DKK'000
Cost beginning of year	116,500	4,602
Disposals	0	(4,602)
<b>Cost end of year</b>	<b>116,500</b>	<b>0</b>
Impairment losses beginning of year	(116,500)	0
Share of profit/loss for the year	7,336	0
Investments with negative equity value transferred to provisions	(7,336)	0
<b>Impairment losses end of year</b>	<b>(116,500)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>0</b>	<b>0</b>

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

## 9 Deferred tax

	2021 DKK'000	2020 DKK'000
<b>Changes during the year</b>		
Beginning of year	4,602	5,694
Recognised in the income statement	(4,602)	(1,092)
<b>End of year</b>	<b>0</b>	<b>4,602</b>

The company has an unrecognized deferred tax asset of DKK 18,996 thousand as of 31 December 2021. 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 Management's assessment not to recognize the tax asset due to uncertainty about utilisation in later income years.

## 10 Prepayments

Prepayments comprises insurance etc. Related to subsequent financial years.

## 11 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.

## 12 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Ordinary shares	1	82,980	82,980
	<b>1</b>		<b>82,980</b>

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

## 13 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 15,008K in other provisions to cover the expected costs in this regard.

## 14 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 27,451k.

A Subordination letter from Sun Chemical Coöperatief U.A. has been issued regarding the subsidiary's intra-group debt that is valid until 11 May 2023.

## 15 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Liabilities under rental or lease agreements until maturity in total	<b>963</b>	<b>941</b>

### **16 Contingent liabilities**

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.

### **17 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.

### **18 Non-arm's length related party transactions**

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

### **19 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 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.

## Discontinued operations

Discontinued operations are material business areas decided, to be 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**

### **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, 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:

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

**Other financial liabilities**

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

**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.

**Joint taxation contributions payable or receivable**

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

**Cash flow statement**

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