

Henkel Denmark A/S

Industriparken 21A
2750 Ballerup

CVR no. 37 94 02 24

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting on

13 June 2019

Peter David Budden
chairman

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Henkel Denmark A/S
Annual report 2018
CVR no. 37 94 02 24

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Henkel Denmark A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Ballerup, 13 June 2019
Executive Board:

Robert Steen Larsen

Board of Directors:

Peter David Budden
Chairman

Robert Steen Larsen

Carsten Bøye Nielsen

Independent auditor's report

To the shareholder of Henkel Denmark A/S

Opinion

We have audited the financial statements of Henkel Denmark A/S for the financial year 1 January – 31 December 2018 comprising 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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

Independent auditor's report

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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 13 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jette Kjær Bach
State Authorised
Public Accountant
mne19812

Henkel Denmark A/S
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CVR no. 37 94 02 24

Management's review

Company details

Henkel Denmark A/S
Industriparken 21A
2750 Ballerup

CVR no.: 37 94 02 24
Financial year: 1 January – 31 December

Board of Directors

Peter David Budden, Chairman
Robert Steen Larsen
Carsten Bøye Nielsen

Executive Board

Robert Steen Larsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Gross profit/loss	26,591	31,828	0	0	0
Ordinary operating profit/loss	-18,537	-14,049	0	0	0
Profit/loss from financial income and expenses	-100	-249	-30	0	0
Profit/loss for the year	-22,885	-17,290	-30	0	0
Balance sheet					
Total assets	318,552	328,873	470	0	0
Equity	236,906	259,791	470	0	0
Investment in property, plant and equipment	0	0	0	0	0
Ratios					
Current ratio	122%	114%	0%	0%	0%
Solvency ratio	74%	79%	100%	0%	0%

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Current ratio
$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

Henkel Denmark A/S' main activity is sale and marketing of products and associated business. The Company operates in three business areas: Beauty Care, Laundry & Home Care, and Adhesive Technologies. Beauty Care provides products in hair care, coloration and hair styling. Laundry & Home Care provides products in laundry and home care segments. Adhesive Technologies provides adhesives, sealants and surface treatments to consumers, craftsmen and industrial applications.

Development in activities and financial position

The current economic climate in Denmark is affecting Henkel Denmark A/S. Looking at 2019, we see a positive trend for the first quarter of 2019.

The competition is high when it comes to consumer goods in respect of both price development and distribution channels. Our assessment is, on the other hand, that the risks for our operation is relatively low and the Company continues to work in order to minimise them.

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

DKK'000	Note	2018	2017
Gross profit		26,591	31,828
Staff costs	2	-17,102	-17,789
Depreciation, amortisation and impairment losses		<u>-28,026</u>	<u>-28,088</u>
Ordinary operating loss		-18,537	-14,049
Other operating costs		<u>-2,809</u>	<u>-41</u>
Operating loss		-21,346	-14,090
Financial income		261	252
Financial expenses		<u>-361</u>	<u>-501</u>
Loss before tax		-21,446	-14,339
Tax on profit/loss for the year	3	<u>-1,439</u>	<u>-2,951</u>
Loss for the year	4	<u><u>-22,885</u></u>	<u><u>-17,290</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	5	<u>221,289</u>	<u>248,950</u>
Property, plant and equipment			
Fixtures and fittings, tools and equipment	6	465	553
Leasehold improvements		<u>0</u>	<u>262</u>
		<u>465</u>	<u>815</u>
Investments			
Deposits		<u>416</u>	<u>416</u>
Total fixed assets		<u>222,170</u>	<u>250,181</u>
Current assets			
Receivables			
Trade receivables		42,947	39,277
Receivables from group entities		52,596	38,822
Deferred tax asset		779	269
Prepayments		<u>20</u>	<u>205</u>
		<u>96,342</u>	<u>78,573</u>
Cash at bank and in hand		<u>40</u>	<u>119</u>
Total current assets		<u>96,382</u>	<u>78,692</u>
TOTAL ASSETS		<u><u>318,552</u></u>	<u><u>328,873</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	7	700	700
Share premium		276,411	276,411
Retained earnings		<u>-40,205</u>	<u>-17,320</u>
Total equity		<u>236,906</u>	<u>259,791</u>
Provisions			
Other provisions	8	<u>2,800</u>	<u>0</u>
Total provisions		<u>2,800</u>	<u>0</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		2,259	2,382
Payables to group entities		58,940	52,871
Corporation tax		207	846
Other payables		<u>17,440</u>	<u>12,983</u>
		<u>78,846</u>	<u>69,082</u>
Total liabilities other than provisions		<u>78,846</u>	<u>69,082</u>
TOTAL EQUITY AND LIABILITIES		<u>318,552</u>	<u>328,873</u>
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Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	700	276,411	-17,320	259,791
Transferred over the distribution of loss	<u>0</u>	<u>0</u>	<u>-22,885</u>	<u>-22,885</u>
Equity at 31 December 2018	<u><u>700</u></u>	<u><u>276,411</u></u>	<u><u>-40,205</u></u>	<u><u>236,906</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Henkel Denmark A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Minor reclassifications has been made in prior year figures between assets and liabilities.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Henkel AG & Co.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue from the sale of goods where delivery has been postponed at the buyer's request is recognised as revenue when ownership of the goods has been transferred to the buyer.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is 10 years.

Property, plant and equipment

Fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on an overdue basis. Individual balances that are overdue by more than 90 days are provided with 50% and balances overdue more than 180 days are provided with 100% bad debt provision.

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1 Accounting policies (continued)

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions comprise anticipated costs of warranties. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period of ## years. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

When it is probable that total costs will exceed total income from a construction contract, the total projected loss on the work is recognised as a provision. The provision is recognised as production costs.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Prepayments and deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

2 Staff costs

DKK'000	2018	2017
Wages and salaries	14,726	15,682
Pensions	1,338	1,378
Other social security costs	953	100
Other staff costs	85	629
	<u>17,102</u>	<u>17,789</u>
Average number of full-time employees	<u>29</u>	<u>31</u>

Pursuant to section 98B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed. The Board of Directors has not received remuneration.

3 Tax on profit/loss for the year

DKK'000	2018	2017
Current tax for the year	1,891	2,347
Deferred tax for the year	-510	609
Adjustment of tax concerning previous years	58	-5
	<u>1,439</u>	<u>2,951</u>

4 Proposed distribution of loss

Retained earnings	<u>-22,885</u>	<u>-17,290</u>
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Financial statements 1 January – 31 December

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5 Intangible assets

DKK'000	Goodwill	Total
Cost at 1 January 2018	276,611	276,611
Cost at 31 December 2018	276,611	276,611
Amortisation and impairment losses at 1 January 2018	-27,661	-27,661
Amortisation for the year	-27,661	-27,661
Amortisation and impairment losses at 31 December 2018	-55,322	-55,322
Carrying amount at 31 December 2018	221,289	221,289

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January 2018	981	1,258
Cost at 31 December 2018	981	1,258
Depreciation and impairment losses at 1 January 2018	-428	-996
Net effect of mergers	0	0
Depreciation for the year	-88	-262
Depreciation and impairment losses at 31 December 2018	-516	-1,258
Carrying amount at 31 December 2018	465	0

7 Equity

The contributed capital consists of 700,000 shares of a nominal value of DKK 1 each.

All shares rank equally.

8 Other provisions

Relates to a claim from the Danish Tax Authorities regarding lubricant oil.

9 Contractual obligations, contingencies, etc.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 2,412 thousand within 5 years (2017: DKK 4,586 thousand).

Financial statements 1 January – 31 December

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10 Related party disclosures

Related party transactions

DKK'000	<u>2018</u>	<u>2017</u>
Sale to group entities	3,815	4,089
Purchase from group entities	159,954	126,476

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 3.

Consolidated financial statements

The ultimate parent company of the Company is Henkel AG & Co. KGaA, 40191 Düsseldorf, Germany, and the consolidated financial statements for Henkel AG & Co. KGaA can be obtained at www.henkel.com.