

Henkel Denmark A/S

Industriparken 21 A
2750 Ballerup

CVR no. 37 94 02 24

Annual report 2019

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Henkel Denmark A/S
Annual report 2019
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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the 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 29 May 2020
Executive Board:

Robert Steen Larsen
CEO

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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

We 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

Independent auditor's report

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 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, 29 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jette Kjær Bach
State Authorised
Public Accountant
mne19812

Henkel Denmark A/S
Annual report 2019
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Management's review

Company details

Henkel Denmark A/S
Industriparken 21 A
2750 Ballerup

CVR no.:	37 94 02 24
Established:	8 August 2016
Registered office:	Ballerup
Financial year:	1 January – 31 December

Board of Directors

Peter David Budden, Chairman
Robert Steen Larsen
Carsten Bøye Nielsen

Executive Board

Robert Steen Larsen, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016
Key figures				
Gross profit	36,324	26,591	31,828	0
Ordinary operating loss	-8,366	-18,537	-14,049	0
Profit/loss from financial income and expenses	-64	-100	-249	-30
Loss for the year	-13,070	-22,885	-17,290	-30
Balance sheet				
Total assets	297,782	318,552	328,873	470
Equity	269,116	236,906	259,791	470
Investment in property, plant and equipment	54	0	3,497	0
Ratios				
Current ratio	389.81%	122.00%	114.00%	0.00%
Solvency ratio	90.37%	74.00%	79.00%	100.00%

Financial ratios are calculated in accordance with the guidelines "Recomendations and 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

Total turnover for Henkel Denmark A/S has increased by 10.8% in 2019 compared to 2018.

We see an increase mainly in the Adhesives and Beauty Care Retail business.

The current economic climate is affecting Henkel Denmark A/S. The Board and Management have analyzed the potential effects of the Covid-19 pandemic. The financial plan for 2020 is no longer considered achievable as the impact of reduced demand for a large part of Henkel's product portfolio will be adversely affected by the crises. At the time of the annual report, however, it is very difficult to estimate whether this impact is short-term or predominantly long-term. We can conclude that there is uncertainty in the world, which results in uncertainty of both obtaining deliveries and obtaining sales for the Company's products. We monitor developments closely and take continuous measures to limit the negative effects on the Company.

Events after the balance sheet date

During 2020, the Covid-19 pandemic has affected large parts of society. This has been reflected in a decrease in orders compared to the corresponding period last year. However, no serious delivery problems have yet arisen. Furthermore, it cannot be ruled out that a continued similar development could have a significant impact on the Company's performance for 2020.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Gross profit		36,324	26,591
Staff costs	2	-16,928	-17,102
Depreciation, amortisation and impairment losses		<u>-27,762</u>	<u>-28,026</u>
Ordinary operating loss		-8,366	-18,537
Other operating costs		<u>-208</u>	<u>-2,809</u>
Operating loss		-8,574	-21,346
Financial income		88	261
Financial expenses		<u>-152</u>	<u>-361</u>
Loss before tax		-8,638	-21,446
Tax on loss for the year	3	<u>-4,432</u>	<u>-1,439</u>
Loss for the year	4	<u><u>-13,070</u></u>	<u><u>-22,885</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	5		
Goodwill		<u>193,628</u>	<u>221,289</u>
Property, plant and equipment	6		
Fixtures and fittings, tools and equipment		<u>307</u>	<u>465</u>
Investments			
Deposits		<u>416</u>	<u>416</u>
Total fixed assets		<u>194,351</u>	<u>222,170</u>
Current assets			
Receivables			
Trade receivables		40,391	42,947
Receivables from group entities		57,585	52,596
Other receivables		4,831	0
Deferred tax asset	7	497	779
Prepayments	8	<u>0</u>	<u>20</u>
		<u>103,304</u>	<u>96,342</u>
Cash at bank and in hand		<u>127</u>	<u>40</u>
Total current assets		<u>103,431</u>	<u>96,382</u>
TOTAL ASSETS		<u><u>297,782</u></u>	<u><u>318,552</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
	9		
Contributed capital		1,000	700
Share premium		276,411	276,411
Retained earnings		<u>-8,295</u>	<u>-40,205</u>
Total equity		<u>269,116</u>	<u>236,906</u>
Provisions			
Other provisions	10	<u>2,132</u>	<u>2,800</u>
Total provisions		<u>2,132</u>	<u>2,800</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		2,318	2,259
Payables to group entities		8,775	58,940
Corporation tax		2,962	207
Other payables		<u>12,479</u>	<u>17,440</u>
		<u>26,534</u>	<u>78,846</u>
Total liabilities other than provisions		<u>26,534</u>	<u>78,846</u>
TOTAL EQUITY AND LIABILITIES		<u>297,782</u>	<u>318,552</u>
Contractual obligations, contingencies, etc.	11		
Related party disclosures	12		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Share premium	Retained earnings	Total
Equity at 1 January 2019	700	276,411	-40,205	236,906
Cash capital increase	300	0	44,980	45,280
Transferred over the distribution of loss	0	0	-13,070	-13,070
Equity at 31 December 2019	1,000	276,411	-8,295	269,116

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Henkel Denmark A/S for 2019 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.

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 Denmark A/S.

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 external costs

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

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.

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.

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

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

Investments

Deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments are 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 a portfolio basis. The calculations are done based on an expected future credit loss model.

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.

Prepayments and deferred income

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

Cash at bank and in hand

Cash at bank and in hand comprise cash.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

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.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

DKK'000	<u>2019</u>	<u>2018</u>
2 Staff costs		
Wages and salaries	14,886	14,726
Pensions	1,331	1,338
Other social security costs	558	953
Other staff costs	<u>153</u>	<u>85</u>
	<u><u>16,928</u></u>	<u><u>17,102</u></u>
Average number of full-time employees	<u>27</u>	<u>29</u>
<p>Persuant 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.</p>		
3 Tax on loss for the year		
Current tax for the year	4,133	1,891
Deferred tax for the year	282	-510
Adjustment of tax concerning previous years	<u>18</u>	<u>58</u>
	<u><u>4,433</u></u>	<u><u>1,439</u></u>
4 Proposed distribution of loss		
Retained earnings	<u><u>-13,070</u></u>	<u><u>-22,885</u></u>
5 Intangible assets		
DKK'000		<u>Goodwill</u>
Cost at 1 January 2019		<u>276,611</u>
Cost at 31 December 2019		<u>276,611</u>
Amortisation and impairment losses at 1 January 2019		-55,322
Amortisation for the year		<u>-27,661</u>
Amortisation and impairment losses at 31 December 2019		<u>-82,983</u>
Carrying amount at 31 December 2019		<u><u>193,628</u></u>

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2019	981	1,258	2,239
Additions for the year	54	0	54
Disposals for the year	-371	0	-371
Cost at 31 December 2019	664	1,258	1,922
Depreciation and impairment losses at 1 January 2019	-516	-1,258	-1,774
Depreciation for the year	-101	0	-101
Reversed depreciation and impairment losses on assets sold	260	0	260
Depreciation and impairment losses at 31 December 2019	-357	-1,258	-1,615
Carrying amount at 31 December 2019	307	0	307

7 Deferred tax asset

DKK'000	2019	2018
Deferred tax asset at 1 January 2019	779	269
Adjustmen for the year	-282	510
Deferred tax asset at 31 December 2019	497	779

8 Prepayments

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

9 Equity

During the year, the contributed capital has increased by 3,000 shares of a nominal value of DKK 1 each. The contributed capital at 31 December 2019 consists of 1,000,000 shares of a nominal value of DKK 1 each.

All shares rank equally.

10 Other provisions

Other provisions relate to claim from the Danish Tax Authorities regarding lubricant oil.

Financial statements 1 January – 31 December

Notes

11 Contractual obligations, contingencies, etc.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 6,226 thousand within 5 years (2018: DKK 2,412 thousand).

12 Related party disclosures

Related party transactions

DKK'000	<u>2019</u>	<u>2018</u>
Sale to group entities	4,154	3,815
Purchases from group entities	170,757	159,954

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 2.

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.