



Annual Report

for

International Farvefabrik A/S

CVR no.16972711

Financial year

2023

The annual report was presented and adopted at the
Company's annual general meeting on 4 June 2024

Maureen Hiu Yin, Olsson Lo
Chairman

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Management's statement

The Board of Directors and the Executive Board have today considered and adapted the annual report of International Farvefabrik A/S for the financial year 1 January - 31 December 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

We recommend that the annual report should be adapted at the Annual General Meeting.

Herlev, 4 June 2024

Executive Board:

Kjell Åke Andreasson

Board of Directors:

Maureen Hiu Yin Olsson Lo
Chairman

Kjell Åke Andreasson

Simon Marc Timmins

Independent Auditor's Report

To the Shareholders of International Farvefabrik A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of International Farvefabrik A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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' 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Independent Auditor's Report

Based on the work we have performed, in our view, 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 in Management's Review.

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 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 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 judgment and maintain professional skepticism 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.

Independent Auditor's Report

- 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.

Hellerup, 4 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kaare von Cappeln
State Authorised Public Accountant
mne11629

Allan Wøhlk Høgh
State Authorised Public Accountant
mne34528

Company details

International Farvefabrik A/S
Marielundvej 43A, 1
2730 Herlev

Telephone:	+45 44 66 44 44
Website:	www.akzonobel.com
CVR no.:	16 97 27 11
Established:	1914
Registered office:	Herlev
Financial year:	1 January - 31 December 2023

Board of Directors

Kjell Åke Andreasson
Simon Marc Timmins
Maureen Hiu Yin Olsson Lo

Executive Board

Kjell Åke Andreasson

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review 2023

Main aktivitets

The Company supplies paints and coatings to various markets including the International Shipping Industry and Danish Steel Industry.

Developments in activities and performance

The company's operating profit for the year was DKK 9,264K, increased by 2,970K in comparison with 2022 due to higher sales volumes and stabilized material costs.

For Powder Coatings business, in comparison with 2022, the revenue was 1.5% down on the back of lower volumes (-2.8%) due to weak market conditions, particularly at General Trade Coaters (GTC's). The material costs for Powder remained at a relative high level during the first half of 2023 followed by a softening in the second half of the year which resulted in improved margins despite less volumes.

For Marine and Protective Coatings business, 2023 was a successful year. The sales volumes increased so as to boost up the revenue by 49% in comparison with 2022. Due to the stabilised costs in the business and increasing selling price, the commercial result margin (19%) was recorded more than double of the prior year's CR margin (9%).

The management expects further price increases in 2024 in order to offset the challenges of inflation and rising labour costs.

Expectations for the year ahead

Expectation for the Powder Coatings business is the relatively flat volume development versus 2023 with the minimal recovery. Business and manufacturing confidence are negative, having a significant effect on the Architectural & GTC segments in particular. The Agricultural industry will suffer in 2024 with volumes between 20-40% lower than 2023. Growth will be sought through new business.

Expectation for the Marine and Protective Coatings business in 2024 is positive due to the newly lined up projects particularly in the Wind Offshore segment. The volume and sales revenue will be in line with 2023 with slightly increase in the contribution margin.

The company continuously expects stabilised cost of good sold in 2024 with a slightly higher contribution margin coming as a result. The lower material prices will be offset by increasing operating costs such as labour costs because of the threads of inflation. Hence, product selling prices will be adjusted accordingly. The operating margin of the company will be sustainable.

Management's Review

Particular risks

The company's business operation is supported by global supply chains which will be affected by the world-wide macro economic conditions. Due to the Russia and Ukraine conflicts and inflations, the logistical costs such as transportation and labour costs will be slightly increased in 2024.

The company operates mainly in the Danish market and will thus be impacted by the Danish economic conditions and the climate.

The company is part of Akzo Nobel Corporate Treasury, through which its currency risks are hedged. Accordingly, the company has not been affected by any exchange fluctuations.

Environment

International Farvefabrik A/S ensures that our products meet the environmental standards and we are continually striving to prevent and minimize any environmental impact of our products.

Research and development activities

The Parent Company is in charge of the group's research and development activities.

Accounting policies

The Annual Report of International Farvefabrik A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies are unchanged compared to last year.

Financial statements for 2023 are presented in TDKK.

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 recognized 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 recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

Income statement

Revenue

International Farvefabrik's main business consists of straightforward selling of goods (paints and coatings) to customers at contractually determined prices and conditions without any additional services. Although the transfer of risks and rewards is not the only criterion to be considered to determine whether control over the goods has transferred, it is in most situations considered to be the main indicator of the customer's ability to direct the use of and obtain the benefits from the asset and largely also coincides with the physical transfer of the goods and the obligation of the customer to pay.

Variable considerations, including among other rebates, bonuses, discounts and payments to customers, are accrued for as performance obligations are satisfied and revenue is recognized. Variable considerations are only recognized when it is highly probable that it is not subject to significant reversal.

Accounting policies

In case of expected returns, no revenue is recognized for such products, but a refund liability and an asset for the right to recover the to be returned products are recorded. A provision for warranties is recognized when the underlying products or services are sold, generally based on historical warranty data.

Revenue is recognized net of rebates, discounts and similar allowances, and net of sales tax.

The company recognizes its revenue in accordance to IFRS 15 and the five-step model framework:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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 deducted from revenue.

Cost of raw materials and consumables

Cost of raw materials and consumables relating the sale of goods, is recognized when delivery and transfer of risk to the buyer have taken place. The cost is measured at latest cost price.

Other external costs

Other external costs comprise items secondary to the activities of the entities, including losses 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.

Accounting policies

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year comprises current 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 recognized in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Tangible assets

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based upon costs reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Land and buildings	2-10 years
Vehicles	2-5 years
Other fixtures and fittings, tools and equipment	3-10 years

Accounting policy IFRS 16 - Lease is used for leasing transactions. Leased assets are thus recognized at a calculated value and amortized over the expected useful life, while the lease liability is recognized in the balance sheet. Some exceptions apply to short-term lease assets and a low value.

Accounting policies

Impairment of tangible assets

The carrying amount of tangible fixed assets is assessed annually for indications of impairment, in addition to that expressed by depreciation.

Where there are indications of impairment, impairment tests shall be carried out on each asset or group of assets. A write-down shall be made to the recoverable amount if it is lower than the carrying amount.

The highest value of the net selling price and capital value shall be used as a recoverable value. The capital value is calculated as the present value of the expected net cash flows from the use of the asset or asset group, and expected net cash flows on the sale of the asset or asset group at the end of the useful life.

For right-of-use, contracts are checked during the year and updated or removed in the event of changes in the agreements.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale equals landed cost.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortized cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Equity

Dividends

Proposed dividends are recognized as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Accounting policies

Corporation tax and deferred tax

In accordance with the joint taxation rules, the liability of the companies for payment of corporation taxes to the tax authorities is settled as the joint taxation contributions are paid to the administrative company.

Payable and receivable joint taxation contributions are recognized in the balance sheet.

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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognized on temporary differences relating to office buildings non-deductible for tax purposes and other items where 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 carry forwards, are recognized at the expected value of their utilization 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 realizable 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 crystallize as current tax. Changes in deferred tax as a result of changes in tax rates are recognized in the income statement or equity, respectively.

Financial debts

Other debts are measured at amortized cost, substantially corresponding to nominal value.

Income Statement

TDKK	Note	2023.01.01 -2023.12.31	2022.01.01 -2022.12.31
Revenue		89 935	76 343
Cost of raw materials and consumables		-55 485	-49 203
Other external costs		-19 329	-14 850
Gross profit		15 121	12 290
Staff costs	1	-5 684	-5 770
Depreciation and Amortisation for the year		-174	-226
Ordinary operating profit/loss		9 264	6 294
Other financial income	2	1 373	565
Other financial expenses	3	-2 509	-508
Profit/loss before tax		8 127	6 351
Tax on profit/loss for the year	4	-1 815	-1 400
Profit/loss for the year		6 312	4 951
Proposed Profit Appropriation/ Distribution of Loss		0	0

Balance Sheet

TDKK	Note	2023-12-31	2022-12-31
ASSETS			
Non-Current Assets			
<i>Tangible assets</i>			
Right-Of-Use Assets	5	398	221
Total Non-Current Assets		398	221
Current assets			
<i>Receivables</i>			
Trade receivables		19 279	17 009
Receivables from group entities		19 960	21 582
Other receivables		1 014	1 333
Total Current Assets		40 253	39 924
TOTAL ASSETS		40 651	40 145

Balance Sheet

TDKK	Note	2023-12-31	2022-12-31
EQUITY AND LIABILITIES			
Equity			
<i>Restricted reserves</i>			
Share capital		4 000	4 000
Retained earnings		17 702	11 390
Total equity		21 702	15 390
Long-term liabilities			
Long-term lease obligations		223	129
Total long term liabilities		223	129
Current liabilities			
Trade payables		1 081	1 142
Payables to group entities		11 566	18 395
Deferred tax payables		0	1
Short-term lease obligations		173	86
Corporation tax		1 816	1 400
Other payables		4 090	3 602
Total current liabilities		18 726	24 626
TOTAL EQUITY & LIABILITIES		40 651	40 145
Contractual obligations, contingencies, Related parties	6 7		

Statement of Changes of Equity

	Share Capital	Retained Earnings	TOTAL
	TDKK	TDKK	TDKK
Balance at 01 January 2022	4 000	6 439	10 439
Transferred from Distribution of Profit / Loss	0	4 951	4 951
	<hr/>	<hr/>	<hr/>
Balance at 01 January 2023	4 000	11 390	15 390
Transferred from Distribution of Profit / Loss	0	6 312	6 312
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2023	<u>4 000</u>	<u>17 702</u>	<u>21 702</u>

Notes

TDKK

Note 1 : Staff costs	<u>2023</u>	<u>2022</u>
Wages and salaries	5 043	4 976
Pensions	641	794
Total salaries, remunerations, social security expenses and pension costs	5 684	5 770
Average number of employees	7	7

The Board of Directors do not receive remuneration from the Company. With reference to Article 98B (3) of the Danish Financial Statements Act, the remuneration of the Management Board is not disclosed.

Note 2 : Other financial income	<u>2023</u>	<u>2022</u>
Interest or financial income from Group entities	573	49
Other interest or financial related income	800	516
	1373	565

Note 3 : Other financial expenses	<u>2023</u>	<u>2022</u>
Interest or financial expense from Group entities	605	232
Other interest or financial related expense	1904	276
	2509	508

Notes

TDKK

Note 4 : Tax on profit/loss for the year

	<u>2023</u>	<u>2022</u>
Current tax for the year	1 816	1 400
Deferred tax for the year	-1	0
	1 815	1 400

Note 5 : Right-of-use assets

Vehicles	<u>2023</u>	<u>2022</u>
Cost at 1 January	343	883
Additions	352	0
Disposal	0	-540
Cost at 31 January	695	343
Depreciation at 1 January	-122	-436
Depreciation charge for the year	-175	-226
Disposal Depreciation	0	540
Depreciation at 31 December	-297	-122
Carrying amount at 31 December	398	221

Notes

TDKK

Note 6 : Contractual obligations, contingencies, etc

Contingent Liabilities

The company is jointly taxed with the other Danish companies in the Akzo Nobel A/S Group. As a wholly owned subsidiary, the Company is unlimited jointly and severally liable together with the other companies in the jointly taxed group for Danish corporation taxes etc. in the group of jointly taxed companies.

Note 7 : Related parties

Consolidated Financial Statements

The consolidated annual report for Akzo Nobel 'C' Holding BV for 2023 can be requested by contacting Akzo Nobel 'C' Holding BV, Velperweg 76, Arnhem, 6824 BM , Netherlands.