

CP Kelco ApS
Ved Banen 16
4623 Lille Skensved, Denmark
CVR-nr. 21 21 02 85

Annual Report
For the fiscal year ended December 31, 2021

23th Fiscal Year

Adopted at the Annual General Meeting of shareholders on May 25, 2022

Marianne Koch

Marianne Koch (May 25, 2022 19:29 GMT+2)

Chairman of the meeting

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INFORMATION ABOUT THE COMPANY

CP Kelco ApS
Ved Banen 16
4623 Lille Skensved, Denmark

Tel: +45 56 16 56 16

Executive Board:

Jeffrey Jerome Prosinski
Jérôme Fernand Béra
Jennifer Mason
Didier Marcel Claude Viala
Douglas Michael Grant

Parent Company:

Waterview Sarl., Luxembourg

Ultimate Parent Company:

J.M. Huber Corporation, 499 Thornall St., Edison, New York, USA
A copy of the Group's Annual Report can be requested by contacting CP Kelco ApS.

Auditors:

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK 2100 Copenhagen

MANAGEMENT'S REVIEW

Main activities

CP Kelco ApS develops and manufactures pectin and carrageenan and the products are sold world-wide. CP Kelco ApS is owned by J.M. Huber Corporation one of the largest family-owned companies in North America.

CP Kelco has more than 1.500 customers in over 100 countries that use the products as food ingredients or ingredients for industrial and pharmaceutical products as well as suspension material for oil drilling.

The CP Kelco ApS Group owns and operates 4 plants located in Europe and South America.

Business review

Revenue increased by approx. 2,4%, from DKK 1,975 mill. in 2020 to DKK 2,023 mill. in 2021.

The company generated an operating profit in 2021 of DKK 411 mill. compared to DKK 470 mill. in 2020.

Financial income/expenses amount to a net expense of DKK 422.4 mill for 2021 against a net expense of DKK 43.3 mill in 2020. The development of USD currency rate resulted in 2021 in a total foreign exchange loss of DKK 34 mill. against foreign exchange gain of DKK 36 mill. in 2020. Dividends from subsidiaries amounted to DKK 107 mill. in 2021. In 2020 dividends amounted to DKK 79 mill. In 2021 impairments on investments and write down on intra-group receivables amounted to DKK 465 mill. compared to impairments on investments and write down on intra-group receivables of DKK 306 mill.

The loss for the year of DKK 76 mill. is not satisfactory compared to our expectations and previous years but is due to write down on intra-group receivables.

Uncertainty regarding recognition and measurement

Investments in subsidiaries are measured at cost. The carrying amount of the investments in subsidiaries are subject to impairment tests when indications of impairments are identified.

The company has assessed the carrying value of investments in subsidiaries based on management's expectations for the future earnings in the subsidiaries respectively. Management has assessed that the recoverable amounts of investments in subsidiaries after the write downs mentioned above exceed the investments carrying values That amounts to DKK 805 million. References is made to note 10 to the financial statements.

The recoverable amounts in the impairment tests are based on business plans and budgets. The budgeted future cash-flows are subject to risk and uncertainties as various factors may cause the actual development and results to differ from the applied expectations and assumptions.

Social responsibility

The company's statutory report on corporate social responsibility contains also the environmental report and is published on the company's website

<http://www.cpkelco.com/about-cp-kelco/our-company/lille-skensved/>

cf. the Danish Financial Statements Act §99a, part 3.

Diversity in management cf. The Danish Company Acc. Act § 99 b

Policy:

The Company wishes to have the professionally best qualified person on the individual leadership position concurrently with maintaining an inclusive workplace, believing that equal representation of sex in the upper management levels will strengthen the Company's synergy, creativity and development.

Action:

The top management level in CP Kelco ApS is the Company's Executive Board, composed by five members, appointed by the Company's American Parent Company, J.M. Huber Corporation. As the situation is the same as in most other companies the Executive Board is elected by the shareholders. CP Kelco had set a target of one female to be included in the Board by 2021. In 2018 the target was achieved and both sexes are now represented in the Executive Board. The next goal would be to have a ratio of 40/60% presentation in the Executive Board before 2026.

The Skensved management level is composed by functional, middle, and team leaders within CP Kelco ApS. 43 people in total.

CP Kelco ApS has a target figure for both sexes to be represented in the management level with a ratio of 40/60%.

For internal recruitment both sexes are ensured same possibilities, and all leaders and potential leaders regardless of sex are offered leadership training on equal terms. In connection with external recruitment candidates of both sexes are selected, however, qualifications will always be a deciding factor.

Result:

The distribution in the management level is per Dec. 31, 2021 35% women and 65% men, against per Dec. 31, 2020 34% and 66%.

In 2021 CP Kelco ApS, representation of women in the Skensved management level has increased by 1%.

Report on Data ethics cf. The Danish Company Acc. Act § 99 d

Managing data responsibly and ethically

As part of its daily operations CP Kelco generates and processes a great deal of important information requiring vigilant protection against disclosure outside of the company. The Data Protection Policy requires that all company employees sufficiently protect information that has economic value to the company.

Our commitment to protect personal data and privacy is reflected in two of our four core Principles "Excellence" and "Ethical Behavior", which all employees strive to meet. In accordance with these Principles, policy acknowledges the company's goals to achieve competitive advantage through customer focus and operational excellence. In addition, employees will operate our business with the highest standard for compliance with laws, regulations and corporate policies, and conduct themselves with professionalism and ethical responsibility. By protecting our information and that of our partners, this policy supports these Principles.

CP Kelco maintains an active privacy and data protection compliance program. The Data Protection Officers and local Data Privacy Liaisons are responsible for implementing and overseeing the administration of the policy. The company undertakes to register and keep its registration updated as a data Controller and processor. All personnel and third-party agents are required to adhere to the policy and any associated or supporting policies.

All employees confirm by signature their knowledge and accept of the company Data Protection policy and the Ethical guidelines. The annual ethics training for all employees covers also Data Ethics.

Interest Rate and Foreign Currency Rate Risk

The interest rates on the company's intra group payables is variable and the company result will therefore be affected by changes in the interest rates.

A significant portion of CP Kelco's activities is carried out in US dollars and Japanese yen and the company's DKK result will be volatile as a result of exchange rate fluctuations. The Company uses derivative financial instrument to mitigate exposures to changes in exchange rates. The Company is also exposed to changes in exchange rates on intergroup USD loans.

The company enters into derivative financial contracts through J.M. Huber Corporate Treasury, an intergroup company under the same control as CP Kelco ApS. All transactions are made in close cooperation with the J.M. Huber Corporate Treasury department and based on the guidelines of the J.M. Huber Treasury policy.

Knowhow

CP Kelco is to some extent dependent on being able to attract and keep employees who continuously can develop new products and new production techniques so that CP Kelco can continue to meet customer demands for products which have been adapted to the specific needs of the customers.

The employees are continuously being educated to enable them to comply with CP Kelco's standards of environment and safety.

Research & Development

CP Kelco applies resources to research and development of new production techniques and new products, meeting customer needs for new products with specific properties.

Consequently CP Kelco is to some extent dependent on the continued focus on research and development in order to continuously improve production effectiveness and maintain to CP Kelco's market position.

Subsequent events

No significant events, which have a material influence on the assessment of the Annual Report 2021 have occurred after the balance sheet date.

Outlook

The Company expects for 2022 a revenue and an operating profit before financial income/expenses at 2021 level.

FINANCIAL HIGHLIGHTS

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Revenue	2,023,010	1,974,542	2,008,113	1,682,047	1,654,457
Gross profit	533,467	570,768	606,426	487,635	579,717
Profit before amortization and write-down of goodwill and before financial income/expenses	411,210	470,259	479,636	392,301	463,237
Operating profit	411,211	470,259	371,058	283,726	354,662
Profit (loss) from financial income/expenses	-422,436	-43,331	-144,495	-104,619	-38,539
Profit (loss) before tax	-11,225	426,930	226,564	179,108	316,125
Profit (loss) for the year	-76,676	311,274	121,452	114,553	182,015
Equity	851,826	1,628,503	2,667,229	2,545,777	2,931,224
Total assets	2,954,856	3,476,216	4,822,310	4,971,975	5,402,626
Investments in property, plant and equipment	64,383	46,928	105,784	68,832	84,939
Average number of employees	364	390	389	381	383

STATEMENT BY THE EXECUTIVE BOARD

The Executive Board have today discussed and approved the annual report of CP Kelco ApS for the financial year January 1 – December 31, 2021.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at December 31, 2020 and of the result of the Company's operations for the financial year January 1 – December 31, 2021.

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

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

Lille Skensved, May 25, 2022

Executive Board:

Jeffrey Prosinski
Jeffrey Prosinski (May 27, 2022 09:08 GMT+1)
Jeffrey Jerome Prosinski

Jérôme Béra
Jérôme Béra (May 25, 2022 20:35 GMT+2)
Jérôme Fernand Béra

Jennifer Aspen Mason
Jennifer Aspen Mason (May 25, 2022 13:26 EDT)
Jennifer Mason

Didier Viala
Didier Viala (May 25, 2022 13:30 EDT)
Didier Marcel Claude Viala

Douglas Grant
Douglas Grant (May 25, 2022 14:00 EDT)
Douglas Michael Grant

INDEPENDENT AUDITORS' REPORT

To the Shareholder of CP Kelco ApS

Opinion

We have audited the financial statements of CP Kelco ApS for the financial year 1 January – 31 December 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 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 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 financial statement 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 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.

INDEPENDENT AUDITORS' REPORT

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

Copenhagen, May 25, 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR-nr. 25 57 81 98

Jon Beck
State Authorised Public Accountant
MNE no. 32169

Kåre Kansonen Valtersdorf
State Authorised Public Accountant
MNE no. 34490

INCOME STATEMENT for the years ended December 31

		2021	2020
	Note	DKK'000	DKK'000
Revenue	1	2,023,010	1,974,542
Production costs	2	<u>1,489,543</u>	<u>1,403,774</u>
Gross profit		533,467	570,768
Distribution costs	2	41,760	40,271
Administrative expenses	2+3	<u>80,496</u>	<u>60,238</u>
Operating profit		411,211	470,259
Financial income	5	147,536	337,473
Financial expenses	6	<u>569,972</u>	<u>380,802</u>
Profit (loss) before tax		-11,225	426,930
Tax on profit for the year	7	<u>65,451</u>	<u>115,656</u>
Profit (loss) for the year	8	<u><u>-76,676</u></u>	<u><u>311,274</u></u>

BALANCE SHEET at December 31
ASSETS

		2021	2020
	Note	DKK'000	DKK'000
NON-CURRENT ASSETS			
Intangible assets			
Development Projects		29,420	33,186
Licenses and software		<u>8,895</u>	<u>10,293</u>
Total intangible assets	4	<u>38,315</u>	<u>43,479</u>
Property, plant and equipment			
Land and buildings		156,750	154,311
Plant and machinery		377,790	370,743
Fixtures and equipment		4,125	4,956
Assets under construction		<u>58,729</u>	<u>56,235</u>
Total property, plant and equipment	9	<u>597,394</u>	<u>586,245</u>
Investments			
Investments in subsidiaries	10	805,274	804,650
Intra-group receivables	11	<u>357,353</u>	<u>650,989</u>
Total investments		<u>1,162,627</u>	<u>1,455,639</u>
TOTAL NON-CURRENT ASSETS		<u>1,798,336</u>	<u>2,085,363</u>

BALANCE SHEET at December 31		2021	2020
ASSETS - continued	Note	DKK'000	DKK'000
CURRENT ASSETS			
Inventories	12	<u>497,973</u>	<u>568,664</u>
Receivables			
Trade accounts receivable		57,550	17,234
Intra-group receivables		560,098	771,047
Other receivables		34,343	27,652
Prepaid expenses		<u>3,839</u>	<u>4,533</u>
Total receivables		655,830	820,466
Cash and bank		<u>2,717</u>	<u>1,723</u>
TOTAL CURRENT ASSETS		<u>1,156,520</u>	<u>1,390,853</u>
TOTAL ASSETS		<u><u>2,954,856</u></u>	<u><u>3,476,216</u></u>

BALANCE SHEET at December 31
LIABILITIES

		2021	2020
	Note	DKK'000	DKK'000
STOCKHOLDERS' Equity			
Capital stock	13	53,002	53,002
Reserve for development costs		29,421	33,187
Proposal of dividend		0	700,000
Retained earnings		<u>769,403</u>	<u>842,314</u>
STOCKHOLDERS' EQUITY		<u>851,826</u>	<u>1,628,503</u>
PROVISIONS			
Deferred tax	14	<u>83,532</u>	<u>90,109</u>
PROVISIONS		<u>83,532</u>	<u>90,109</u>
LONG-TERM LIABILITIES			
Long-term liabilities			
Intra-group payables		1,663,588	1,421,285
Leasing obligation		<u>1,253</u>	<u>1,856</u>
Total long-term liabilities	15	<u>1,664,841</u>	<u>1,423,141</u>

BALANCE SHEET at December 31		2021	2020
LIABILITIES - continued	Note	DKK'000	DKK'000
Current liabilities			
Current liability of long-term liabilities	15	563	552
Trade accounts payable		178,093	123,196
Intra-group payables		72,867	104,150
Company tax payable		4,884	5,999
Other payables		<u>98,250</u>	<u>100,566</u>
Total current liabilities		<u>354,657</u>	<u>334,463</u>
TOTAL LONG-TERM & CURRENT LIABILITIES		<u>2,019,498</u>	<u>1,757,604</u>
TOTAL LIABILITIES		<u>2,954,856</u>	<u>3,476,216</u>
Contingent liabilities and contractual obligations	16		
Related party transactions	17		

STATEMENT OF CHANGES IN EQUITY

	2021 DKK'000
Capital Stock	
Balance at January 1	<u>53,002</u>
Balance at December 31	<u>53,002</u>
Reserve from development costs	
Balance at January 1	33,187
Amortization of development costs	-11,547
Capitalised for development costs	<u>7,781</u>
Balance at December 31	<u>29,421</u>
Retained earnings	
Balance at January 1	842,313
Appropriation of net profit	<u>-72,910</u>
Balance at December 31	<u>769,403</u>
Proposal of dividend	
Balance at January 1	700,000
Paid dividend during the year	-700,000
Proposal of dividend for the year	<u>0</u>
Balance at December 31	<u>0</u>
Total Equity	<u><u>851,826</u></u>

NOTES AND DISCLOSURES

Note 1. Revenue

The Company operates in one segment consisting of production of natural and naturally derived hydrocolloids. The operations are managed as one segment or strategic unit, because it offers similar products in similar markets and the factors determining strategic decisions are comparable for all products.

Information about activities on geographic areas is not submitted pursuant to the Danish Financial Statements Act, section 96 (1) as such information may be detrimental to the Group as there are only few material competitors in the segment.

	2021 DKK'000	2020 DKK'000
Note 2. Staff costs		
Specification of staff costs:		
Payroll costs	261,663	244,222
Pensions	20,529	19,906
Other social security costs	<u>3,868</u>	<u>3,912</u>
	<u>286,060</u>	<u>268,040</u>
Average number of employees	<u>364</u>	<u>390</u>

The Company has paid management fees to group related companies which also cover remuneration to intra-group members of the Executive Board. The fee for performing the responsibilities of the Executive Board is estimated below.

Remuneration paid to the Executive Board through management fees		
Salaries, pensions and incentives	<u>3,637</u>	<u>2,634</u>
	<u>3,637</u>	<u>2,634</u>

Staff costs is stated in the income statement at the following amounts:

Production costs	213,078	206,635
Distribution costs	31,599	30,599
Administrative expenses	<u>41,383</u>	<u>30,806</u>
	<u>286,060</u>	<u>268,040</u>

NOTES AND DISCLOSURES

	2021 DKK'000	2020 DKK'000
Note 3. Fee to statutory auditor		
Statutory audit	1,447	1,450
Other assurance engagements	76	33
Non-audit services	<u>0</u>	<u>0</u>
	<u>1,523</u>	<u>1,483</u>

Note 4. Intangible assets

Investments in and amortization of intangible assets made during the fiscal year can be specified as follows (in DKK thousands)

	Develop- ment projects	Licences and software	Total
Cost at January 1	91,276	52,556	143,832
Additions for the year	7,781	1,142	8,923
Disposals for the year	<u>0</u>	<u>-1,163</u>	<u>-1,163</u>
Cost at December 31	<u>99,057</u>	<u>52,535</u>	<u>151,592</u>
Amortization at January 1	58,090	42,263	100,353
Amortization for the year	11,547	2,541	14,088
Amortization of disposals	<u>0</u>	<u>-1,163</u>	<u>-1,163</u>
Amortization at December 31	<u>69,637</u>	<u>43,640</u>	<u>113,277</u>
Carrying amount at December 31	<u>29,420</u>	<u>8,895</u>	<u>38,315</u>

Depreciation of development projects, licenses and software are expensed in the income statement as production costs.

NOTES AND DISCLOSURES

	2021	2020
Note 5. Financial income	DKK'000	DKK'000
Financial income can be specified as follows:		
Dividend from subsidiaries	106,812	78,923
Gain on sale of investment	0	152,512
Foreign currency adjustments	0	35,613
Interest received from group companies	<u>40,725</u>	<u>70,425</u>
	<u>147,536</u>	<u>337,473</u>
Note 6. Financial expenses		
Financial expenses can be specified as follows:		
Interest paid to group companies	65,049	73,809
Write-down of Intra-group receivables	464,577	306,883
Write-down of investments in subsidiaries	2,575	0
Loss on liquidation of investment	2,852	0
Foreign currency adjustments	34,029	0
Other financial expenses	<u>889</u>	<u>110</u>
	<u>569,972</u>	<u>380,802</u>

NOTES AND DISCLOSURES

	2021	2020
	DKK'000	DKK'000
Note 7. Tax on profit for the year		
The expensed corporate income tax can be specified as follows:		
Tax on profit for the year	81,606	95,224
Adjustments regarding previous years	0	-2,055
Deferred tax adjustment for the year	-6,577	19,863
Other taxes, withholding tax	<u>-9,579</u>	<u>2,624</u>
	<u>65,451</u>	<u>115,656</u>

	2021
	DKK'000
Note 8. Appropriation of income	

The Executive Board recommends that the net income of the Company is distributed as follows:

Net loss	-76,676
Capitalised development costs	-7,781
Amortization of development costs	<u>11,547</u>
	<u>-72,910</u>
Proposed distributed as follows:	
Proposed dividends for the year	0
Retained earnings	<u>-72,910</u>
	<u>-72,910</u>

NOTES AND DISCLOSURES

Note 9. Property, plant and equipment

Investments in and depreciation of property, plant and equipment made during the fiscal year can be specified as follows (in DKK thousands):

	Land and buildings	Plant and machinery	Fixtures and equipment	Assets under construction	Total
Cost at January 1	322,134	1,098,397	45,202	56,235	1,521,968
Transferred	8,934	34,103	961	-44,114	-117
Additions for the year	1,528	16,237	126	46,608	64,499
Disposals for the year	<u>-64</u>	<u>-9,215</u>	<u>-2,692</u>	<u>0</u>	<u>-11,972</u>
Cost at December 31	<u>332,531</u>	<u>1,139,521</u>	<u>43,597</u>	<u>58,729</u>	<u>1,574,378</u>
Depreciation at January 1	167,823	727,654	40,246	0	935,723
Depreciation for the year	8,010	43,041	1,919	0	52,969
Depreciation of disposals	<u>-52</u>	<u>-8,963</u>	<u>-2,692</u>	<u>0</u>	<u>-11,708</u>
Depreciation at December 31	<u>175,781</u>	<u>761,731</u>	<u>39,472</u>	<u>0</u>	<u>976,984</u>
Carrying amount at December 31	<u>156,750</u>	<u>377,790</u>	<u>4,125</u>	<u>58,729</u>	<u>597,394</u>
Carrying amount of leased assets	<u>0</u>	<u>2,912</u>	<u>0</u>	<u>0</u>	<u>2,912</u>

Depreciation of property, plant and equipment is stated in the income statement at the following amounts:

	2021 DKK'000	2020 DKK'000
Production costs	52,408	51,383
Distribution costs	148	211
Administrative expenses	<u>413</u>	<u>383</u>
	<u>52,969</u>	<u>51,977</u>

NOTES AND DISCLOSURES

Note 10. Investments in subsidiaries	2021	2020
	DKK'000	DKK'000
Cost at January 1	1,218,180	2,167,046
Additions	21,054	0
Disposal of investments	<u>-215</u>	<u>-948,866</u>
Cost at December 31	<u>1,239,019</u>	<u>1,218,180</u>
Valuation adjustments at January 1	-413,530	-413,530
Write down for the year	<u>-20,215</u>	<u>0</u>
Valuation adjustments at December 31	<u>-433,745</u>	<u>-413,530</u>
Carrying amount at December 31	<u><u>805,274</u></u>	<u><u>804,650</u></u>

In instances of impairment indication, the carrying amount of the investment in subsidiaries at 31 December 2021 have been tested for impairment. The recoverable amount is based on business plans and budgets for 2022 to 2027 approved by Executive Board and J.M. Huber Group. The budgeted future cash-flows are subject to risk and uncertainties as various factors, some of which are beyond the control of CP Kelco ApS, may cause actual development and results to differ materiality from the current expectations and assumptions.

Significant assumptions

Although depending on the specific market, generally a growth rate of 2.0 % during the terminal period has been assumed.

Net cash flows have been discounted using a discount rate after tax of 7.3 % -8.2 %, based on the country and market specific risk and the debt structure.

NOTES AND DISCLOSURES

Note 10. Investments in subsidiaries - continued

Dividend received from CP Kelco UK in 2021 exceeds the results in the period it was owned by CP Kelco and therefore the cost price has been reduced by DKK 4.3 mill. Dividend received from CP Kelco Services ApS in 2021 exceeds the results in the period it was owned by CP Kelco and therefore the cost price has been reduced by DKK 13.3 mill. CP Kelco Korea is liquidated in 2021 and is included as disposal for the year. The impairment calculation for CP Kelco Brazil concluded that write-down on intra-group receivable was necessary with DKK 464 mill. For CP Kelco UK the impairment calculation concluded that write-down on investment was necessary with DKK 2.5 mill. For all other investments the recoverable amount is higher than the carrying amount and thus no write-down have been necessary.

Subsidiaries	Interest	Currency	Equity	Profit (loss) for the year
CP Kelco Germany GmbH, Germany	94.99%	EUR'000	*27,650	*12,727
CP Kelco UK Limited, UK	100%	GBP'000	*1,675	*271
CP Kelco Brazil SA, Brazil	99.99%	BRL'000	*(71,249)	*(40,013)
CP Kelco Services ApS, Denmark	100%	DKK'000	249,135	36,494
CP Kelco Argentina SA, Argentina	98%	ARS'000	*45,514	*(9,957)
Zanea Seaweed Co Ltd., Tanzania	66%	TSHS'000	*(401,621)	*77,296
CP Kelco Japan ApS, Denmark (including Japan Branch Japan)	100%	DKK'000	9,155	3,320
CP Kelco France SARL, France	100%	EUR'000	*1,235	*362
CP Kelco Singapore Pte Ltd, Singapore	100%	SGD'000	*4,705	*139
CP Kelco Belgium BVBA, Belgium	99.50%	EUR'000	*1,329	*162
CP Kelco Poland Sp.z.o.o, Poland	100%	PLN'000	*88	*15
CP Kelco India	100%	INR'000	*50,221	*5,044

Companies in which the participating interest is less than 50% are entered as subsidiaries in the Financial Statements as CP Kelco ApS has the controlling influence in the companies.

* From audited Financial Statements for the year 2020.

NOTES AND DISCLOSURES

	2021 DKK'000	2020 DKK'000
Note 11. Intra-Group receivables		
Balance at January 1	650,989	1,582,361
Additions	170,941	0
Repayments	0	-624,489
Write down based on impairment calculation ref. Note 10	<u>-464,577</u>	<u>-306,883</u>
Balance at December 31	<u>357,353</u>	<u>650,989</u>

Note 12. Inventories

Inventories can be specified as follows:

Raw materials	165,309	187,150
Work in progress	104,813	158,449
Finished goods and goods for resale	<u>227,852</u>	<u>223,065</u>
	<u>497,973</u>	<u>568,664</u>

Note 13. Capital Stock

Analysis of the Company's capital stock, DKK 53,002 thousand:

50,501 class A shares of DKK 1,000 each	50,501	50,501
2,500 class B shares of DKK 1,000 each	2,500	2,500
62,553 class C shares of DKK 0,01 each	<u>1</u>	<u>1</u>
	<u>53,002</u>	<u>53,002</u>

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Class B shares have no voting rights, and the holders are not entitled to receive dividends on these shares.

In the event of liquidation, each Class B share is entitled to a liquidation preference of the DKK equivalent of USD 20,000 per share. With respect to the liquidation preference, the Class B shares rank prior to the Company's Class A shares. In connection with a transaction which constitutes a change in control, as defined, or in connection with certain equity offerings, as defined, the Company shall be required to make an offer to the Class B shareholders to redeem the Class B shares at a multiple of the liquidation preference.

The Class C shares have no voting rights and its liquidation preference is subordinate to that of the Class B shares currently outstanding, but senior to Class A shares.

	2021 DKK'000	2020 DKK'000
Note 14. Deferred tax		
Provision at January 1	90,109	70,246
Adjustment of deferred tax for the year	<u>-6,577</u>	<u>19,863</u>
Provision at December 31	<u>83,532</u>	<u>90,109</u>

Deferred tax relates to intangibles, fixed assets, inventories, receivables, trade accounts payable and other payables.

	2021 DKK'000	2020 DKK'000
Note 15. Long-term liabilities		
Long-term liabilities can be specified as follows:		
Falling due after more than 5 years	1,663,588	1,421,285
Falling due between 1 and 5 years	1,253	1,856
Falling due within 1 year	<u>563</u>	<u>552</u>
	<u>1,665,403</u>	<u>1,423,693</u>

NOTES AND DISCLOSURES

Note 16. Contingent liabilities and contractual obligations

The Company has undertaken car, truck and computer leases last contract ending December 2026 amounting to DKK 8,310 thousand.

The Company is jointly taxed with other Danish companies in the J.M. Huber group. As a wholly owned subsidiary of J.M. Huber Corporation, the Company is unlimited and solidary liable with the other companies in the joint taxation regarding Danish withholding taxes on dividends, interest and royalties in the joint taxation. Tax payables in the joint taxation are as of 31 December 2021 DKK 5 million. Any subsequent corrections of the taxable income in the joint taxation or withholding taxes could lead to the Company's liability being higher.

In connection with a change of control of the ownership the Parent Company is obligated to make an offer to redeem the Class B shares on the terms highlighted in note 12.

Note 17. Related party transactions

Related party disclosures

CP Kelco ApS' related parties comprise the following:

Control

J.M. Huber Corporation holds the majority of the share capital in CP Kelco ApS.

CP Kelco ApS is part of the consolidated financial statements of J.M. Huber Corporation, 499 Thornall St., Edison, New York, USA, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of J.M. Huber Corporation can be obtained by contacting the Company.

NOTES AND DISCLOSURES

Note 17. Related party transactions

	2021	2020
	DKK'000	DKK'000
Purchase of services from group enterprises	-50,923	-49,223
Sale of services sold to group enterprises	38,005	40,163
Sale of goods to group enterprises, revenue	720,855	734,594
Purchase of goods from group enterprises, cost of goods	<u>-501,412</u>	<u>-528,778</u>
	<u>206,525</u>	<u>196,756</u>

The company's balances with group enterprises at December 31, 2021 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 5 and 6. Further balances with group enterprises comprise trade balances related to purchase and sale of goods and services and long term loans, which are specified in the balance sheet.

Purchases of services from or to group enterprises consists of royalty, management, administration and business services and sales and marketing services.

No transactions have been carried out with the Executive Board, senior employees, major shareholders or related parties apart from ordinary remuneration.

NOTES AND DISCLOSURES

Note 18. Accounting policies

General

The Annual Report for the Company has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class C enterprises (large).

The company has not prepared group consolidated financial statements with reference to section 112(1) of the Danish Financial Statements Act CP Kelco ApS and its subsidiaries are consolidated into the consolidated Group Financial Statements of the ultimate Parent company, J.M. Huber Corporation. The consolidated Group Financial Statements can be obtained from CP Kelco ApS.

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 for J.M. Huber Corporation.

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item. In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account. Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and 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 at the date at which the receivable or payable arose or was recognised in the latest consolidated and parent company financial statements is recognised in the income statement as financial income or financial expenses.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognized directly in equity.

NOTES AND DISCLOSURES

Revenue

Revenue related to the sale of goods is recorded in the income statement concurrently with delivery of goods, when risks have been transferred to the customer and the goods are invoiced.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant and machinery. Production costs also comprise research and development costs that do not qualify for capitalisation and amortisation of capitalised development costs.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Dividends from investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Gains and losses on the disposal of investments in group entities measured at cost are recognised as financial income or financial expenses, respectively.

Tax on profit/loss for the year, corporation tax and deferred tax

The Company is comprised by the Danish rules on compulsory joint taxation of the J.M Huber Group's Danish subsidiaries.

CP Kelco ApS is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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.

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.

NOTES AND DISCLOSURES

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.

Intangible Assets

Goodwill

Goodwill is valued at cost less accumulated depreciation and write-down. Goodwill is depreciated over the expected useful lifetime which is 20 years based on experience for strategic acquisitions with a long-term profitability profile.

Development projects, patents and licences

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, distribution costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is 4 years.

Licences are measured at cost less accumulated amortisation and impairment losses. Licences are amortised over the contract period, however, not exceeding 20 years.

NOTES AND DISCLOSURES

An amount corresponding to the capitalised development costs will be tied to the Reserve for development costs in equity. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment 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. The cost of self-constructed assets comprises direct and indirect costs of materials, components, suppliers, energy consumption, staff and depreciation of machinery used.

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 depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	30 years
Plant and machinery	10-15 years
Fixtures and fittings, tools and equipment	3-10 years

Land is not depreciated.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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

Leases

On initial recognition, leases for non-current assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

NOTES AND DISCLOSURES

Participating interests in subsidiaries

Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, investments are written down to this lower value.

Dividends from subsidiaries are recognized in the income statement for that accounting year, in which the dividend is declared. To the extent that the declared dividend exceeds the accumulated earnings after the acquisition, cost is reduced by this exceeding amount.

Gains and losses on the disposal of investments in group entities measured at cost are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in group entities and associates is subject to an annual assessment 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.

Inventories

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

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management.

The net realisable 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 valued at par value and write downs for losses based on an individual assesment.

Prepayments

Prepayments comprise prepayments of costs relating to subsequent financial years.

NOTES AND DISCLOSURES

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligations are recognised as financial liabilities at amortised cost.

Other liabilities are measured at net realisable value.

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