
Croda Denmark A/S

Elsenbakken 23, DK-3600 Frederikssund

Annual Report for 2023

CVR No. 36 05 87 14

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 10/6 2024

Jette Kjeldal
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Croda Denmark A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Frederikssund, 10 June 2024

Executive Board

Jette Kjeldal
CEO

Board of Directors

David Timothy Cherry
Chairman

Jette Kjeldal

Erik Jan Bartels

Independent Auditor's report

To the shareholder of Croda Denmark 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 Croda Denmark 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 ("the 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.

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 10 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild

State Authorised Public Accountant

mne33262

Gösta Gauffin

State Authorised Public Accountant

mne45821

Company information

| | |
|---------------------------|--|
| The Company | Croda Denmark A/S Elsenbakken 23 3600 Frederikssund CVR No: 36 05 87 14 Financial period: 1 January - 31 December Incorporated: 1 August 2014 Municipality of reg. office: Frederikssund |
| Board of Directors | David Timothy Cherry, chairman Jette Kjeldal Erik Jan Bartels |
| Executive Board | Jette Kjeldal |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup |

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|---------|---------|---------|---------|---------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit | 107,136 | 165,405 | 136,855 | 81,110 | 47,797 |
| Profit/loss of primary operations | -367 | 64,467 | 54,931 | 14,328 | -16,272 |
| Profit/loss of financial income and expenses | -23,617 | 3,150 | 2,220 | -1,049 | -358 |
| Net profit/loss for the year | -23,949 | 53,052 | 44,862 | 10,941 | -13,774 |
| Balance sheet | | | | | |
| Balance sheet total | 333,547 | 494,824 | 451,179 | 410,456 | 365,419 |
| Investment in property, plant and equipment | 41,858 | 14,106 | 24,246 | 16,352 | 24,989 |
| Equity | 301,952 | 325,901 | 272,849 | 247,987 | 209,969 |
| Number of employees | 118 | 114 | 98 | 85 | 86 |
| Ratios | | | | | |
| Return on assets | -0.1% | 13.0% | 12.2% | 3.5% | -4.5% |
| Solvency ratio | 90.5% | 65.9% | 60.5% | 60.4% | 57.5% |
| Return on equity | -7.6% | 17.7% | 17.2% | 4.8% | -6.9% |

Management's review

Key activities

The Company's activity consists of the production and sale of adjuvants. Sales are affected to countries both inside and outside EU.

Development in the year

The income statement of the Company for 2023 shows a loss of TDKK 23,949, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TDKK 301,952.

2023 result is mainly in line with our expectations over several factors which have attributed to a lower gross profit compared to previous year, including a downturn in COVID related demand and the customer destocking due to post COVID supply disruption. Actions have been successfully taken to address cost whilst the Company have also continued to increase investment in improving operational efficiency and R&D for new product lines and technologies. 2023 result has been negatively affected by the net impairment of investment in subsidiary of DKK 25.1 million.

Expectations for 2024

2024 is anticipated to be a transition year for the Company. Sales is expected to be 9% less compared to previous year, due to a mix effect composed by post COVID moderation of price premium from human vaccine business and resuming the selling to veterinary business. Sales volume is expected to be flat for 2024 but as of the time of this report, we have seen major improvement of our order book for 2nd half year of 2024 when the destocking disruption of global supply chain is coming to an end. Thus, the business prospects for the future remain robust.

Cost consciousness is continuing to be the strategy in 2024 to mitigate the impact of sales reduction and to support the strategic plan of reallocating the capacities to several major projects which will return commercial benefits with a long-term success.

We expect the profit of primary operations to be within a range of 0-10m DKK for the upcoming year.

Operating risks

The Company produces and sells goods, and the risk is related to Company's production capacity.

Market risks

The Company is currently subject to the competition and market situation – including customer expectations to the future and thus the demand for products offered by the Company.

Credit risks

The Company's credit risks related exclusively to our customers. Internal control systems in the form of tight credit controls and application of external credit information imply that the Company is not subject to any material risks posed by individual customers or business partners, and historically the Company has not realized any major bad debts.

Income statement 1 January - 31 December

| | Note | 2023 | 2022 |
|---|------|----------------|----------------|
| | | TDKK | TDKK |
| Gross profit | | 107,136 | 165,405 |
| Staff expenses | 1 | -95,787 | -89,843 |
| Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment | | -11,716 | -11,095 |
| Profit/loss before financial income and expenses | | -367 | 64,467 |
| Financial income | 2 | 3,532 | 10,202 |
| Financial expenses | 3,4 | -27,149 | -7,052 |
| Profit/loss before tax | | -23,984 | 67,617 |
| Tax on profit/loss for the year | 5 | 35 | -14,565 |
| Net profit/loss for the year | 6 | -23,949 | 53,052 |

Balance sheet 31 December

Assets

| | Note | 2023 | 2022 |
|--|------|----------------|----------------|
| | | TDKK | TDKK |
| Acquired customer list | | 5,294 | 6,069 |
| Development projects in progress | | 6,824 | 0 |
| Intangible assets | 7 | 12,118 | 6,069 |
| Land and buildings | | 67,836 | 60,627 |
| Plant and machinery | | 89,316 | 92,520 |
| Other fixtures and fittings, tools and equipment | | 1,472 | 213 |
| Leasehold improvements | | 0 | 0 |
| Property, plant and equipment in progress | | 42,876 | 17,171 |
| Property, plant and equipment | 8 | 201,500 | 170,531 |
| Investments in subsidiaries | 9 | 0 | 151,657 |
| Deposits | 10 | 915 | 735 |
| Fixed asset investments | | 915 | 152,392 |
| Fixed assets | | 214,533 | 328,992 |
| Inventories | 11 | 29,673 | 54,264 |
| Trade receivables | | 16,629 | 5,731 |
| Receivables from group enterprises | | 36,270 | 11,437 |
| Other receivables | | 56 | 0 |
| Corporation tax | | 0 | 10,370 |
| Prepayments | | 940 | 355 |
| Receivables | | 53,895 | 27,893 |
| Cash at bank and in hand | | 35,446 | 83,675 |
| Current assets | | 119,014 | 165,832 |
| Assets | | 333,547 | 494,824 |

Balance sheet 31 December

Liabilities and equity

| | Note | 2023 | 2022 |
|--|------|----------------|----------------|
| | | TDKK | TDKK |
| Share capital | 12 | 500 | 500 |
| Reserve for development costs | | 5,323 | 0 |
| Retained earnings | | 284,129 | 325,401 |
| Proposed dividend for the year | | 12,000 | 0 |
| Equity | | 301,952 | 325,901 |
| | | | |
| Provision for deferred tax | 13 | 15,132 | 17,567 |
| Provisions | | 15,132 | 17,567 |
| | | | |
| Other payables | | 0 | 126,560 |
| Long-term debt | 14 | 0 | 126,560 |
| | | | |
| Trade payables | | 7,743 | 9,160 |
| Payables to group enterprises | | 599 | 2,316 |
| Corporation tax | | 382 | 0 |
| Other payables | 14 | 7,739 | 13,320 |
| Short-term debt | | 16,463 | 24,796 |
| | | | |
| Debt | | 16,463 | 151,356 |
| | | | |
| Liabilities and equity | | 333,547 | 494,824 |
| | | | |
| Contingent assets, liabilities and other financial obligations | 15 | | |
| Related parties | 16 | | |
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Statement of changes in equity

| | Share capital | Reserve for development costs | Retained earnings | Proposed dividend for the year | Total |
|--------------------------------|---------------|-------------------------------|-------------------|--------------------------------|----------------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 500 | 0 | 325,401 | 0 | 325,901 |
| Development costs for the year | 0 | 5,323 | -5,323 | 0 | 0 |
| Net profit/loss for the year | 0 | 0 | -35,949 | 12,000 | -23,949 |
| Equity at 31 December | 500 | 5,323 | 284,129 | 12,000 | 301,952 |

Notes to the Financial Statements

| | 2023 | 2022 |
|---|---------------|---------------|
| | TDKK | TDKK |
| 1. Staff Expenses | | |
| Wages and salaries | 87,552 | 82,741 |
| Pensions | 7,862 | 7,146 |
| Other social security expenses | 373 | -44 |
| | 95,787 | 89,843 |
| Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. | | |
| Average number of employees | 118 | 114 |
| | | |
| | 2023 | 2022 |
| | TDKK | TDKK |
| 2. Financial income | | |
| Interest received from group enterprises | 1,797 | 0 |
| Exchange gains | 1,735 | 10,202 |
| | 3,532 | 10,202 |
| | | |
| | 2023 | 2022 |
| | TDKK | TDKK |
| 3. Financial expenses | | |
| Impairment losses on financial assets | 25,097 | 0 |
| Other financial expenses | 187 | 5 |
| Exchange loss | 1,865 | 7,047 |
| | 27,149 | 7,052 |
| | | |
| | 2023 | 2022 |
| | TDKK | TDKK |
| 4. Special items | | |
| Net impairment of investment in subsidiary | 25,097 | 0 |
| | 25,097 | 0 |

Notes to the Financial Statements

| | 2023 | 2022 |
|---|---------------------------|--|
| | TDKK | TDKK |
| 5. Income tax expense | | |
| Current tax for the year | 2,400 | 7,871 |
| Deferred tax for the year | -2,347 | 6,694 |
| Adjustment of tax concerning previous years | -88 | 0 |
| | -35 | 14,565 |
| | | |
| | 2023 | 2022 |
| | TDKK | TDKK |
| 6. Profit allocation | | |
| Proposed dividend for the year | 12,000 | 0 |
| Retained earnings | -35,949 | 53,052 |
| | -23,949 | 53,052 |
| | | |
| 7. Intangible fixed assets | | |
| | Acquired customer list | Develop- ment projects in progress |
| | TDKK | TDKK |
| Cost at 1 January | 8,277 | 0 |
| Additions for the year | 52 | 6,824 |
| Cost at 31 December | 8,329 | 6,824 |
| | | |
| Amortisation at 1 January | 2,208 | 0 |
| Amortisation for the year | 827 | 0 |
| Amortisation at 31 December | 3,035 | 0 |
| | | |
| Carrying amount at 31 December | 5,294 | 6,824 |
| | | |
| Amortised over | 3-8 years | |

Notes to the Financial Statements

8. Property, plant and equipment

| | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Leasehold improvements | Property, plant and equipment in progress |
|---|--------------------|---------------------|--|------------------------|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 January | 80,837 | 157,283 | 730 | 2,626 | 18,576 |
| Additions for the year | 9,212 | 942 | 1,612 | 0 | 30,092 |
| Transfers for the year | 0 | 4,387 | 0 | 0 | -4,387 |
| Cost at 31 December | 90,049 | 162,612 | 2,342 | 2,626 | 44,281 |
| Impairment losses and depreciation at 1 January | 20,210 | 64,763 | 517 | 2,626 | 1,405 |
| Depreciation for the year | 2,003 | 8,533 | 353 | 0 | 0 |
| Impairment losses and depreciation at 31 December | 22,213 | 73,296 | 870 | 2,626 | 1,405 |
| Carrying amount at 31 December | 67,836 | 89,316 | 1,472 | 0 | 42,876 |
| Amortised over | 30-40 years | 4-20 years | 4-6 years | 3-8 years | |

9. Investments in subsidiaries

| | 2023 | 2022 |
|--|----------|----------------|
| | TDKK | TDKK |
| Cost at 1 January | 151,657 | 151,657 |
| Changes to the cost as a result of changes in the variable consideration | -126,560 | 0 |
| Cost at 31 December | 25,097 | 151,657 |
| Revaluations for the year, net | -25,097 | 0 |
| Value adjustments at 31 December | -25,097 | 0 |
| Carrying amount at 31 December | 0 | 151,657 |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Ownership | Equity | Net profit/loss for the year |
|---------------|----------------------------|---------------|-----------|--------|------------------------------|
| MX Adjuvac AB | Uppsala, Sweden | TSEK 50 | 100% | 783 | -159 |

Notes to the Financial Statements

10. Other fixed asset investments

| | Deposits |
|---------------------------------------|-------------------|
| | TDKK |
| Cost at 1 January | 735 |
| Additions for the year | 180 |
| Cost at 31 December | <u>915</u> |
| Carrying amount at 31 December | <u>915</u> |

11. Inventories

| | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| | TDKK | TDKK |
| Raw materials and consumables | 10,400 | 10,499 |
| Work in progress | 2,438 | 2,880 |
| Finished goods and goods for resale | 16,835 | 40,885 |
| | <u>29,673</u> | <u>54,264</u> |

12. Share capital

The share capital consists of 500,000 shares of a nominal value of TDKK 1. No shares carry any special rights.

| | 2023 | 2022 |
|---|---------------|---------------|
| | TDKK | TDKK |
| 13. Provision for deferred tax | | |
| Deferred tax liabilities at 1 January | 17,567 | 10,873 |
| Amounts recognised in the income statement for the year | -2,435 | 6,694 |
| Deferred tax liabilities at 31 December | <u>15,132</u> | <u>17,567</u> |

Notes to the Financial Statements

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|-----------------------|
| | TDKK | TDKK |
| 14. Long-term debt | | |
| Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt. | | |
| The debt falls due for payment as specified below: | | |
| Other payables | | |
| After 5 years | 0 | 0 |
| Between 1 and 5 years | <u>0</u> | <u>126,560</u> |
| Long-term part | 0 | 126,560 |
| Other short-term payables | <u>7,739</u> | <u>13,320</u> |
| | <u>7,739</u> | <u>139,880</u> |
| | | |
| | <u>2023</u> | <u>2022</u> |
| | TDKK | TDKK |
| 15. Contingent assets, liabilities and other financial obligations | | |
| Rental and lease obligations | | |
| Lease obligations under operating leases. Total future lease payments: | | |
| Within 1 year | 247 | 110 |
| Between 1 and 5 years | <u>583</u> | <u>28</u> |
| | <u>830</u> | <u>138</u> |
| | | |
| Rental obligations | 7,908 | 5,806 |

Notes to the Financial Statements

16. Related parties and disclosure of consolidated financial statements

| | <u>Basis</u> |
|--------------------------------|-------------------------|
| Controlling interest | |
| Croda Europe Limited | Parent Company |
| Croda Investments No 3 Limited | Parent Company |
| Croda International Plc | Ultimate Parent Company |

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

| <u>Name</u> | <u>Place of registered office</u> |
|-------------------------|-----------------------------------|
| Croda International Plc | East Yorkshire, England |

The Group Annual Report of Croda International Plc may be obtained at the following address:

Croda International Plc
Cowick Hall
Snaith
Goole
East Yorkshire DN14 9AA
England

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Croda Denmark A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of Croda International Plc, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Croda International Plc, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance sheet

Intangible fixed assets

Software is measured at cost with deduction of accumulated amortisation. Software are amortised on a straight line basis over an evaluation of the expected useful life. Usually, the amortisation period is 3-8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant 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.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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

| | |
|--|-------------|
| Production buildings | 30-40 years |
| Plant and machinery | 4-20 years |
| Other fixtures and fittings, tools and equipment | 4-6 years |
| Leasehold improvements | 3-8 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

Financial liabilities

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

| | |
|------------------|--|
| Return on assets | $\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$ |
| Solvency ratio | $\text{Equity at year end} \times 100 / \text{Total assets at year end}$ |
| Return on equity | $\text{Net profit for the year} \times 100 / \text{Average equity}$ |

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Gösta Luis Gauffin

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Ulrik Ræbild

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