Annual Report 2024

HEMPEL

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Financials

Cover image: Hempel's global coating advisors ensure efficient, high-quality application and process optimisation to maintain our customers' assets in the agreed condition.

EUR 392 million
EBITDA, adjusted

Hempel delivered its best bottom-line result to date with an EBITDA of EUR 392 million in 2024.

Welcome to CVC

We welcomed CVC Funds as minority investor and strategic partner, alongside our majority owner, the Hempel Foundation, starting a new chapter in our company's story and unlocking new opportunities for growth, see page 7.

Introduction

At a glance

Our purpose is to shape a brighter future with sustainable coating solutions. We collaborate and innovate with our customers to deliver solutions that protect, beautify and improve the performance of their most valuable assets — whilst always keeping sustainability at the forefront of everything we do.

Financials

2024 revenue
(EUR m)

2,185

Organic growth
(%)

-1.3

2024 EBITDA margin, adjusted
(%)

17.9 ↑1.3 percentage points

Segments

Decorative

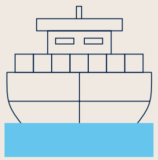
653
Revenue in EUR m

2.4%
Total organic revenue growth

Marine

709
Revenue in EUR m

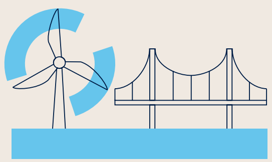
-5.8%
Total organic revenue growth



Energy & Infrastructure

823
Revenue in EUR m

0.1%
Total organic revenue growth



1915

We were founded in 1915 in Denmark and are today owned by the Hempel Foundation and CVC Funds. Over the past 109 years, we have become a world-leading supplier of paint and coating solutions and a trusted partner for our customers worldwide.

Sustainability commitments and recognitions

ecovadis Valuable 500 CLIMATE GROUP EV100 SCIENCE BASED TARGETS UN GLOBAL COMPACT

With a global reach, we serve customers around the world*

No. of colleagues
7,200+

No. of production sites
25

No. of nationalities across Hempel
93

No. of innovation centres
14

No. of countries we serve
100+

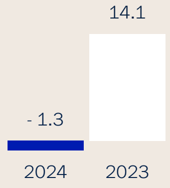
No. of paint stores
340

No. of brands
6

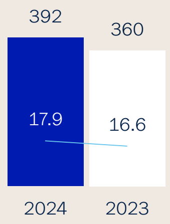
* Numbers as of 31 December 2024.

Performance highlights 2024[3]

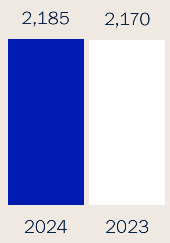
Organic growth[1]
(%)



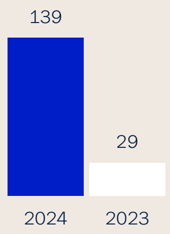
EBITDA margin, adjusted[1]
☐ EBITDA (EUR m)
— EBITDA margin (% of revenue)



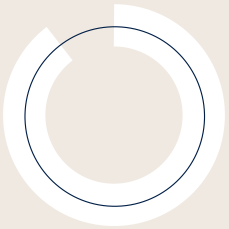
Revenue
(EUR m)



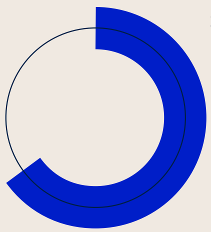
Free cash flow[1]
(EUR m)



Environment
Scope 1 & 2 reduction from 2019 baseline
(%)

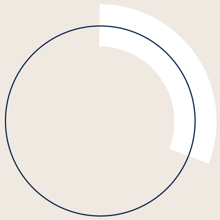


90%
2026 target

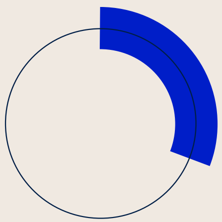


65%[2]
2024

Social
Women in leadership
(%)

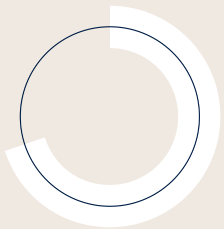


31%
2024 target

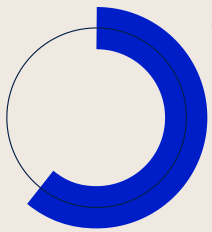


31%
2024

Governance
Total supplier spend screened
Sustainability screening of our suppliers (%)



70%
2025 target



61%
2024

[1] Please see definition on page 112.
[2] Excluding company vehicles, we reached a reduction of 70% in Scope 1 & 2. Amounts in absolute tonnes are shown on page 62.
[3] The 2023 profit and loss and ESG statements have been restated to reflect the classification as a discontinued operation of Hempel's J.W. Ostendorf and Renaulac businesses. For further information, please see Note 4.6 Discontinued operations.

Five-year summary

(EUR m, unless otherwise stated)	2024	2023[5]	2022	2021[1]	2020[1]
Profit and loss					
Revenue	2,185	2,170	2,159	1,744	1,541
EBITDA	391	348	219	196	176
EBITDA, adjusted	392	360	257	205	185
Amortisation, depreciation and impairment	114	113	105	90	77
Operating profit	277	235	114	106	99
Financial items, net	- 57	- 93	- 58	- 17	- 28
Profit before tax	220	142	56	89	71
Net profit from continuing operations	170	122	37	58	N/A
Net profit for the year	80	50	35	63	50
Financial position					
Total assets	2,631	2,669	2,655	2,466	1,542
Investment in tangible assets	52	59	91	113	77
Shareholders' equity	1,058	502	519	526	456
Net interest-bearing debt	542	1,075	1,052	907	120
Cash flow					
Total cash flow from operating activities	225	127	72	69	191
Cash flow from acquisitions / divestments of enterprises	4	6	- 28	- 511	0
Cash flow from net investments in property, plant and equipment and intangible assets	- 90	- 104	- 107	- 87	- 65
Free cash flow	139	29	- 63	- 529	126
Dividend distributed to shareholders	- 157	- 26	- 33	- 25	- 25
Working capital					
Net working capital (NWC) days	76	66	72	70	70

(EUR m, unless otherwise stated)	2024	2023[5]	2022	2021[1]	2020[1]
Ratios (%)					
Organic growth	- 1.3	14.1	12.7	5.9	3.2
Gross margin	43.4	41.6	36.3	37.8	39.1
EBITDA margin	17.9	16.0	10.1	11.2	11.4
EBITDA margin, adjusted	17.9	16.6	11.9	11.8	12.0
Operating profit margin	12.7	10.8	5.3	6.1	6.4
Return on invested capital	12.9	11.1	5.6	7.5	9.5
Equity ratio	40.2	18.8	19.5	21.3	29.6
Cash conversion	92	76	64	59	129
Leverage ratio	1.4	3.1	4.2	3.7	0.7
Environment, social and governance (ESG)					
Scope 1 & 2 emissions (tonnes CO_2e)	18,767	24,972	19,090	29,710	39,872
Waste to landfill (tonnes)	1,586	934	1,353	1,630	1,666
Average number of employees (FTEs)	6,932	6,788	7,343	6,746	6,099
Gender diversity in leadership positions[2], female/male	31/69	29/71	29/71	23/77[3]	21/79
Satisfaction and motivation	74	75	72	73	N/A[4]
Suppliers screened through Hempel Procurement Sustainability Screening (% of spend)	61	44	40	22	N/A[6]

For definitions of financial ratios, see page 112.

[1] Comparative figures for 2021 have been restated to reflect changes in accounting policies and presentation of discontinued operations, see note 1.1. 2020 has not been restated.
[2] Leadership positions with minimum 3 direct reports.
[3] Data from Farrow & Ball was not included in 2021.
[4] In 2020, due to COVID-19 and the unusual work environment, the employee engagement survey was only conducted among PC users.
[5] The 2023 profit and loss and ESG statements have been restated to reflect the classification as a discontinued operation of Hempel's J.W. Ostendorf and Renaulac businesses. For further information, please see Note 4.6 Discontinued operations. 2020-2022 have not been restated.
[6] The Hempel Procurement Sustainability Screening was initiated in 2020.

Letter to stakeholders from our Chair and CEO

2024 was a defining year in Hempel's history in which we took important steps to ensure the company's long-term success and impact.

We welcomed CVC as minority investor and strategic partner, alongside our majority owner, the Hempel Foundation, starting a new chapter in our company's journey. CVC brings leading capabilities to support us in unlocking new opportunities for growth.

Over the last eight years, we have transformed Hempel and almost trebled our profitability. We aim to become an industry-winning enterprise with a profound positive impact on our customers, owners, people and the world around us. This ambition translates to being among the top performers in the paints and coatings industry when it comes to financial and ESG performance.

Executing on Double Impact

Despite the external challenges of the past year, we remain steadfast in our commitment to long-term sustainable growth. Our ambition is to run a highly profitable business that enables us to reinvest in Hempel and contribute positively to society through our brands and technologies.

Guided by the principles of our Double Impact strategy, we are focused on driving innovation, digitalisation and operational scalability. These efforts not only enhance our profitability but also help us grow efficiently and simplify our processes, so we can better serve our customers.

To fully realise our potential and deliver on our strategic goals, we placed a strong emphasis on culture in 2024. This included introducing a set of shared commitments to guide how we engage and deliver on our priorities together. Looking ahead, we will continue to evolve Hempel's culture, creating value for our customers, owners, society and employees alike.

Elevating innovation for our customers

Future success in the paints and coatings industry will be driven by groundbreaking technologies and innovation. To move us further along this path, we established a new Technology function that comprises Research & Development, Procurement and Sustainability. This ensures an even closer link between our customers' needs, sustainability and product development.

With these changes, we elevated innovation within Hempel, intensifying our strategic focus on developing differentiating solutions and providing superior customer experiences. As part of this, we

Richard Sand
Chair of the Board of Directors of Hempel A/S

Michael Hansen
Group President & Chief Executive Officer of Hempel A/S

"In 2024, Hempel delivered the best bottom-line result to date with an adjusted EBITDA of EUR 392 million."

— Michael Hansen, Group President & CEO

welcomed Emilie Barriau as Chief Technology Officer, a new position in the Executive Group Management.

We also strengthened our Board of Directors by welcoming three new members: Britt Meelby Jensen, Christoffer Sjøqvist and Michael Lavrysen. There is no doubt that their deep knowledge and unique experiences will support Hempel's accelerated growth journey. In addition, we were delighted that Søren P. Olesen was appointed Deputy Chair. Hempel will benefit greatly from his focus on sustainability, innovation and technology in the years ahead.

New products and solutions
2024 saw the launch of many new products and solutions for our customers.

In the Marine segment, we launched Hempaguard Ultima, a new silicone coating system to enhance ships' hull performance. We work relentlessly to accelerate the decarbonisation of shipping, and our range of Hempaguard solutions are key to this goal. In the Energy & Infrastructure segment, our solutions extend the lifetime of critical infrastructure assets, hereby lowering costs and emissions for our customers. In 2024, we launched a new Avantguard solution for infrastructure assets that require long-term protection in high corrosivity environments. We were proud to continue to inspire consumers in the decorative space with the Purnon Papers, a new wallpaper line by Farrow & Ball.

These are just a few of the new solutions we launched during the year, underlining our continued efforts to meet and exceed our customers' needs by enabling them to beautify, protect and improve their assets while lowering their costs and carbon footprint.

Divesting J.W. Ostendorf and Renaulac
During the year, we decided to sharpen focus in our Decorative segment by concentrating on our full-service businesses. To this end, in August, we successfully completed the divestment of J.W. Ostendorf and Renaulac. This transition included the transfer of a production site in Germany, stores in France, around 500 skilled colleagues and an established portfolio of customers to the new owner.

2025 outlook
In 2025, we will continue our journey to grow Hempel. We expect to see mid-single-digit organic revenue growth and an EBITDA margin above 17%.

Thank you
As members of the Board of Directors and the Executive Group Management, we are deeply committed to Hempel and the road ahead. We would like to thank our customers and other stakeholders around the world for trusting Hempel as your partner. We would also like to extend thanks to the most important part of our business – our Hempel colleagues around the world – for your dedication and efforts during the past year. Your commitment is nothing short of inspiring.

Shared commitments

In 2024, we introduced a set of shared commitments to shape our culture and guide us in how we engage and deliver on our strategic priorities. At our annual Hempel Leadership Summit, 100+ of our leaders took part in co-creating these commitments.

Our business

Business model

Across the world, our products and solutions help our customers protect, beautify and improve performance of their most valuable assets. Sustainability is at the heart of our business and incorporated into every step of our business model.

INPUT

Customers
We continuously engage with our customers to understand and meet their evolving business and sustainability needs.

Stakeholders
We build trusted relationships with consumers, suppliers, peers, regulators, and other stakeholders across our value chain. We gain insights to continue to cater to consumer lifestyles and needs.

Employees
Our team of +7,200 colleagues are driven by our purpose and ambitions to make a difference for our customers and society. We rely on their input and expertise to reach our goals.

Procurement of resources
We depend on raw materials, such as epoxy, titanium dioxide and metallic pigments to produce our solutions.

Development

Research & develop
We continuously develop expertise across our segments to deliver best-in-class solutions from chemistry to application engineering. We actively partner with our customers and partners in the field.

Innovate
We are committed to innovating with our customers to enable them to meet their goals, using state-of-the art processes across our 14 innovation centres.

We drive innovation to generate higher value for our customers and stakeholders.

Production

Produce & scale
We strive for greater excellence, efficiency and scalability in our production while reducing the environmental footprint of our operations.

Collaborate
We collaborate with suppliers to shorten lead times and drive joint decarbonisation efforts.

Delivery, sale and support

Brand & sell
We work with our customers to communicate the value and benefits of our brands and solutions, so they get the best possible experience, no matter how or where they meet us.

Distribute
Our globally integrated supply chain and store network allow us to deliver our solutions to customers across the world every day.

Advise & support
Our global coating advisors ensure efficient, high-quality application and process optimisation to maintain customers' assets in the agreed condition. We help reduce costs and waste, and improve environmental performance. In our paint stores, we provide advice and inspiration to our private consumers.

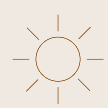
VALUE

Customers & consumers
We deliver solutions and services that build new value propositions for our customers, while helping them reduce their environmental impact. We deliver inspiring products to consumers that beautify their living spaces.

Employees
We nurture a diverse and inclusive workplace with a shared culture, where our employees can succeed and develop.

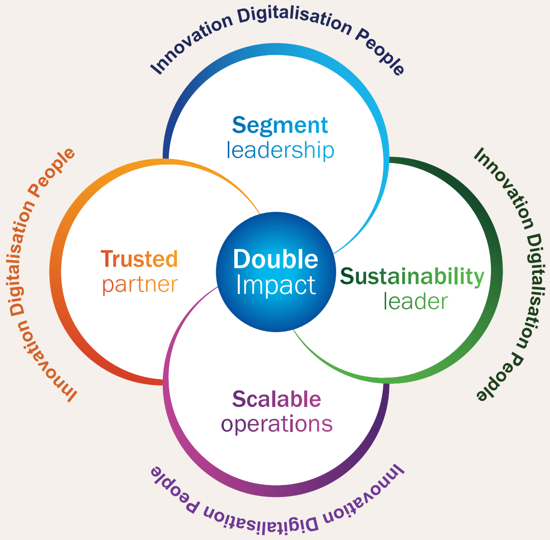
The world around us
Our products help protect assets for longer, reducing their lifetime environmental impact. We also continuously work to reduce the environmental impact of our own operations.

Company & owners
Parts of our profits are reinvested into our company. We also pay dividends to our owners. Through the Hempel Foundation, we support philanthropic projects around the world.



OUR BUSINESS

Delivering on our strategy



Double Impact consists of four strategic levers:

- Segment leadership
- Sustainability leader
- Scalable operations
- Trusted partner

It has three enablers:

- Innovation
- Digitalisation
- People

Our purpose is core to who we are at Hempel. We want to shape a brighter future with sustainable coating solutions. Our Double Impact strategy is our journey towards delivering on that purpose. Double Impact guides our efforts, priorities and investments as we work to become an industry-winning enterprise that creates even more value for our customers, employees, owners and society.

Partnering for greater impact

We progressed with our strategic ambitions during 2024, executing on the plans we had for the year.

An important milestone was welcoming CVC as a minority investor and strategic partner to accelerate long-term growth and create even more value for our customers. CVC brings complementary competencies and resources that will support our growth and plans to accelerate our strategic ambitions under Double Impact. CVC's experience in making and integrating transformational acquisitions will also be beneficial as our business continues to expand.

Organising for growth

In 2024, we focused on efficiency and standardisation across our functions and segments to ensure that our organisation is scalable for further growth. Scalability will give us a more harmonised global setup, with smarter use of resources. This will allow us to grow Hempel while increasing profitability.

We also made changes to our organisational setup to continue to meet evolving customer needs through powerful innovation. We established a new Technology function – comprising R&D, Procurement and Sustainability – to ensure a closer link between customer needs, sustainability and product development (see page 40). These changes are elevating innovation within Hempel and accelerating our strategic focus on developing differentiating solutions and providing superior customer experiences.

Strengthening our market position

In 2024, we announced the divestment of two of our private label decorative brands, J.W. Ostendorf and Renaulac. In doing so, we sharpened the profile of our Decorative business to mainly focus on full-service branded businesses with Crown Paints, Wattyl, Hempel, and Farrow & Ball, our ultra-premium brand.

During the year, we continued to launch innovative products and solutions across our segments, including Hempaguard Ultima, a new silicone system for customers in the maritime industry. Our Hempaguard range consists of high-performance coating solutions that help our customers meet their sustainability targets as well as enabling the decarbonisation of the maritime industry (read more on page 16). We also launched Avantguard 750 Pro, which is ideal for infrastructure projects requiring long-term protection in high corrosivity environments (see page 17). Additionally, Farrow & Ball introduced the Purnon Papers, a unique wallpaper collection for consumers in our Decorative segment (read more on page 15).

Sustainability framework

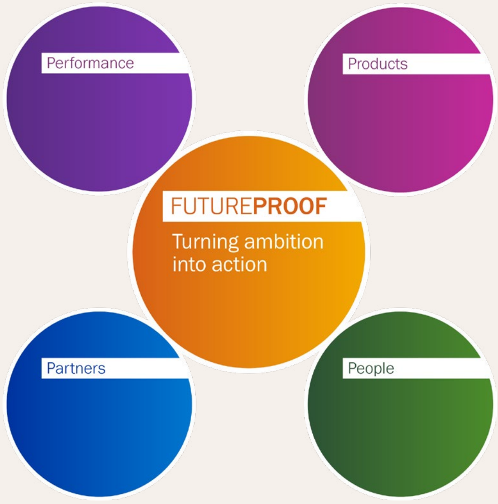
We aim to become an industry-winning enterprise and make an even bigger impact for our customers and the paints and coatings industry. At the same time, we are working to reduce our environmental footprint while amplifying the benefits we create for our customers and for society.

Futureproof is our framework for delivering on our strategic goal of sustainability leadership. Over the past four years, Futureproof has both driven us towards our ambitious targets and prepared us for the upcoming Corporate Sustainability Reporting Directive (CSRD) requirements. We are proud that we already transparently document our progress and report on our ESG targets in our sustainability statements, starting on page 21.

As a part of the paints and coatings industry – an industry that uses chemicals – our success will depend on our ability to reduce our environmental impact across our full value chain by phasing out or replacing hazardous and carbon-intensive raw materials while maintaining the high performance of our value-adding solutions.

We have structured our commitment to sustainability with the aim of supporting the UN Sustainable Development Goals (SDGs), acknowledging their significance not only to our business but also on a global scale. We remain dedicated to prioritising the SDGs where we can have the most substantial positive influence:

Futureproof
Our sustainability framework focuses our efforts and commitments on the four areas where we can have the biggest impact:



"By uniting R&D, Sustainability and Procurement, we will accelerate our path to impactful sustainable solutions."

— Emilie Barriau,
Chief Technology Officer

Enabling sustainable leadership through innovation

Sustainability is deeply ingrained in how we innovate and develop our solutions. We are committed to accelerating innovation for a clear reason: Our customers rely on us to deliver innovative solutions that help them reduce their environmental impact and deliver on their sustainability ambitions.

To this end, we continuously evolve our portfolio of products and services to deliver differentiated and value-adding solutions to our customers.

With our expertise and geographical presence, combined with our long-standing partnerships, we are well positioned to lead the coatings industry within sustainability by reducing our own environmental footprint and, more importantly, that of our customers. We do this through our unwavering focus on technology and innovation, which delivers both financial and environmental value to our customers while also driving sustainable growth for Hempel.

Accelerating innovation to increase positive impact

In 2024, we elevated the role of innovation in our organisation, anchoring it within our executive leadership by creating a new Technology function that brings together R&D, Procurement and Sustainability. With this new function, we aim to foster a culture where creative thinking and groundbreaking ideas thrive, ultimately propelling us forward on our journey to deliver on our strategy, particularly within sustainability leadership across our value chain.

There is an increasing urgency to deliver sustainable solutions, as well as heightened regulatory requirements. This requires speed but has also added complexity to the markets we operate in. Our new Technology function sets the stage for accelerated innovation, enabling us to bring customer-focused, sustainable solutions to the market faster and more efficiently.

Accelerated innovation is not just about speed; it is also about increasing impact by aligning customer needs with our own sustainability goals. In practical terms, this means ensuring our efforts to minimise resource use, extend the lifetime of our customers' important assets and improve end-of-use disposal options are commercially viable and clearly add value for our customers.

Segments

DECORATIVE

653
Revenue in EUR m

2.4%
Organic growth

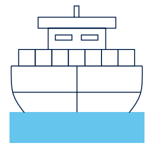
Sales in Decorative grew 2.4% organically, landing at EUR 653 million.

Growth in the Decorative segment was mainly achieved by gaining market share, despite a challenging market with subdued construction activity and lower consumer demand from the rising cost of living. This highlighted, among other things, the strength of our brands.

Our Crown and Wattyl brands – as well as Hempel Decorative Middle East – all outperformed the market. Growth was driven by new product launches, an expanded retail presence, and growth in our store network.

In the premium market, we delivered growth and maintained a leadership position while continuing to strengthen our relevance with customers.

As announced, the divestment of J.W. Ostendorf and Renaulac in August 2024 marked the next step on our ambitious growth strategy, allowing us to put greater strategic focus on growing our full-service businesses in the Decorative segment.



MARINE

709
Revenue in EUR m

-5.8%
Organic growth

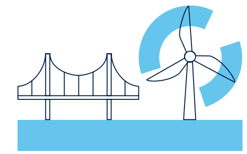
Sales in Marine declined 5.8% organically, landing at EUR 709 million.

Sales in 2024 were the second highest ever recorded, surpassed only by the record-breaking sales of 2023.

The decline in Marine sales was driven by a number of factors, including price adjustments and the postponement of vessel dockings, primarily related to the Red Sea crisis.

At the same time, there was an industry-wide shift toward premium technologies. As a result, our premium solutions attracted new customers, and we experienced a record year in volume for our Hempaguard solutions.

Our strong product offerings in this area are recognised to be industry-leading in terms of fuel efficiency and CO_2 reduction, and we continued to secure new customer contracts. Our Hempaguard solutions remain a significant strategic focus area for us in the coming years. They will play a pivotal role in supporting our customers' efforts to achieve meaningful reductions in CO_2 emissions, aligning with the industry's sustainability goals and strengthening our market leadership position.



ENERGY & INFRASTRUCTURE

823
Revenue in EUR m

0.1%
Organic growth

Sales in Energy & Infrastructure grew 0.1% organically, landing at EUR 823 million.

Growth in our Energy business was driven by the oil and gas sector, with particularly strong performance in the Middle East. This was partly attributed to our leading coating solutions for corrosion under insulation, which enabled us to secure new projects and leverage our robust market presence in the region. At the same time, sales declined in the renewables business, due to market contraction in EMEA and intense competition. Despite these challenges, we maintained our strong market-leading position in wind tower coatings.

Sales in our Infrastructure business declined, mainly due to global macroeconomic instability. However, growth in strategic areas – such as passive fire protection and infrastructure technologies, which enhance safety, improve sustainability, and reduce costs for our customers – contributed to a satisfactory overall performance for the business.

Decorative

Painting a brighter future

As a full-service decorative coatings company, we offer a comprehensive range of paints, wallpapers and colour consultancy services to DIY consumers, designers, retailers and professional painters.

Our Decorative brands inspire customers with on-trend colours and modern and timeless paints. From premium paints for the home to antibacterial coatings for hospitals and white-label options for major DIY chains, we provide high-quality paint solutions that utilise forward-thinking paint technology, such as bio-based technologies or new and more sustainable packaging.

Inspiration, quality and sustainability remain at the heart of what we do in Decorative. In 2024, we strengthened both our retail business and our internal IT systems. We opened new stores and added over 40 new third-party outlets in the Middle East, implemented our SAP enterprise resource planning software in Wattyl, grew our business in the US, and expanded our e-commerce business. We successfully reestablished Wattyl's presence in Bunnings, the largest DIY retailer in Australia with 78% share of market, launching our exterior Solagard 'Ready to Go' range in 242 stores. In addition, we launched new products, expanded our collections, and set higher standards for store operations, all while focusing on sustainable solutions in collaboration with our customers.

Despite challenging market conditions, our Decorative brands outgrew the market, gaining market share in 2024.

242 stores

Wattyl launched our exterior Solagard 'Ready to Go' range in 242 Bunnings stores across Australia.

Innovations

- Farrow & Ball launched Purnon Papers, a unique wallpaper collection featuring five designs, from delicate florals to intricate damasks, inspired by patterns from Château de Purnon in France.
- Crown was recognised by Marie Claire UK as the UK's top decorating brand for sustainability, an award that spans all decorating brands, not just paint.
- Hempel Decorative Middle East enhanced its interior range by introducing Topaz Signature, a new premium emulsion brand, and introduced Hempafloor Polyurethane Membrane, a waterproofing coating solution for carparks.

Sustainability highlights

- Farrow & Ball switched to 100% bio-based binders in selected products. It is also the only vertical paint brand of its size to receive B Corp certification, an independent verification that a business meets the highest standards of social and environmental performance, public transparency and legal accountability.
- Under its Project Possible initiative, Crown Paints recycled over 1 million paint cans and increased the content of recycled plastic in its packaging by 81%, earning recognition from the British Coatings Federation and Marie Claire UK.
- Hempel Decorative Middle East expanded sales of water-based paints and maintained record-low Volatile Organic Compound (VOC) levels.
- Wattyl is a founding member of PaintBack, an industry-led scheme for the collection of post-consumer paint in Australia. Over 85% of Australians are a short drive from a PaintBack location, ensuring paint disposal facilities are easily accessible to the majority of the population.

Marine

Committed to innovation and sustainability

As a trusted advisor and supplier to the maritime industry, we combine world-class coatings, services and advisory to help customers protect their maritime assets for longer, while lowering operating costs and reducing emissions. We continue to lead the industry in sustainable maritime coating solutions, aligned with global decarbonisation goals.

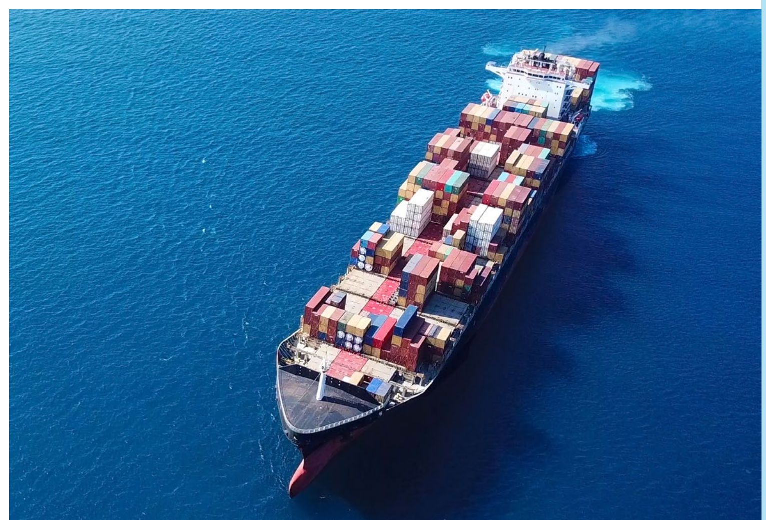
In 2024, we launched our next-generation silicone hull coating solution, Hempaguard Ultima. The solution builds on the success of previous Hempaguard coatings, which utilise patented Actiguard ingredients to provide the most effective fouling protection on the market. Across the full dry docking cycle, this unique solution delivers greater fuel efficiency and emissions reductions to customers.

High-performance hull coating is one of the single most impactful ways our customers can improve the energy efficiency of their vessels – and one of the simplest and fastest ways to comply with energy efficiency and carbon intensity regulations in the maritime industry.

Since their launch in 2013, our high-performance Hempaguard hull coating solutions have been applied more than 4,000 times. This has helped our customers in the maritime industry reduce their CO_2 emissions by 29 million tonnes compared to market average hull coating solutions. We currently see rapid growth and interest in our Hempaguard solutions across customer segments. Dry bulk and tanker shipping are the fastest growing, with more than 100% growth in Hempaguard applications in the last three years.

Saving 29 million tonnes of CO_2

Our Hempaguard hull coatings helped customers reduce their CO_2 emissions by 29 million tonnes.



Innovations

- We launched our Hempaguard Ultima hull coating silicone-system, which sets a new standard in antifouling performance to significantly reduce vessel fuel costs and emissions. The leading performance of Hempaguard Ultima is achieved by combining the new Hempaguard XL topcoat, also launched in 2024, with Hempaguard X7 or X8.
- We launched smart alerts for both Hull Performance and Sea Stock. The Hull Performance Alerts, which are part of Hempel's AI-enhanced performance platform SHAPE, monitor the fouling pressure of all commercial vessels in the world fleet and prompt our customers in case their vessels become at risk of fouling. The Sea Stock Alerts continuously monitor the schedule and next destination of our customers' vessels and advise on the most suitable port for sea stock coating deliveries.

Sustainability highlights

- As a leading provider of ESG assurance and one of the leading Class Societies, DNV conducted an independent verification of Hempel's Hempaguard X7 data, which, supported by strong evidence, demonstrated that the Hempaguard X7 could reduce a vessel's CO_2e emissions by decreasing fuel consumption by up to 20% compared to standard coatings, while also minimising average speed loss by 1.4%.
- These fuel and emissions reductions contribute to lowering the overall environmental impact of the maritime industry, assisting shipowners and operators' decarbonisation efforts.
- Hempel joined RightShip's Zero Harm Innovation Partners Program. The world's leading ESG-focused digital maritime platform, RightShip is committed to setting a global benchmark in the maritime sector, with the ultimate goal of achieving zero-harm. As part of the collaboration, our Hempaguard hull coating underwent a meticulous review process and is now approved for the Zero Harm Innovation Partners Program.

Energy & Infrastructure

Protecting assets, lowering emissions and reducing costs

Our solutions extend the lifetime of energy and infrastructure assets around the world, with a strong focus on sustainability and value chain efficiency. We continue to grow our Energy & Infrastructure segment, extending our leadership positions by launching new solutions and unlocking new markets. In 2024, we celebrated 10 years of our Avantguard superior corrosion protection technology.

2024 was a good year for energy and infrastructure projects in the Middle East, and we succeeded in securing a number of major projects in the region due to our focus on owners, fabricators and applicators. We also continued to grow our passive fire protection (PFP) coatings range offering high-performance PFP coatings to both infrastructure and energy customers.

For our Energy customers, our value adding solutions contribute to reducing operational costs and emissions while extending the lifetime of their assets. We have a strong position across the energy industry, particularly in renewables where we offer a full range of high-performance, high-productivity solutions with a focus on sustainability. In 2024, we maintained our leadership position in wind turbine towers while increasing our focus on the offshore wind industry. We also entered the wind blades market, securing important projects in leading edge protection (LEP) maintenance while introducing our blades assortment to original equipment manufacturers (OEMs) and service providers.

In addition, we solidified our position in the oil & gas market. Corrosion under insulation (CUI) remains one of the most critical issues in the downstream segment and we grew our leadership position in 2024 with the launch of Hempatherm IC, a new insulation coating system for energy conservation and protection against CUI. The advantages of using coatings for insulation compared to mechanical insulation, which is the current industry standard, include increased asset protection, heat savings and safety.

10 years

2024 marked 10 years of our Avantguard superior corrosion protection technology.

Innovations

- We launched Avantguard 750 Pro, an ideal product for projects requiring long-term protection with low volatile organic compounds in high corrosivity environments.
- We launched Hempafire Pro 320, a new PFP coating with a 60-minute fire rating.
- We rolled out our new best-in-class PFP estimation and engineering tool for specifiers, called HEET Dynamics (Hempel Estimation and Engineering Technology). The software solution enables fabricators to perform PFP estimations quickly, easily and accurately.
- Leveraging our knowledge and capabilities in PFP, our Energy team has now fully entered the PFP energy market, with Hempafire XTR 100 delivering its first successes.
- We launched Hempatherm IC, a new insulation coating system for energy conservation and protection against CUI.

Sustainability highlights

- It is estimated that repair and maintenance work on corroded steel structures will be responsible for 9.1% of global CO_2 emissions by 2030. Our Avantguard coating technology provides a unique platform for reducing corrosion, which in turn reduces emissions from corrosion maintenance.
- We launched Hempaprime Shield 820, a primer for trucks and trailers that combines superior protection with an excellent finish. Like our other Avantguard-based coatings, Hempaprime Shield 820 extends an asset's service life and maintenance intervals, reducing emissions associated with repair.
- With extensive testing and verification by DNV, we have proven that it is possible to substitute both galvanisation and thermal sprayed metallics with Avantguard in severe environments, such as offshore wind turbine towers. This could significantly reduce CO_2 emissions for our customers.

Performance review

Revenue and earnings

REVENUE AND ORGANIC GROWTH

Total revenue in 2024 reached EUR 2,185 million, while organic growth in the year, which is adjusted for currency fluctuations and for acquistions and divestments, was a negative 1.3%.

Our Decorative segment achieved 2.4% organic growth, with revenue amounting to EUR 653 million. This growth was driven by both the mid- and premium-market businesses.

Our Marine segment saw negative organic growth of 5.8%, reporting revenue for the year of EUR 709 million. This decline reflects a very strong 2023 baseline and was driven by increased competition on pricing and the timing of orders in the drydock business.

Our Energy & Infrastructure segment delivered organic growth of 0.1%, ending the year with revenue of EUR 823 million. This consistent result was achieved despite macroeconomic challenges, thanks to volume expansion in key strategic areas, including passive fire protection (PFP) and oil and gas.

GROSS PROFIT AND MARGIN

Gross profit increased by 5% in 2024, ending the year at EUR 948 million. The gross profit margin increased by 1.8 percentage points, ending the year at 43.4%.

The positive trend in both gross profit and margin is attributed to increased demand for high-value proposition products, our optimised global production and warehousing footprint, including the ramp-up of new production sites in China, and a decline in raw material costs.

SALES, DISTRIBUTION AND ADMINISTRATIVE COSTS

Sales, distribution and administrative costs amounted to EUR 671 million in 2024, EUR 4 million higher than 2023.

Prudent management and control of operating expenses helped to keep costs broadly level with the prior year, allowing us to increase investment in digitalisation and further optimisation of the organisation. These investments are critical to our ability to deliver future growth and further bottom line improvements.

EBITDA and EBITDA margin saw significant improvements in 2024, reaching EUR 391 million and 17.9% respectively. This was achieved despite an overall decline in organic growth, primarily due to improvements in gross margin and robust cost management discipline.

FINANCIAL ITEMS AND FOREIGN EXCHANGE

Financial items (net) amounted to EUR 57 million, a decrease of EUR 36 million from 2023.

This decrease includes a reduction in foreign exchange losses. In addition, interest expenses decreased, driven by the issuance of shares to the new minority shareholder, CVC Funds, the proceeds from which were used to reduce debt financing.

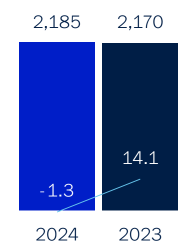
TAX AND NET PROFIT

Tax for 2024 amounted to EUR 50 million compared to EUR 20 million in 2023, resulting in an effective tax rate of 22.7% and 14.0% respectively.

Net profit for the year from continuing business amounted to EUR 170 million, up from EUR 122 million in 2023.

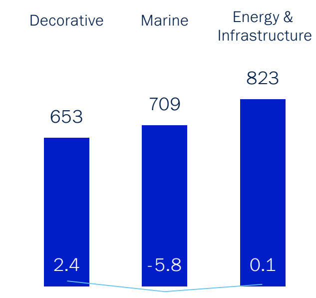
Revenue and organic growth

☐ Revenue (EUR m) — Organic growth (%)



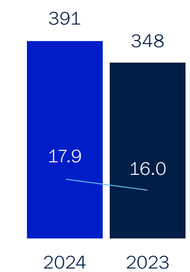
Revenue and organic growth by segment

☐ Revenue (EUR m) — Organic growth (%)



EBITDA and EBITDA margin

☐ EBITDA (EUR m) — EBITDA margin (% of revenue)



Figures on this page exclude the result of J.W. Ostendorf and Renaulac for both 2023 and 2024.

Performance review

Financial position and related key figures

TOTAL ASSETS
At 31 December 2024, total assets amounted to EUR 2,631 million, up from EUR 2,553 million at 31 December 2023, excluding J.W. Ostendorf and Renaulac.

Addtions to tangible and intangible assets amounted to EUR 84 million mainly related to investments in ERP systems, factory optimisations, and ongoing asset replacements in factories.

NET WORKING CAPITAL
In line with the development in revenues and costs, the trade receivables balance of EUR 450 million remains consistent with the 2023 balance of EUR 458 million.

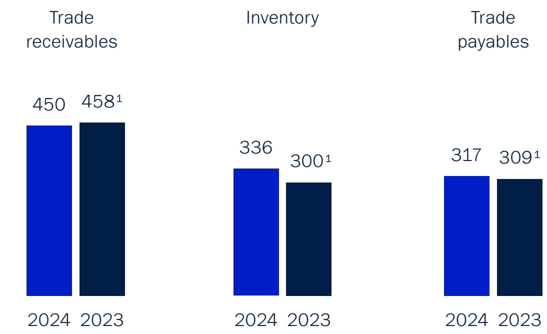
Increase in the inventory and trade payables balances of EUR 36 and EUR 8 million respectively were mainly driven by a build of raw materials that were in short supply in the market.

RETURN ON INVESTED CAPITAL
Return on invested capital (ROIC) from continuing operations increased to 12.9% in 2024, up from 11.1% in 2023.

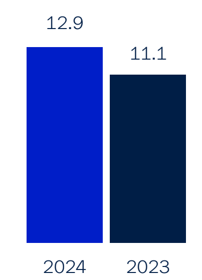
NET INTEREST-BEARING DEBT AND LEVERAGE RATIO
Net interest-bearing debt (NIBD) at 31 December 2024 amounted to EUR 542 million, a decrease of EUR 533 million from 31 December 2023. This decrease is primarily attributable to the issuance of shares to the new minority shareholder, CVC Funds, and consequent repayment of debt, along with strong free cash flow, generated by the group during the year.

The leverage ratio improved significantly to 1.4x in December 2024, compared to 3.1x in December 2023.

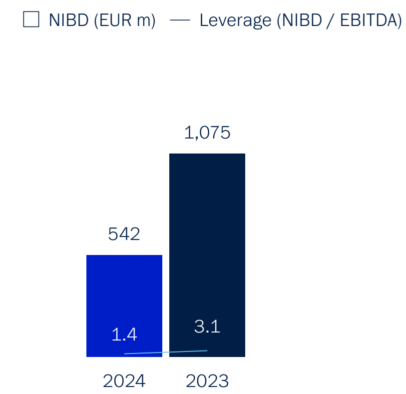
Net working capital
(EUR m)



Return on invested capital
(%)



NIBD and leverage



[1] 2023 balances exclude amounts related to J.W. Ostendorf and Renaulac.

Performance review

Cash flow[1]

FREE CASH FLOW

Free cash flow amounted to EUR 139 million in 2024, up from EUR 29 million in 2023.

This improvement was driven by the positive development in operating profit as well as lower impact from increases in net working capital in 2024 compared to 2023.

Cash outflow from investing activities amounted to EUR 86 million in 2024 and relates to investment in upgraded ERP systems and global production footprint.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash outflows from financing activities amounted to EUR 135 million in 2024.

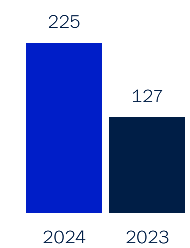
Dividends distributed to shareholders amounted to EUR 157 million, including an extraordinary dividend of EUR 132 million.

Proceeds from the issue of equity, related to the new miniority shareholding, amounted to EUR 600 million.

Net repayment of borrowings for the year amounted to EUR 523 million.

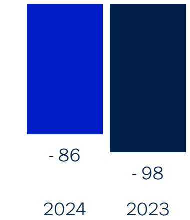
Cash flow from operating activities

(EUR m)



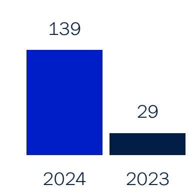
Cash flow from investing activities

(EUR m)



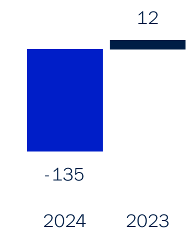
Free cash flow

(EUR m)



Cash flow from financing activities

(EUR m)



[1] Cash flow for 2024 includes amounts related to J.W. Ostendorf and Renaulac up to the date of disposal.

Sustainability performance

- → Sustainability leadership
- → Environment
- → Social
- → Governance

Sustainability leadership

For Hempel, sustainability leadership means being the frontrunner within the paints and coatings industry and enabling our customers to meet their sustainability ambitions.

Sustainability leadership is a key lever of our Double Impact strategy. It guides our work to create long-term value for our customers and to continuously improve our environmental footprint and amplifying the benefits we create for our customers and for society. This dedication to responsible business practices helps us to deliver on our sustainability performance ambitions – now and in the future.
Throughout 2024, we took significant strides in our sustainability initiatives, with a focus on reducing our environmental footprint, enhancing our social impact, and maintaining our strong corporate governance standards. Scope 3 was a main focus in 2024 to showcase Sustainability Leadership. We created comprehensive roadmaps for our segments, focusing on reducing overall Scope 3 emissions. Our target for 2025 is to accelerate execution and create strong governance to enable Scope 3 annual reduction. We have seen a slight increase in Scope 3 compared to baseline year 2019, related to the increase of our business size. We are committed to executing systematically on our roadmaps in 2025.
As regulatory requirements evolve, and with the introduction of the Corporate Sustainability Reporting Directive (CSRD), we are adapting our practices to meet these requirements. Our goal is to deliver transparent, comprehensive disclosures that accurately reflect our progress and enable stakeholders to make informed decisions.
This section provides an overview of our key sustainability priorities, approach, targets and actions. It is structured into E (Environment), S (Social) and G (Governance) and provides details about our impacts across our operations and value chain, as well as the initiatives we are taking to align with emerging regulatory standards and stakeholder expectations. We remain committed to driving continuous progress on our sustainability journey and contributing positively to solving global challenges.

Double Materiality Assessment

We conducted a Double Materiality Assessment (DMA) in 2024 in accordance with the CSRD and the requirements set out by the European Sustainability Reporting Standards (ESRS). This assessment identifies and addresses the Environment, Social, and Governance (ESG) matters that significantly impact our business and broader society.

The purpose of a DMA is to identify sustainability matters that have a significant financial impact on the company's value creation (financial materiality), and to assess the actual and potential impacts our activities have on people, the environment, and the economy (impact materiality).

Taking this two-fold approach allowed us to evaluate both financial and impact materiality, ensuring that we address sustainability from a perspective that meets the expectations of both legislation and our stakeholders at large.

Methodology

To strengthen our DMA process and methodology, in line with the ESRS, we incorporated several key considerations into the process.

Assessment of impacts, risks and opportunities (IROs)

The assessment of IROs included making scenario analyses of identified impacts, risks and opportunities. We used a combination of historical data analysis and internal subject-matter expert consultation in interviews and workshops. The impacts identified were rated on a scale of 1 to 5, based on severity and likelihood, to enable us to prioritise issues that pose the most significant potential effects on the organisation. We followed our internal Enterprise Risk Management (ERM) framework to assess risks and opportunities, based on magnitude and likelihood.

Integration of climate-related risks

Over the past years, we have systematically integrated climate-related risks into our broader ERM framework. This involved assessing risks using climate scenario analyses, third-party climate data, and specialised risk evaluation tools. The insights were incorporated into our ERM framework, ensuring that climate-related considerations are embedded into both our strategic decision-making and day-to-day operational planning. For further details on our approach to managing climate-related risks, please refer to the Task Force on Climate-Related Financial Disclosures (TCFD) table on page 67.

Preliminary results

The outcome of the DMA has ensured that we focus our efforts and reporting on our most material ESG matters. They are: ESRS E1 (Climate Change), ESRS E2 (Pollution), ESRS E4 (Biodiversity & Ecosystems), ESRS E5 (Resource Use and Circular Economy), ESRS S1 (Own Workforce), ESRS S2 (Workers in the Value Chain), and ESRS G1 (Business Conduct). In the following pages, we report on our ESG efforts in our own operations as well as in our upstream and downstream value chain in accordance with the most material ESG matters listed above. As illustrated in our DMA overview on page 24, we will start reporting on pollution as we mature our approach and handling of this important area in the coming years.

Next steps

The DMA is an evolving process that we will revisit annually to capture emerging impacts, risks and opportunities. We are committed to further developing our assessment of both our financial and societal impacts, ensuring that our Double Impact strategy remains aligned with the expectations of our stakeholders and the changing regulatory landscape.

As our assessment of ESG impacts, risks and opportunities and reporting processes matures, we expect the quality of our disclosures around the material ESG issues to improve accordingly. Not only will this ensure that we comply with the CSRD in the years to come, it will also ensure we make progress on our most material ESG issues.

Material topics

Hempel's double materiality matrix illustrates key topics and sub-topics, evaluated across two dimensions: Impact materiality and Financial materiality, as outlined by EFRAG. The results shown are preliminary because we expect to revisit them on an annual basis. This matrix includes all sub-topics within the ESRS standards, based on their scores in the following dimensions:

Double Material: High impact and high financial materiality.
Impact Material: High impact but lower financial materiality.
Financial Material: High financial but lower impact materiality.
Immaterial: Low on both dimensions.

Environment

E1 Climate change
1. Climate change adaptation
2. Climate change mitigation
3. Energy

E2 Pollution
4. Pollution of air
5. Pollution of water
6. Pollution of soil
7. Pollution of living organisms and food
8. Substances of concern
9. Substances of very high concern
10. Microplastics

E3 Water and Marine Resources
11. Water
12. Marine resources

E4 Biodiversity and Ecosystems
13. Direct impact drivers of biodiversity loss
14. Impacts on the state of species
15. Impacts on the extent and condition of ecosystems

E5 Resource Use and Circular Economy
16. Resources inflows, including resource use
17. Resources outflows related to products and services
18. Waste

Social

S1 Own Workforce
19. Working conditions
20. Equal treatment and opportunities for all
21. Other work-related rights

S2 Workers in the Value Chain
22. Working conditions
23. Equal treatment and opportunities for all
24. Other work-related rights

S3 Affected Communities
25. Communities' economic, social and cultural rights
26. Communities' civil and political rights
27. Rights of indigenous peoples

S4 Consumers and End-users
28. Personal safety of consumers and end-users
29. Social inclusion of consumers and end-users
30. Information-related impacts for consumers and end-users

Governance

G1 Business Conduct
31. Corporate culture
32. Protection of whistleblowers
33. Animal welfare
34. Political engagement and lobbying activities
35. Management of relationships with suppliers, including payment
36. Corruption and bribery

ESG ratings and external recognitions

We prioritise specific ESG ratings and reporting frameworks that are recognised and used by our stakeholders, including customers and financial institutions. Since 2022, we have been reporting according to recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP) and EcoVadis. In addition, we have continued disclosing to the UN Global Compact.

As we transition towards the CSRD and ESRS requirements, we will expand our disclosure on ESG in our integrated annual report for 2025 in line with legislation. We will evaluate the voluntary ESG frameworks, such as CDP, on an ongoing basis to decide whether we continue with these or replace them with CSRD.

EcoVadis
EcoVadis is a globally recognised provider of business sustainability ratings, evaluating companies on ESG criteria. In January 2024, we received our second corporate sustainability rating from EcoVadis, achieving a score of 53 out of 100, above the paint industry average of 47.

A notable achievement in this rating was our enhanced collaboration with suppliers, where our score improved from 40 to 50 (out of 100), earning us positive recognition and reinforcing our commitment to sustainable practices. Our score is based on an independent evaluation of input on our policies, actions and results within labour and human rights, ethics, sustainable procurement and environmental impact. We have established a structured process to address EcoVadis' corrective actions and are committed to following up on a continuous basis and tracking to improve our progress.

UN Global Compact
Hempel has been signatory to the UN Global Compact since 2017. In July 2024, we submitted our Communication on Progress to the UN Global Compact. We continue to disclose and report on our progress within the Sustainability Development Goals (SDGs) and are also proud members of the Valuable 500, and EV100 Climate Group.

Disclosure requirements, cf. §99a of the Danish Financial Statements Act

Disclosure requirements	See page
Business model	10
Policies on	
Human rights	33-34
Worker and social conditions	33-34, 37
Environment and climate	27-31
Anti-corruption and anti-bribery	37

Due diligence process	See page
Activities during the year	
Human rights	33-35
Worker and social conditions	33-35, 37
Environment and climate	27-31, 35
Anti-corruption and anti-bribery	37
KPIs and results	61-68
Sustainability risks	47-50, 67
Diversity in the Board of Directors (including current gender composition and target)	40-45
Diversity in management (including policy, activities during the year and results)	33-34, 46, 64-67

Sustainability targets

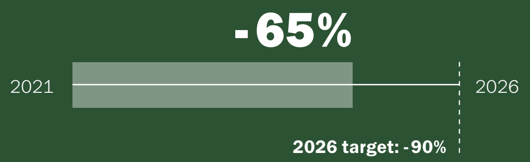
Environment

With the ambition of being the sustainability leader in our industry, we are continuously working to reduce our environmental footprint throughout our global operations and towards our customers. As a coatings company, we prioritise our efforts to reduce greenhouse gas (GHG) emissions from our operations, products and full value chain.

We aim to reduce waste and plastic content in our own operations, as well as engaging with our suppliers to overcome environmental issues together. We will do this as we grow in a sustainable way by decoupling growth from our environmental impact.

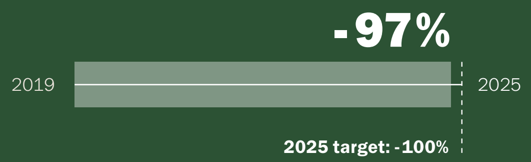
Scope 1 & 2

Reduce CO_2 e emissions in our own operations by 90% by 2026



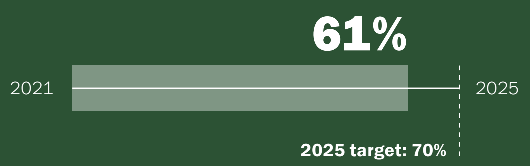
Waste to landfill

We want to achieve zero waste to landfill at our production sites by end of 2025



Procurement sustainability screening

Achieve engagement with suppliers representing 70% of our total spend by 2025



Actions in our own operations

We made significant progress towards our science-based targets and ESG commitments in 2024. We are proud to have reduced CO_2 emissions from our operations by 65% from an updated 2019 baseline.

E1 Climate Change: Reducing Scope 1, 2 & 3 CO_2 emissions
We have an ambitious goal to decarbonise our operations by achieving a 90% reduction in Scope 1 & 2 emissions by 2026. As part of this work, we are phasing out fossil-fuel equipment at our sites and replacing it with electrical alternatives. We also aim to use renewable electricity sources across key production sites and offices.

We have already started this journey by mapping all fossil-fuel driven equipment in use at our production units around the globe and by identifying replacement equipment that can deliver the greatest CO_2 savings at the lowest cost. In 2024, we executed on our plans by replacing fossil fuel boilers/heating at our sites, and switching forklifts, counterbalances and other equipment to electrical equivalents. In total, we replaced items delivering 1,646 tons of CO_2e savings. Six of our production sites have achieved the milestone of replacing all eligible fossil-fuel equipment*, and are running on renewable energy.

We are installing solar panels and purchasing grid-supplied renewable electricity at our key sites. As we continue to roll out this programme, we also take into consideration the level of access to renewable energy in different countries. Therefore, during 2024, we continued our investment in Renewable Energy Certificates (REC) to help account for part of our Scope 2 footprint. At the same time, we continued to assess new sources of grid-supplied renewables as infrastructure develops internationally. In addition to the actions above, we are also decarbonising our company car fleet and have implemented ambitious plans in over 35 countries.

During 2024 we created strong roadmaps in all our segments, focusing on reducing our overall Scope 3 emissions. Our target for 2025 is to start executing on the roadmaps and create a strong governance structure to enable Scope 3 reduction.

* Fire, safety equipment and back-up generators are exempt from replacement.

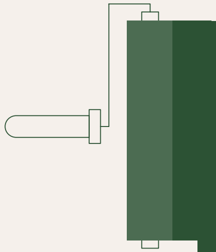
Our roadmap to meet our science-based target for Scope 1 & 2 CO_2e emissions of a 90% reduction from our baseline year of 2019

2026

Meet our science-based target for Scope 1 & 2 CO_2e emissions of a 90% reduction from our baseline year of 2019

2025

Full implementation of our company car programme to decarbonise our fleet
- Roll-out of local decarbonisation plans for our company fleet
- Continue to phase out fossil fuel use across our production units



CO_2e emission reductions in our own operations – our roadmap
We continue to include the fuel from our **company vehicles** in the reporting scope. Even with this inclusion, we were able to achieve a 65% reduction of Scope 1 & 2 emissions. Excluding company vehicles, our reduction was 70%.

2024

Continued our journey to decarbonise production units and extend to other types of premises
- Phased out over 50 fossil-fuel equipment items at production units across the globe
- Expanded decarbonisation initiatives to non-production sites (retail stores, warehouses and offices)
- Completed a comprehensive re-baselining exercise to account for the changes in our business (e.g. acquisitions and divestments)

2023

Expanded phase-out of fossil-fuel equipment, and implementation of solar panels
- The installation of solar panels to generate renewable electricity with focus on our Decorative and EMEA production sites
- Phase-out of fossil-fuel equipment in favour of lower carbon technologies

2022

Achieved validation of our science-based targets by the SBTi in line with the 1.5°C pathway for Scope 1, 2 & 3 CO_2e emissions
- Transitioned 9 sites to run on renewable electricity
- Invested in Renewable Energy Certificate schemes

2021

Launched our sustainability framework
Materiality assessment conducted to set strategic direction and sustainability goals. The outcome was the launch of Futureproof, our sustainability framework, in February 2021

2020

Collected full inventory of Scope 1 & 2 CO_2e emissions from our production units in line with the reporting standard Greenhouse Gas Protocol to set reduction targets and baseline

E4 Biodiversity & Ecosystems: Risk & impact assessment

We recognise the importance of addressing the impacts our operations have on biodiversity, particularly in relation to the potential risks to natural ecosystems in the areas where we operate. We are committed to safeguarding biodiversity as we continue to grow globally.

In 2024, we began to investigate and structure our work to understand the current and future risks associated with our global presence. This included a comprehensive assessment of our operational sites, which include factories, offices, R&D facilities, and warehouses. We considered several key factors for each site: the type of operation (i.e. water or solvent-based paint production), the start date of operation (which correlates with existing soil pollution data), and the geographical location. We used the World Wildlife Fund's Biodiversity Risk Filter tool to evaluate both physical and reputational risks at each location, ensuring a robust assessment of biodiversity risks across our operational footprint.

To further understand the environmental pressure we have on nature, we started a mapping process to identify which high-impact commodities are material for Hempel. We used the Science Based Targets Network (SBTN) High Impact Commodity List (HICL), and we are following the Taskforce on Nature-related Financial Disclosures, (TNFD) sector-specific guidance to assess high-risk natural commodities.

As we mature our assessment and management of this area, we expect to be able to measure and report on data related to our impact on biodiversity and ecosystems in the near future.

E5 Resource Use & Circular Economy: Waste management and circularity

As we continue to work towards decoupling our material footprint from our economic growth, monitoring and implementing initiatives that address circularity and waste management of our operations and products are a priority. These initiatives support our work to reduce our material footprint, virgin material use and waste generation – in our own operations and across our value chain.

We are committed to minimising the environmental impact of our operations by significantly reducing waste sent to landfill. Our target is to limit landfill to less than 1% of the total waste generated from our own operations by 2025. For 2024, our goal was to achieve a 95% reduction in waste sent to landfill at our production sites, compared to a 2019 baseline (excluding acquisitions). We achieved a 97% reduction in waste to landfill at Hempel production sites compared to the 2019 baseline.

To support our waste reduction targets, we continued to expand our Smart Scales initiative, an automated waste monitoring and reporting system that is key to our paint recycling efforts. The initiative provides real-time data to track progress against waste reduction targets.

Throughout 2024, we focused on enhancing data collection across different sites and implementing rigorous data verification and assurance processes to ensure data accuracy and reliability. The initiative now includes all production units, including newly acquired sites.

We are also exploring opportunities to collaborate with secondary paint manufacturers, particularly in countries with poor waste handling, to increase reuse and recycling of paint materials. These efforts aim to further reduce waste, optimise resource use, and support our overall goal of transitioning towards a more circular business model. You can read more about the paint can recycling programme in our Decorative customer segment, on page 15.

"In 2024, we achieved a 97% reduction in waste sent to landfill at production sites compared to the 2019 baseline."

<1%

Our Target is to limit waste to landfill to less than 1% of total waste generated from our own operations by 2025.

Our upstream commitments

E1 Climate Change: Supplier engagement for climate change
In addition to our work to decarbonise our operations, we also work on reducing carbon emissions across our value chain. Our target is to reduce Scope 3 emissions by 50% by 2030. A key part of this involves working closely together with our suppliers on our joint decarbonisation journeys.

Procurement Sustainability Screening is an integral part of our supplier engagement process and a key initiative to support collaboration with suppliers and drive decarbonisation in the supply chain. The programme involves assessments and dialogue around sustainability, and we engage with both mature suppliers and those that are still starting out on their sustainability journeys. Procurement Sustainability Screening is a maturity assessment for decarbonisation and focuses on key topics across all of our categories, from raw materials and packaging to logistics and other services. Through the screening, we identify opportunities for collaboration and emission reductions, and address the main drivers of decarbonisation, such as energy management. Our goal is to screen suppliers representing 70% of our total spend by 2025.

In 2024, Hempel Group Procurement screened 184 suppliers in six different categories. In total, this brought the spend covered by the screening to 61%. We also performed eight follow-up screenings with low performing suppliers. Categories in focus this year included raw materials and services, such as metallic, pigments and consulting services.

The commercial impact on sustainability
To further encourage our suppliers' sustainability efforts and ambitions, we started implementing sustainability as part of our commercial comparisons and tenders in 2024, using the maturity score from Procurement Sustainability Screening as criteria. During the year, we included sustainability in global tenders for epoxy resins, titanium dioxide and zinc – some of the raw material categories with the highest impact on our carbon footprint.

70%
61%

Our goal is to engage with suppliers representing 70% of our total spend by 2025. In 2024, we achieved 61%.

Engaging with our downstream value chain

At Hempel's Sustainable Technologies Centre, located in our state-of-the-art Innovation centre in Denmark, our colleagues develop groundbreaking technologies that address critical sustainability challenges as part of our commitment to long-term sustainable innovation.

Data and transparency: Empowering informed decisions
We provide data and transparency around our solutions so our customers can make informed decisions to meet their sustainability ambitions and deliver on reporting requirements. We are transparent around our performance and sustainability efforts.

The Sustainability Product Scorecard is our primary tool for detailing our product environmental footprint. The tool allows us to measure and report on nine different environmental metrics, such as carbon footprint, paint consumption, product hazard, and Volatile Organic Compound (VOC) content, providing a clear and concise overview of a product's sustainability performance. We can also provide customers with carbon reports that show the carbon footprint of a specific project, coating system or coated asset.

Product development and innovation
In 2024, we further integrated sustainability into our product development by implementing a robust benchmarking system. This assessment considers a range of criteria, including carbon footprint, hazardous materials and sustainable value creation for the customer. This proactive approach ensures that sustainability remains a central focus in our innovation efforts, driving us toward a more sustainable assortment.

We took a significant step forward in our commitment to long-term sustainable innovation in 2024 by establishing the Sustainable Technologies Centre, at our state-of-the-art Innovation centre in Denmark. The centre's primary goal is to develop groundbreaking technologies that address critical sustainability challenges, such as transitioning to water-based formulations, enhancing the use of bio-based and recycled materials, and reducing health and environmental hazards. By integrating sustainability into our innovation process, we are not only enhancing our product offerings with new and innovative business models, but also ensuring that our solutions contribute positively to the environment and our customers' success by using less paint. Because using less paint reduces VOC emissions and carbon footprint, our innovation is heavily focused on this.

We also look to develop sustainable innovations outside of the can. Using digital tools, robotics and automation, our in-house innovation incubator, GrowHub, explores solutions focusing on critical areas, such as packaging, application and surface preparation.

Sustainability targets

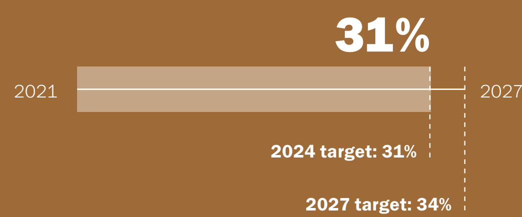
Social

People and safety are at the heart of everything we do. This goes for our own colleagues as well as people across our value chain. By fostering safety, fair labour practices, diversity and inclusion, we aspire to drive positive change and raise industry standards.

We have a strong focus on achieving gender balance in our own operations and reducing hazardous materials that are harmful to people and the environment.

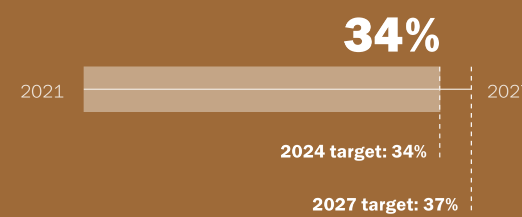
Gender balance in leadership positions

We want to achieve 34% women in leadership positions by 2027. We have reached our target of 31% in 2024 and are working towards 32% in 2025.



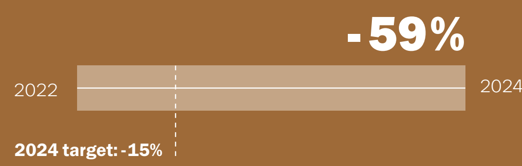
Gender balance in general workforce

Our long-term goal is to not exceed 60% representation of one gender with a target of 37% women in general workforce by 2027. In 2024, we reached our target of 34% and are working towards 35% in 2025.



Hazardous raw materials

We want to complete a five-year plan for reducing and phasing out hazardous raw materials (measured in kg/1,000L of paint produced). In 2024, our goal was to achieve a reduction of 15% hazardous raw materials, however we succeeded in achieving a 59% reduction.



Lost Time Accident frequency

We want to build an even stronger safety culture and eliminate all Lost Time Accidents and other injuries (measured in number/million work hours). In 2024, we had 0.6 Lost Time Accidents.

People in our own operations

We are committed to developing a diverse and inclusive culture where our colleagues are safe, feel respected and are treated fairly. We believe that ensuring equal rights and promoting diversity will benefit all our colleagues around the world, fostering collaboration, innovation and better business performance. Diversity, Equity and Inclusion (DEI) are an integral part of our corporate strategy.

S1 Own Workforce: The health and safety of employees are our top priority
As a manufacturing company that also serves customers in the field, the health and safety of employees is our top priority in everything we do. We continue to foster a safety culture to ensure we always safeguard the health of employees and the partners we work with.

Our continuous focus on safety throughout 2024 led to a decrease in Lost Time Accident (LTA) frequency from 1.77 per 1,000,000 working hours in 2023 to 0.6 per 1,000,000 working hours in 2024. One accident is one too many and we will continue to raise the bar on how we handle safety in and around our company for all people working at or visiting our premises.

In 2024, we continued to strengthen our health and safety initiatives, rolling out our Safety Leadership Programme globally across all our factories and R&D centres. This resulted in a significant decrease in reportable incidents and an increase in the reporting of improvement ideas. In 2024, we hit our target of having at least two improvement ideas raised by each full-time employee during the year. Our Safety Leadership Programme uses a proactive approach to improve competence and raise awareness of safety. The global roll out has encouraged more safety ownership across all our sites, helping ensure a more positive safety culture.

Achieving an equal gender balance
Gender balance across our workforce is another top priority, and our long-term goal is to not exceed 60% representation of one gender. In 2024, women made up 34% of our general workforce and 31% of our leaders (defined as leaders with three or more direct reports). We hereby met our 2024 target of 31% women in leadership positions and are working towards a target of 32% in 2025.

As a starting point, we reinforced our talent acquisition strategies in 2024 to drive gender balance in our recruitment processes and, especially, to increase focus on attracting female candidates for leadership and commercial positions. This included leveraging data throughout the recruitment process in the ongoing collaboration between our Talent Acquisition team and leaders across our company.

To truly understand which initiatives are required to ensure we progress towards a gender-balanced workforce and reach our targets, we conducted focus groups and our CEO hosted round table meetings in 2024 to engage with and get input from female colleagues across Hempel. We gathered feedback on the challenges that women in our workforce face and discussed how we can turn ambition into action.

Based on these insights, we introduced a new global Parental Leave Policy in 2024. The policy provides a minimum standard of leave with expanded benefits for all colleagues in Hempel who are parents of young children. The new policy aims to support all family types, giving equal opportunities for colleagues building and nurturing their families. In addition, the policy directly supports our DEI ambitions by allowing us to attract, retain and engage more women in our workforce.

We also introduced a new global Flexible Working Policy in 2024. We believe it is essential to provide individualised flexibility to our colleagues as we all have differences in how we balance our personal and professional lives. Offering individual flexibility, which does not have to fit to an overall standard structure, empowers our employees to manage their work schedule in the most effective manner. The policy outlines options and expectations for managers and employees to ensure as much flexibility as possible in different roles and situations.

In late 2024, our Women's Network launched a global mentorship programme for female colleagues. The purpose of the programme is to create a supportive and inclusive environment that promotes career development, with new learnings and insights for both our mentors and their mentees.

Creating an inclusive workplace
We continued many of our existing programmes in the DEI sphere in 2024, integrating DEI into our talent acquisition and broader people processes. We run Inclusive Leadership Training for our leaders, and Anti-Harassment Training for all employees. With the support of Hempel's DEI Council, we create awareness among colleagues about DEI topics and celebrate diversity initiatives, such as Neurodiversity Celebration Week, International Women's Day and World Pride.

We strive to create a workplace where our colleagues feel welcome and valued regardless of their background, demographics, beliefs or preferences. In 2024, we also increased our focus on corporate social responsibility and human rights as part of our overall ESG framework. In 2025, we will work with our internal and external stakeholders to develop and implement due diligence procedures in compliance with international labour standards and human rights laws.

Learning and development for all

We are committed to supporting our employees on their professional development journeys. We offer learning and development opportunities tailored to different stages of their professional careers.

A key offering is Hempel Academy, our global skills development platform, that enables colleagues at all levels of the organisation to access training 24/7 in multiple languages. Since its launch in 2023, our colleagues have undertaken over 10,000 hours of self-initiated learning. In 2024 alone, colleagues logged more than 4,000 hours of self-learning, on topics such as project management, process improvement, personal productivity and well-being. We also use adaptive learning methods to develop foundational understanding of paint technology and sustainability among all colleagues.

In addition, we run talent development training for three distinct target groups to actively engage them in their own development and help us build a strong pipeline of potential leaders.

Sustainability training for all

Sustainability underpins all our work and everyone in our organisation plays a role in driving sustainability within Hempel and with our customers. Our Sustainability Foundation eLearning helps colleagues gain insights on different sustainability topics. In 2024, we rolled out interactive training for commercial employees, to equip them for the increasing demand from customers regarding sustainability information and solutions. For colleagues in our production units and warehouses, we offered in-person sustainability training sessions in local languages, attended by more than 700 employees.

Reducing hazardous substances in our products

Our products are designed to protect our customers' most valuable assets from corrosion, prolonging their service life and reducing costs and emissions associated with repair.

We have a responsibility to ensure the safety and well-being of colleagues, applicators and end-users. We are committed to minimising any risks associated with the development, production and application of our coatings.

Our goal was to achieve a 15% reduction in hazardous raw material intensity (kg/1,000L) by 2024 compared to our 2022 baseline. We decreased the intensity of hazardous raw materials in our products from 20.37 to 8.33 (kg/1,000L) of paint produced, significantly exceeding our target.

Our efforts in this area are guided by our Hazardous Raw Material Programme, which evaluates and prioritises raw materials based on regulatory classifications and industry frameworks. The programme gives us a structured approach for assessing materials, and guides our R&D teams when developing safer alternatives and working with Procurement to source substitute raw materials.

The definition of when a material falls under the Hazardous Raw Material Programme is closely linked to the regulations. This implies that any re-classification of materials causes additional raw materials to fall under the Hazardous Raw Material Programme. The changes in regulations in 2024 has caused the total hazardous raw material consumption to increase to 62.61 (kg/1,000L). All hazardous raw materials are evaluated and included in the programme, with the overall goal of reducing the overall impact.

31%

of our leaders are women.
Our 2025 target is 32%

People in our upstream value chain

S2 Workers in the Value Chain: Sustainability risk management in our supply chain
As a global enterprise, we acknowledge our responsibility to respect human rights. We seek to prevent or mitigate adverse effects on human rights directly linked to our operations, products or services, and we expect our employees to do the same.

We are committed to respecting human rights in accordance with the UN Global Compact and the UN Guiding Principles on Business and Human Rights. This entails efforts to avoid and mitigate sustainability risk in our supply chain. To this end, we use a sustainability assessment performed by EcoVadis, an external provider of sustainability evaluations. The assessment covers four key topics – labour and human rights, environment, ethics and sustainable procurement – and our strategic direct spend suppliers are expected to participate.

In 2024, 89% of our direct spend suppliers (by spend) were risk assessed by EcoVadis, compared to 75% in 2023. In terms of performance, 85.7% are compliant with Hempel's expectations. We implemented corrective actions with 47 suppliers and set up close monitoring of potentially high-risk suppliers.

Additionally, we focused on continuous improvement of our human rights due diligence processes. We participated in the Business & Human Rights Accelerator, a six-month programme organised by the UN Global Compact that activates companies participating in the compact across industries and regions.

We also continued our active membership of the Nordic Business Network for Human Rights. This is facilitated by the Danish Institute for Human Rights, and provides a forum where businesses can meet to share knowledge and learn from each other on how to conduct and improve human rights due diligence in supply chains.

Conflict minerals
We monitor suppliers of conflict minerals (tin, tantalum, tungsten and gold, also called 3TG) on an annual basis, as tin is used in some of our packaging and some raw materials. Our due diligence process, screening and reporting are based on guidelines from the Responsible Minerals Initiative. In 2024, 98% of the scope was covered by the screening.*

Supplier sustainability performance

89%
SUPPLIERS ASSESSED BY ECOVADIS

98%
SUPPLIERS SCREENED FOR CONFLICT MINERALS

* In 2024, the Conflict Minerals Reporting Template (CMRT) was updated. 87% of the relevant spend is reported through this version. The remaining 2% is reported through the previous version.

Sustainability targets

Governance

Being a trusted partner to our customers and other stakeholders is a key lever in our strategy.

By upholding integrity, transparency, and accountability in everything we do, we not only build trust but also set a benchmark for ethical conduct across the industry.

EcoVadis screening

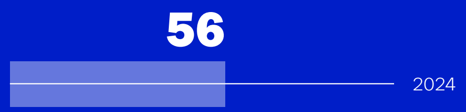
Promote and further good ethical behaviour and environmental practices in our supply chain

Code of Conduct training

Number of Employee Code of Conduct trainings. Employees are trained in anti-corruption, anti-bribery, whistleblower policy

Whistleblower cases

Number of compliance cases during the year.



Our responsible business ethics

We are committed to conducting our business in a responsible, respectful and ethical way at all times, and we are proud to be a trusted partner for our customers and business partners.

Our Employee Code of Conduct and Business Partner Code of Conduct play a key role in guiding our work and engagements within our company and with external stakeholders, ensuring that we navigate complex business environments and situations in an ethical way. They set our expectations to our employees and business partners within the areas of human rights, labour rights, the environment and anti-corruption.

G1 Business Conduct: The whistleblower reporting system

Our Ethics Hotline is an externally hosted whistleblower system that enables any employee or external stakeholder to anonymously report potentially irregular or unethical conduct through a secure reporting portal. The system is an important tool to ensure that allegations of irregular or unethical conduct are reported and addressed quickly.

All reports are treated confidentially and followed up with an objective and independent investigation led by the Compliance function, which recommends appropriate action to the Ethics Committee. The Ethics Committee then approves how to handle reported issues and decides on appropriate action following the investigation, including disciplinary action if deemed necessary. The Ethics Committee consists of the Hempel Group's Chief Financial Officer, Chief People & Culture Officer, Executive Vice President and Head of Decorative, and General Counsel. Hempel's Audit Committee receives regular updates that summarise reported cases and case resolutions.

In 2024, Hempel had 56 new registered compliance cases from 20 countries, a 19% decrease compared to 2023, however above Hempel's five year average of 49 compliance cases and reflects a healthy speak-up culture. Local transpositions of the EU Whistleblower Directive have come into force in all EU countries, and we have updated our procedures and communications as applicable to further facilitate safe, confidential and accessible reporting.

G1 Business Conduct: Business ethics & data protection

Hempel's zero tolerance for bribery and corruption is clearly described in our Business Ethics Policy, which outlines procedures to counter corruption, bribery and other unethical behaviour. In addition, anti-bribery topics feature prominently in most of our regular compliance initiatives, including management communications, the Employee Code of Conduct and related 2024 refresher training, and the Business Partner Code of Conduct.

In 2024, sanctions compliance was a focus area. We diligently continued to work on ensuring that our employees and distributors comply with the applicable sanctions. To this end, we have further upgraded our sanctions screening capabilities and tools.

In the area of data protection, we continued to implement the General Data Protection Regulation (GDPR) as a standard compliance framework for all companies within the Hempel Group, with particular focus on risk management and training. We are also preparing to implement measures to comply with the upcoming EU Artificial Intelligence Act (AI Act). In 2024, all Hempel PC users were assigned online refresher training in privacy and data protection, as well as AI awareness.

In order to ensure that all employees understand and uphold our standards in their daily work, compliance training is delivered to all new employees and is annually refreshed.

G1 Business Conduct: Leading on sustainable procurement

Hempel operates a complex global supply chain. To ensure we maintain responsible business conduct throughout our supply chain and achieve our sustainability ambitions, we engage and collaborate extensively with our suppliers. We do this through our Sustainable Procurement Programme.

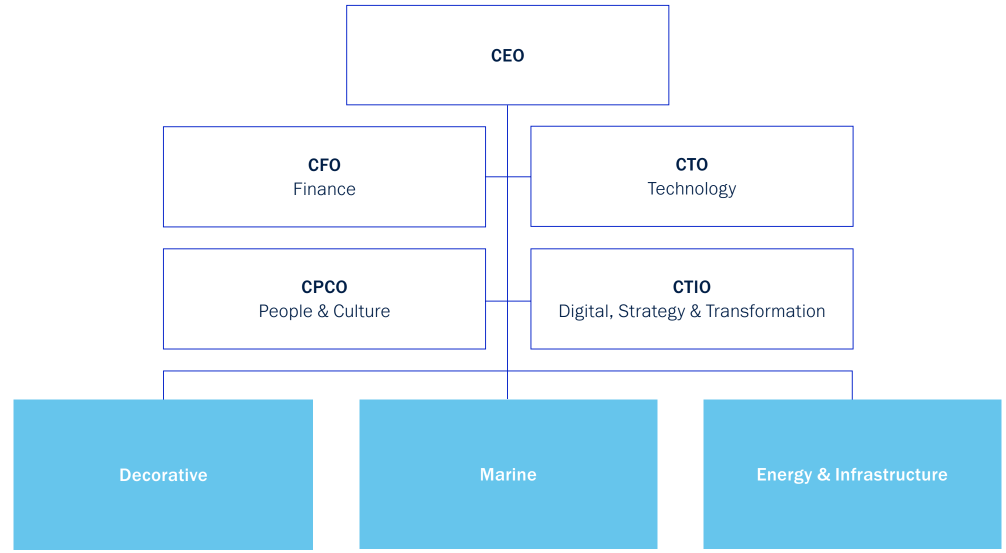
We also have a Sustainable Procurement Policy in place that states our commitment and approach to sustainability with our suppliers, and how we turn our commitments into action. The policy outlines the main principles for integrating sustainability practices into our collaboration with suppliers. In 2024, we focused on implementing the policy for direct spend suppliers.

Training	Content	Target group
EMPLOYEE ONBOARDING TRAINING		
Employee Code of Conduct, Fundamentals	• Learn the fundamental concepts in Hempel's Employee Code of Conduct and how to raise concerns.	All new employees – PC users only
Sanctions and Export Controls, Fundamentals	• Understand sanctions policy principles and understand trade restrictions involving certain countries, certain parties, or certain economic sectors.	All new employees – PC users only
Fair Competition, Fundamentals	• Learn how to comply with antitrust laws and live by Hempel's commitment to fair, open and unrestricted competition.	All new employees in leadership positions plus all commercial and customer-facing roles and other employees that meet competitor representatives as part of their usual duties
Benefits in the Marine Segment	• Understand compliance in relation to the use of owner benefits, rebates, bonuses, commissions and fees in the Marine segment.	All new employees in the Marine segment and those directly supporting the Marine segment
Data Protection and AI (GDPR & AI), Fundamentals	• Understand basic data privacy (GDPR) and Artificial Intelligence (AI) principles and understand how the rules apply to Hempel's business.	All new employees – PC users only
ANNUAL REFRESHER TRAINING		
Annual Sanctions refresher	• Apply and practice sanctions principles and understand restrictions regarding involving certain countries, certain parties, or certain economic sectors.	Employees in leadership positions and PC users in higher risk functions or regions, including commercial and customer-facing roles and commercial support functions
Annual Fair Competition refresher	• Apply and practice how to comply with antitrust laws and live by Hempel's commitment to fair, open and unrestricted competition.	Employees in leadership positions plus all commercial and customer-facing roles and other employees that meet competitor representatives as part of their usual duties
Annual Benefits in the Marine Segment refresher	• Apply and practice how to comply with the concepts of owner benefits, rebates, bonuses, commissions and fees in the Marine segment.	Employees in the Marine segment and those directly supporting the Marine segment
Annual Data Protection and AI (GDPR & AI) refresher	• Apply and practice data privacy (GDPR) principles and understand how the rules apply to Hempel's business.	All employees – PC users only

Corporate governance

Corporate governance

Our strong corporate governance framework is based on the Articles of Association of Hempel A/S and applicable laws and regulations, as well as internal policies and procedures. It supports long-term value creation for our company, customers, suppliers, employees and the communities in which we operate, and promotes responsible and sustainable business behaviour.



Management structure
The Executive Group Management is led by the Chief Executive Officer (CEO), who reports to the Board of Directors. The CEO oversees Hempel's organisational management structure, which is centered around our Decorative, Marine and Energy & Infrastructure segments. In 2024, our Technology & Operations function was split. In the new structure, R&D, Procurement and Sustainability make up a new function, Technology, while Operations is fully integrated within the segments.

This new structure elevates innovation to the highest management level of our company, recognising that it is a critical enabler of our success and a key differentiator and qualifier in the eyes of our customers. The Technology function is led by Emilie Barriau, Chief Technology Officer (CTO) and Executive Vice President (EVP) of Technology, who was appointed to the newly established role in 2024. This enables R&D, Procurement and Sustainability to serve as mutually reinforcing and interdependent powerhouses to drive innovation together with customers, suppliers and partners. As illustrated above, these changes are part of Hempel's ambition to enhance scalability and seek opportunities for synergy between the segments.

Board of Directors
Hempel A/S has a two-tier management structure consisting of the Board of Directors and the Executive Group Management. The Board of Directors is responsible for the overall strategic direction of Hempel A/S and must ensure the proper organisation of the company's business. It also supervises the execution of the strategy, as well as the performance of the company. The Executive Group Management is responsible for the day-to-day management of the company. The two bodies are independent, and no one serves as a member of both. The Board of Directors consists of seven members elected for a one-year term by the shareholders at the Annual General Meeting and three employee members elected for a four-year term by the employees based in Denmark (the latest election took place in 2023). The Board of Directors' duties and responsibilities are set out in its Rules of Procedure.

Composition and responsibilities of the Board of Directors
The Board of Directors includes both professional board members and members with executive positions. As well as in-depth knowledge of Hempel's business, board members possess expertise within a wide range of areas, from innovation, ESG & sustainability, product development, marketing and commercialisation through to business expansion, value growth, mergers & acquisitions and finance. These diverse profiles ensure that the Board of Directors can operate efficiently and support the Hempel Group's strategy.

Each year, the Board of Directors carries out a self-evaluation of its competencies and skills. The evaluation is carried out systematically, using clearly defined criteria to ensure the Board constantly improves its own performance and its cooperation with the Executive Group Management. The current composition of the Board of Directors is deemed appropriate as it provides a good balance between knowledge, competencies and experience. The Board of Directors is responsible for safeguarding the interests of the shareholders, while also considering all other stakeholders. On an annual basis, the Board of Directors aligns its priorities and tasks with the overall strategic direction and financial performance of the Hempel Group. The Board of Directors also evaluates the Executive Group Management on a continual basis.

Tasks managed by the Board of Directors in 2024
In 2024, the Board of Directors worked to refine the continued execution of Hempel's Double Impact strategy. This work focused on driving profitable growth by establishing scalable operations, overseeing value creation plans, and working with the Executive Group Management to mitigate any financial impacts caused by general macroeconomic uncertainty, while concurrently placing significant emphasis on maintaining and improving sustainability initiatives. In addition, the Board of Directors oversaw the process of welcoming CVC Funds as a minority investor in Hempel A/S, which was completed in August 2024. See Note 4.1 for more information. The Board of Directors also supervised the divestment of the J.W. Ostendorf and Renaulac businesses, also completed in August 2024.

The Board of Directors has a continued strong focus on ESG and sustainability and works to ensure that the Hempel Group at all times exercises sound management with regards to environmental matters and ESG. For this purpose, the Board was presented with several ESG and sustainability updates throughout the year.

Meeting activity 2024

● Attended meeting ○ Absent from meeting

Board of Directors		Audit Committee		RemCo and NomCo*
4 March	1 October	29 February	23 September	28 February
28 April	14 November	3 June	29 November	14 August
17 June	11 December			4 December

Name	Title	Board of Directors	Audit Committee	RemCo and NomCo*
Richard Sand[4]	Chair	●●●●●●		●●●
Eric Alström[1]	Deputy Chair	●●●		●●
Søren P. Olesen	Board member/Deputy Chair	●●●●●●	●●●●	
Karsten Munk Knudsen	Chair of the Audit Committee	●●●●●●	●●●●	
Susanna Schneeberger[2]	Board member	●●		
Britt Meelby Jensen[2, 4]	Board member	●●●●		
Leif Jensen[4]	Board member	●●●●●●	●○●●	●●●
Christoffer Sjøqvist[3]	Board member	●●●		●
Michael Lavrysen[3]	Board member	●●●	●●	
Helle Fiedler	Elected by the employees	●●●●●●		
Vibeke Stendal Larsen	Elected by the employees	●●●●●●		
Stephan Rolsted	Elected by the employees	●●●●○●		

[1] Eric Alström left the Board as of August 2024. Søren P. Olesen assumed the role of Deputy Chair.
[2] Britt Meelby Jensen replaced Susanna Schneeberger on the Board as of May 2024.
[3] Christoffer Sjøqvist and Michael Lavrysen joined the Board as of August 2024.
[4] Not considered independent in accordance with recommendation 3.2.1 of the Danish Corporate Governance recommendations.

* Remuneration and Nomination Committee.

Diversity & inclusion

The Board of Directors believes that diversity strengthens any governing body and acknowledges the importance of diversity in general, including diversity of gender, nationality and competencies. In 2024, neither of the two elected board members representing the minority shareholder were female. As such, and despite its efforts to enhance diversity, the Board of Directors' target of having at least 33% female shareholder-elected board members by no later than the Annual General Meeting in 2025 is not expected to be met. Accordingly, the target remains to be reached by no later than the Annual General Meeting 2030. Initiatives to reach the target include establishing clear diversity goals and reviewing Board selection criteria to broaden the candidate pool with qualified female candidates.

The Board remains committed to fostering an inclusive corporate culture that values diverse perspectives and promotes gender equality throughout the Hempel organisation. When it is considered necessary to bring new competencies to the Board of Directors, or if a member does not wish to continue serving, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates. In line with Hempel policies, qualified representatives of both genders are always considered.

The Executive Group Management currently consists of three women and five men. The group's members are of four different nationalities. More information on our initiatives to increase diversity and inclusion, as well as relevant statistics for other management levels in Hempel, can be found on pages 32-33 and 64.

Remuneration

Hempel offers its Board of Directors and Executive Group Management remuneration that is competitive with industry peers and other global companies with their headquarters in Denmark, as this enables it to attract and retain competent and professional business leaders and board members. Members of the Board of Directors receive fixed remuneration and do not participate in any incentive programmes. The remuneration of the Executive Group Management consists of both a fixed salary and an annual cash bonus, contingent upon financial targets and ESG targets, including climate targets. The annual cash bonus cannot exceed 70-100% of the individual's fixed salary. The Board of Directors determines annually whether to instigate new remuneration programmes and, if so, the scope and objectives of these programmes.

The Executive Group Management has service and employment agreements in line with market terms. Conditions for notice of termination are determined individually for each member of the Executive Group Management. The company has a general fixed termination notice of 12 months if given by the company and six months if given by a member of the Executive Group Management.

In 2024, the Company implemented a management incentive plan whereby members of the Executive Group Management and certain other senior managers were offered the opportunity to purchase shares and warrants of the Company at fair value. As a condition to entering into the programme, participants forfeited their long-term cash-based incentive scheme, comprised of rolling three-year cash-based bonus programmes. See note 2.2 for further information.

Board committees

The Board of Directors has established dedicated committees to supervise and solve specific tasks. Currently, there are two permanent committees: a Remuneration and Nomination Committee, and an Audit Committee.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board of Directors with the recruitment of its executives. In addition, it assists with the establishment of remuneration for the Hempel Group's executives and helps ensure that the Hempel Group's general remuneration policies are balanced, appropriately taking culture, strategy and the external market into account.

Furthermore, the committee evaluates the Board of Directors and the Executive Group Management each year and makes recommendations to the Board of Directors in relation to the skills that the Board of Directors and the Executive Group Management must have to best perform their tasks. The committee also assists the Board of Directors by selecting and proposing candidates for executive positions, often with the assistance of a professional global search firm. The committee convenes as necessary. However, it has at least three fixed meetings during the year.

The Audit Committee

The Audit Committee's work includes assisting the Board of Directors with its oversight responsibilities for the financial and ESG reporting process, the system of internal control including information security controls, the risk management process, the internal and external audit process, the process for monitoring compliance with laws and regulations and Hempel's Code of Conduct. The Audit Committee reviews the annual report, ESG reporting, main accounting policies, including significant accounting estimates and judgements, Treasury Policy and Tax Policy. In addition, the Audit Committee has an oversight role in relation to the whistleblower reporting system and cases. The committee convenes as necessary. However, it has at least four fixed meetings during the year.

Internal Audit function

The Internal Audit function provides independent and objective assurance to the Board of Directors, Audit Committee and Executive Group Management primarily within areas related to governance, business ethics and internal control. It reports to the General Counsel with dotted lines to the Hempel Group's Chief Financial Officer and the Audit Committee. The Head of Internal Audit acts as Secretary to the Audit Committee, participates in all Audit Committee meetings and meets separately with the Audit Committee at least once a year.

Internal Audit's assessments and recommendations are reported to relevant stakeholders, the Executive Group Management and the Audit Committee. In accordance with its charter, the Audit Committee annually assesses the need for an Internal Audit function. Based on the recommendations of the Audit Committee, the Board of Directors determines whether an Internal Audit function is required. The Board of Directors' assessment is that the Internal Audit function is required and that its mandate and scope, processes in place, and planned and performed activities are adequate to provide independent and objective assurance.

Data Ethics Policy Statement, cf. section §99d of the Danish Financial Statements Act

The Hempel Group is committed to responsible data practices and ethical data management. A Data Ethics Policy is in place to ensure that data is handled with care, in line with core ethical principles, and in compliance with relevant regulations. This includes a focus on data protection to safeguard personal information and ensure privacy as well as data security. Hempel continuously seeks to improve its approach to data management, ensuring that data is processed in a responsible and secure manner across all areas of the business.

The Hempel Group's Compliance function is responsible for overseeing compliance with the Data Ethics Policy, including relevant initiatives to support policy compliance and development.

Board of Directors

					
	Richard Sand Chair	**Søren P. Olesen** Deputy Chair	**Leif Jensen** Board member	**Britt Meelby Jensen** Board member	**Karsten Munk Knudsen** Board member
Born	1959	1967	1954	1973	1971
First elected in	2009 (Chair since 2010)	2018 (Deputy Chair since 2024)	2011	2024	2021
Core capabilities	• Foundation and company law, M&A • Strategy development and execution • ESG and Sustainability • Industry knowledge	• Industry knowledge • Product development • M&A	• Industry knowledge • Commercialisation through finance	• Business and leadership experience from listed and private companies • Industry knowledge from global healthcare • Commercial and strategy development	• Finance • ESG and Sustainability
Committees	• Chair of Remuneration and Nomination Committee	• Audit Committee member	• Audit Committee member • Remuneration and Nomination Committee member	• N/A	• Chair of Audit Committee
Selected positions and directorships	• Partner at Poul Schmith/Kammer-advokaten (since 1 July 2024) with Right of Audience, The Danish Supreme Court • Chair: Aller A/S, Pressalit Holding A/S, E. Callsen & Co. A/S and Kivan Food A/S • Board member: Aller Foundation and Esplanadens Ejendomsselskab P/S	• CEO: STARK Group A/S • Board member: Industriens Arbejdsgivere i Danmark, IAD	• Chair: Strømberg Holding A/S • Chair: Strømberg Ejemdomme A/S • Board member: WindowMaster International A/S	• CEO: Ambu A/S • Board member: Novo Holdings A/S	• CFO and EVP Finance, Legal & Global Solutions: Novo Nordisk A/S • Chair: NNE A/S • Board member: 3shape Holding A/S
Education	• Master of Law, University of Copenhagen	• MSc Economics, Aalborg University • MA (Econ), Rijksuniversiteit Limburg, Maastricht	• MSc Economics and Management, Aarhus University	• Cand. merc. International Marketing and Management, Copenhagen Business School	• MSc Finance, Aarhus University

Board of Directors




	Michael Lavrysen Board member	**Christoffer Sjøqvist** Board member	**Helle Fiedler** Elected by the employees	**Stephan Rolsted** Elected by the employees	**Vibeke Stendal Larsen** Elected by the employees
Born	1977	1976	1963	1971	1965
First elected in	2024	2024	2015	2023	2023
Core capabilities	• Business expansion • Investing in high-quality businesses with longer growth horizons	• Business growth • Value creation	• Product development • Innovation • Working environment	• Facility service management • Working environment	• Product development and performance • Safety compliance • Working environment
Committees	• Audit Committee member	• Remuneration and Nomination Committee member	• N/A	• N/A	• N/A
Selected positions and directorships	• Partner CVC • Member of the CVC Strategic Opportunities investment platform	• Partner CVC • Head of CVC Denmark	• Lead Scientist R&D, Hempel A/S	• Campus Service Manager, Hempel A/S	• HSE & Compliance Manager, Hempel A/S
Education	• MSc Commercial Engineering, KU Leuven • MSc Accounting and Finance, London School of Economics and Political Science	• BSc Management, London School of Economics and Political Science	• MSc Chemical Engineering • Employee Board Member certification	• Business school	• Chemical technician • Employee Board Member certification

Executive Group Management

				
	Michael Hansen Group President & Chief Executive Officer	**Peter la Cour Gormsen** Executive Vice President & Chief Financial Officer	**Ana Henriques** Executive Vice President, Decorative	**Alexander Enström** Executive Vice President, Marine
Born	1975	1974	1983	1983
Core capabilities	• Commercial • Strategy development and execution	• Finance and IT • M&A	• Commercial and marketing • Portfolio management and strategy	• Commercial • Industry knowledge
Education	• Global Executive MBA, IE Business School	• MSc in Finance, Aarhus University	• MSc Marketing, Northwestern University, Illinois	• MSc Material Chemistry, Uppsala University

				
	Steen Niemann Madsen Executive Vice President, Energy & Infrastructure	**Emilie Barriau** Executive Vice President & Chief Technology Officer	**Pernille Fritz Vilhelmsen** Executive Vice President & Chief People & Culture Officer	**René Overgaard Jensen** Executive Vice President & Chief Transformation & Information Officer
Born	1971	1978	1980	1972
Core capabilities	• Commercial and marketing • Industry knowledge	• Technology and sustainable innovation • Science and chemistry	• People and HR • Diversity, Equity and Inclusion • Communication	• Strategy development and execution • Innovation
Education	• Diploma in Business Administration, Copenhagen Business School	• Ph.D. Polymer Chemistry, Mainz University	• MSc Human Resource Management, Birbeck University of London	• MBA Business Administration and Management, Heriot-Watt University, Edinburgh

Risk management

Managing risks is key to creating the resilience we need to successfully deliver on our strategy and keep our organisation safe.

Effective risk management enables us to identify, evaluate and manage uncertainties that could affect our ability to meet our strategic objectives and value creation plans.

As a global company, we face a wide range of business opportunities and risks. It is imperative that we ensure a robust and structured approach to managing those risks. Our proactive approach to risk management ensures the protection of our stakeholders' interests, supports informed decision-making and strengthens the long-term resilience of our business.

In this section, we present our approach to managing risks, the key risks that we have identified and how we address them.

Risk management in 2024
We strengthened our risk management practice in 2024 by updating our Enterprise Risk Management Policy and providing further guidance to our global organisation to enable us to conduct and facilitate risk assessments locally. To ensure we remain resilient, we continued our proactive approach to managing risks across all areas of the organisation, including the undertaking of various risk assessments.

During 2024, we focused on areas that will enable us to drive our work within key topics. This included:

Geopolitical Risk Workshops
We conducted a series of Geopolitical Risk Workshops with key stakeholders from various functions, including Operations, Procurement, Legal, Compliance and our Logistics team. These workshops allowed for an in-depth analysis of the various geopolitical risks that may impact Hempel in the short, medium and long term. The workshops fostered cross-functional collaboration, as well as the development of mitigation strategies to safely navigate the geopolitical environment that we are a part of as a global company.

Risk Assessment Workshops
A risk assessment workshop was performed together with our Risk Committee (consisting of our Executive Group Management), focusing on key risks to the Hempel Group. This exercise was instrumental in aligning our understanding of the most critical risks and how to approach them. In addition to the overall risk workshop, we held risk workshops with our individual segments to address the link between our plans and strategic objectives for each segment. The process will ensure that we take appropriate actions to mitigate the identified risks in order to reach our objectives.

Climate Change Risk Assessment
In recognition of the growing impact of climate change, we conducted a comprehensive Climate Change Risk Assessment focusing on our manufacturing footprint, as well as our top six suppliers. The assessment will be used to prioritise sites where we have a high exposure to climate change risk. Based on the assessment, we will optimise our production and products to mitigate potential risks deriving from climate changes and ensure that we are able to maintain quality and quantity when facing climate change challenges, such as rising global temperatures. This will allow us to build more resilient business continuity management plans and provide the necessary understanding of climate-related vulnerabilities.

Double Materiality Assessment (DMA)
As part of the requirements in the Corporate Sustainability Reporting Directive (CSRD), we completed our preliminary DMA to assess the financial and non-financial impacts of the ESG risks that our organisation faces. Please refer to pages 23-24 for more information on the DMA.

The above initiatives reflect our ongoing commitment to integrating risk management into the core of our business to ensure that we are well-prepared to navigate future uncertainties and safeguard the long-term success of Hempel. Aggregated key risks are described on pages 49-50.

Enterprise Risk Management framework

The Board of Directors is ultimately responsible for the management of risks and for deciding Hempel's risk appetite. At least once a year, the Board of Directors signs off on the key risks and ensures that our governance is adequate vis-à-vis Enterprise Risk Management. The Audit Committee assists the Board of Directors in overseeing the effectiveness of our risk management system and monitoring its performance.

The Risk Committee is responsible for signing off on key risks before they are reported to the Audit Committee and Board of Directors. The Risk Committee's role is to assess and discuss the key business risks that the organisation faces. Each key risk is assigned an executive owner (Risk Sponsor), who is responsible for ensuring the execution of the agreed risk treatment plans and bringing the risk within the agreed risk appetite. Hempel's annual risk management activities are aligned to Hempel's Annual Management Cycle (see Enterprise Risk Management Cycle).

Annual Enterprise Risk Management Cycle

Q1
Risk governance
- Risk Committee meeting

Q2
Mid-year risk review
- Risk Committee meeting
- Audit Committee meeting
- Board of Directors meeting

Q3
Risk and strategy review
- Risk Committee meeting

Q4
Annual risk review
- Risk Committee meeting
- Audit Committee meeting
- Board of Directors meeting

Board of Directors / Audit Committee

Oversees the effectiveness of the Enterprise Risk Management programme.

Executive Group Management (EGM) / Risk Committee

Reviews and approves risk management governance, evaluates and approves Hempel's key risks and ensures the allocation of accountability of risks to risk sponsors. Reports to the Audit Committee & Board of Directors on a bi-annual basis.

Risk Sponsors

Ensures that risk management processes are implemented in the segment/functional area. Assesses, manages, and owns the risks and controls impacting the objectives in the segment/functional area.

Risk Owners

Responsible for the assigned risks in the segments/functions, and the design, implementation and monitoring of risk treatment plans.

Segments and functions

Decorative, Marine, Energy & Infrastructure, Digital, Strategy & Transformation, Technology, Finance, People & Culture (see governance structure on page 40).

Enterprise Risk Management function

Assists and supports the EGM in fulfilling its Enterprise Risk Management responsibilities.

Reviews and maintains the Enterprise Risk Management framework and tools to ensure their ongoing effectiveness.

Reports to the EGM/Risk Committee and Audit Committee on key risks including emerging risks.

Compliance function

Provides guidance and expertise to segments and functions.

Cyber Attack

Like other organisations, we are heavily dependent on a robust digital infrastructure for e-commerce and data sharing technology to conduct our day-to-day business activities and serve our customers.

There is a constant threat of increasingly sophisticated cyber-attacks, including phishing, ransom attacks and malware, and in general attacks are becoming much more frequent.

— RISK DRIVERS

- Breaches of our infrastructure can lead to internal breaches or system failure, which could in turn lead to the theft of personal data and disruption to critical assets and our business in general.
- Malicious attempts to cause long-term damage to Hempel, our customers, our suppliers and partners through unauthorised access, destruction, corruption or manipulation of data could cause our systems to be inaccessible for a period.
- Loss of proprietary information could cause financial impact and limit our business opportunities.

+ MITIGATING ACTIONS

- We ensure an appropriate governance structure including future-proofing and enhancing to protect our critical and sensitive data, assets and reputation.
- We ensure regulatory compliance through various protection mechanisms within our IT systems and business processes, as well as company-wide internal audits of selected information security controls.
- We foster a culture of awareness around cybersecurity via employee information security education and training (e.g., mandatory and frequent e-learning).
- We ensure our Crisis Management team and Digital Disaster Recovery organisation carry out structured annual exercises. During 2024, we ran Cyber Incident Testing in our Crisis Management team.
- We strengthen and continuously update technical defences to mitigate cyber risks by implementing various multi-layered security protocols.

Geopolitical Instability

With a footprint that stretches across the world, we are exposed to global market forces and changes in government policies and legislation, as well as increasing complexity in the regulatory environment.

— RISK DRIVERS

- Geopolitical tensions could potentially drive up production costs.
- Trade tariffs along with export restrictions tied to national security, climate change or human rights concerns, may add complexity to cross-border sales.
- Heightened geopolitical unrest may result in economic sanctions or military conflict.
- Unintentional violations of sanctions could harm our brand and reputation.

+ MITIGATING ACTIONS

- We are minimising risks through diversification and maintaining a balanced product portfolio across the Americas, EMEA, and APAC.
- We are using our global manufacturing presence to mitigate disruptions and monitor risks closely in key markets, enabling us to swiftly adjust our contingency plans.
- As our business expands, we proactively assess cross-border relations and adapt to evolving public and private sector environments.
- We mitigate risks through robust sanction screening, export controls, and a strong legal compliance framework.
- We completed scenario-based risk workshops to assess and build relevant resilience strategies navigating the geopolitical landscape.

Macroeconomic Volatility

Our financial performance may be negatively impacted by factors such as shifts in foreign policies, economic sanctions, elevated energy costs, currency fluctuations, inflation and increasing interest rates, which could drive major economies into recession.

— RISK DRIVERS

- Market dynamics could impact raw material prices.
- An economic slowdown caused by higher unemployment rates and sustained inflation could lead to a decline in consumer confidence, impacting sales and profits.
- We may experience uneven performance as potential inflationary recession leads to reduced growth and demand. Hempel's customers could delay their spend decisions if necessary price adjustments impact their behaviour and willingness to pay.

+ MITIGATING ACTIONS

- We seek to minimise uneven performance risks through strategy execution and financial planning.
- We have a balanced geographical presence, with revenue generated from various regions, which helps to ensure a steady revenue.
- We hedge interest rates, assess currency developments and follow strict financial planning on costs and cash.
- We ensure value-based price setting through our revenue management programme.

Supply Chain

Our manufacturing operations and global supply chain partners are exposed to adverse risks, such as physical disruption, cyber attacks, trade restrictions and climate change risks.

The loss of a critical supplier or multiple suppliers would have a damaging impact on our ability to fulfil contractual obligations and could ultimately impact our ability to serve our customers.

— RISK DRIVERS

- Risk factors such as power supply disruption, raw material shortages and trade restrictions can cause delay or non-delivery of critical raw materials.
- Suppliers are exposed to cyber attacks and trade restrictions which can limit the delivery of raw materials.
- Extreme weather events such as drought, high temperatures, floods or storms can cause physical damage to critical suppliers' locations.
- Potential regulatory changes can have an impact on our ability to manufacture products in their current form.
- Climate action failure may change markets in which Hempel conducts business activities or sources raw materials.

+ MITIGATING ACTIONS

- We seek to prevent disruptive risks through our operational risk management approach, which includes a loss prevention risk engineering programme.
- We review and assess interdependencies and back-up possibilities across manufacturing sites to secure a steady production pipeline.
- We have implemented a business continuity management programme.
- We are driving a dual-sourcing strategy, whereby our Procurement team constantly investigates and qualifies alternative sourcing opportunities.
- We implement specific supply chain risk assessments, which also include assessment of climate-related risks.

Research & Development Innovation

To stay ahead of competition, we must ensure that research and development remains a driving force for innovative product development, while also mitigating the risk of disruptive technologies and innovations from new and emerging competitors.

— RISK DRIVERS

- Our market position may be challenged if competitors develop new products that better meet the future needs of our customers.
- Allocating insufficient research, development and product management resources may cause delays in new product development.
- Hempel could miss our commitment to the Science Based Targets initiative (SBTi) as we would be unable to provide an industry leading sustainable product assortment.

+ MITIGATING ACTIONS

- We assess our innovation goals and product pipeline on an ongoing basis to respond to new trends and translate them into key risks and opportunities.
- We foster an innovative culture that prioritises our capacity to innovate in order to deliver customer value from innovation and meet our business goals.
- We closely monitor our strategic initiatives to ensure we remain focused on delivering futureproof solutions that will help our customers across our segments achieve their business goals, sustainability agendas and ESG ambitions.

Climate Adaptation

Projections indicate that global warming of 1.5°C could be reached or surpassed by the early 2030s. While the full scope and effects of climate change are challenging to forecast, Hempel is increasingly exposed to a broader range of climate-related risks. We are aligning our risk assessment and reporting practices with the guidelines set by the Taskforce on Climate-related Financial Disclosures (TCFD), as outlined on page 67.

— RISK DRIVERS

- Potential regulatory risks associated with the shift to a low-carbon emissions economy may impact government regulation and Hempel's ability to deliver on its strategic objectives.
- New legislation can have a significant impact on our ability to manufacture products in their current form.
- Climate action failure may change markets in which Hempel conducts business activities.
- As water sources may be depleted or disappear, the potential for cross-border conflicts may intensify.
- Extreme weather conditions such as cyclones, tornados, hurricanes and floods can cause disruption to our supply chain, challenging the continuity of our business, which can lead to business interruption.

+ MITIGATING ACTIONS

- We assess the impact that climate-related risk can have on our business, and we periodically carry out materiality assessments. Hempel's science-based targets are approved by the SBTi.
- We carried out an in-depth climate-change risk assessment across all manufacturing sites and key critical suppliers. The assessment identified that certain sites are located in areas with an extreme climate-change risk rating. We will allocate internal resources to address these risks and ensure resilient strategies are maintained for these locations.
- We concluded our Double Materiality Assessment in 2024, identifying the most significant ESG factors that influence both our financial performance and our broader social impact.
- We assess and react to our fire and natural hazard reports, and work to reduce the risk of losses by ensuring proper protection plans are in place.
- Investments to further mitigate risk form an integrated part of CAPEX planning and prioritisation.

Our approach to tax

At Hempel, sustainability is a core component of our Double Impact strategy, influencing not only our broader decision-making but also our approach to tax. We recognise the crucial role taxes play in supporting societal development by funding essential services, such as education, healthcare and infrastructure.

As a global company with a revenue of EUR 2,185 million in 2024, Hempel is subject to a diverse and complex global tax landscape. Navigating different tax systems across numerous countries presents challenges, especially in cross-border activities, as international tax frameworks evolve. We participate in the dialogue about the international tax system based on facts. Transparency in our tax affairs is integral to this.

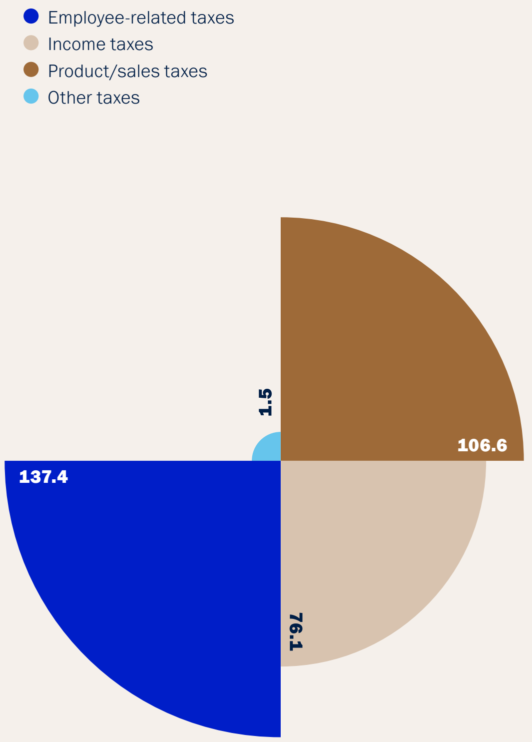
Tax governance
Hempel remains steadfast in its commitment to transparency and accountability in tax matters. Ensuring full compliance with laws and regulations across every jurisdiction in which we operate is a priority, reflecting our dedication to being a responsible global corporate citizen.

Our Tax Policy is centred on two core principles: Compliance and Transparency. Established by Hempel's Board of Directors, the policy outlines the guidelines and expectations for managing tax affairs across the Hempel Group. It applies to all directors, managers and employees whose roles influence the management of taxes, and encompasses all forms of taxation – direct, indirect, collected and borne. The Tax Policy is reviewed annually by the Audit Committee and approved by the Board of Directors. The policy is updated as necessary to ensure continued alignment with our values. It is publicly accessible at hempel.com/about/ethics-and-compliance.

Compliance
- We implement global policies and procedures to ensure accurate tax reporting and timely payments.
- We adhere to both the letter and spirit of the law in all our tax dealings.
- We engage only in transactions that have genuine commercial substance.
- We ensure taxes are paid in the jurisdictions where value is generated.
- We file tax returns in all required locations, in line with local laws.

Total tax footprint in 2024

EUR million



2024 focus areas for tax
In 2024 we undertook multiple activities, including:
- Preparing systems for Pillar Two reporting as part of our readiness.
- Continuing focus on compliance data quality by setting up a Tax Data Warehouse for VAT compliance purposes.
- Automating VAT processes.
- Implementing the principal model in more countries.

Pillar Two reporting
We continue to monitor the implementation of Pillar Two regulations in local countries to ensure we comply with local requirements. Only a limited number of countries have implemented specific local rules, such as Qualifying Domestic Top Up Tax rules.

More details on Hempel's financial exposure to Pillar Two can be found in Note 2.4.

VAT compliance processes
In late 2024, we started implementation of a tax engine that will automate the VAT determination of VAT transactions. The solution will improve and streamline our VAT processes, prepare for real-time reporting and significantly optimize our VAT compliance process.

Implementation of the principal model
As stated in our Tax Policy, we are transitioning into a so-called principal model. Work on implementing the model accelerated during 2024 and the principal model was rolled out to several European countries.

The model is aligned with the Organisation for Economic Co-operation and Development's (OECD) Transfer Pricing Guidelines and recognises that our most valuable intangible assets (e.g. patents, knowhow, trademarks and formulations) are centrally owned and controlled by Hempel A/S in Denmark and consequently should be taxed in Denmark. In addition, Hempel A/S also provides management services to most of the entities in the Hempel Group.

Transparency
In line with our Futureproof sustainability framework and the increased global focus on tax transparency, we are committed to increased transparency around tax. Our Tax Policy is publicly available, and we report on our global tax footprint. Our global tax footprint for 2024 can be found on page 53.

We maintain a proactive and transparent relationship with tax authorities, as set out in our Tax Policy:
- We act in a professional and courteous manner.
- We respond to the tax authorities' inquiries in a timely and transparent manner.
- Where appropriate and possible, we engage in early dialogue with the tax authorities if significant uncertainties related to tax matters apply to our business operations. We believe behaving in this way will reduce the risk of disputes or damages to Hempel's credibility if uncertainties exist in tax regulations or if tax matters are inadvertently incorrect.

Activity in low-tax jurisdictions or countries categorised as tax havens
As a policy, Hempel is only active in countries where we have commercial substance, and we do not set up companies in low or no-tax jurisdictions for the primary purpose of minimising taxes. We are present in Bahrain and the United Arab Emirates (UAE), which are zero-tax jurisdictions. Hempel has a long-established presence in both these countries, with production and sales companies in both Bahrain and the UAE, with close to 200 employees in total.

Tax incentives received in 2024
As stated in our Tax Policy, the countries in which we do business may offer tax incentives or preferential tax reliefs. Hempel only accepts such incentives when these are specified in law and generally available.

As an example, in 2024 and in line with previous years, Hempel made use of the Danish R&D super-deduction and US R&D tax credits. The costs qualifying for the super-deduction were incurred for R&D in our R&D centres and for projects, to develop new and innovative products for our portfolio.

Tax footprint
Hempel's Tax Footprint is illustrated on the following page. The Tax Footprint is based on the Total Tax Contribution Framework and provides information on all taxes paid by Hempel.

The Framework is built around two essential criteria. First, the definition of a tax and secondly, the distinction between taxes that are the company's costs (taxes borne) and income taxes that the company collects on behalf of governments according to local legislation (taxes collected).

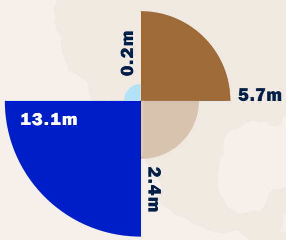
Global tax footprint

EUR million

The Americas

17.3m
Tax collected

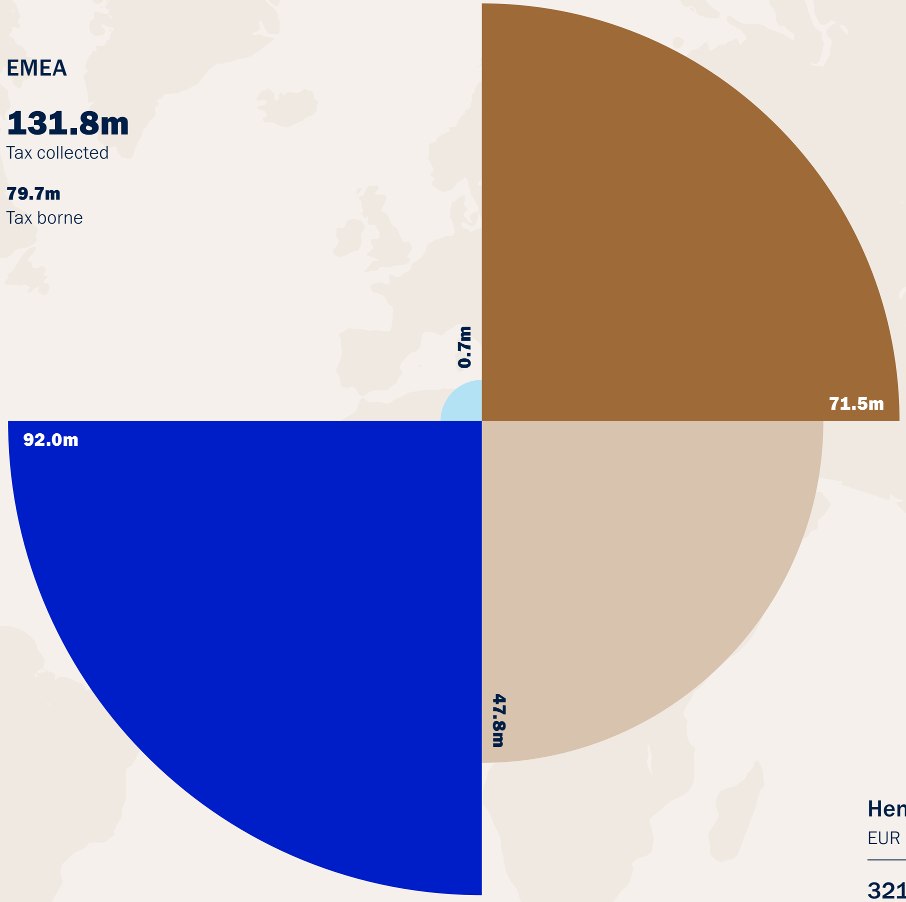
4.1m
Tax borne



EMEA

131.8m
Tax collected

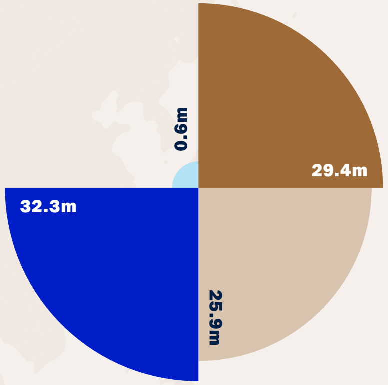
79.7m
Tax borne



APAC

43.6m
Tax collected

44.6m
Tax borne

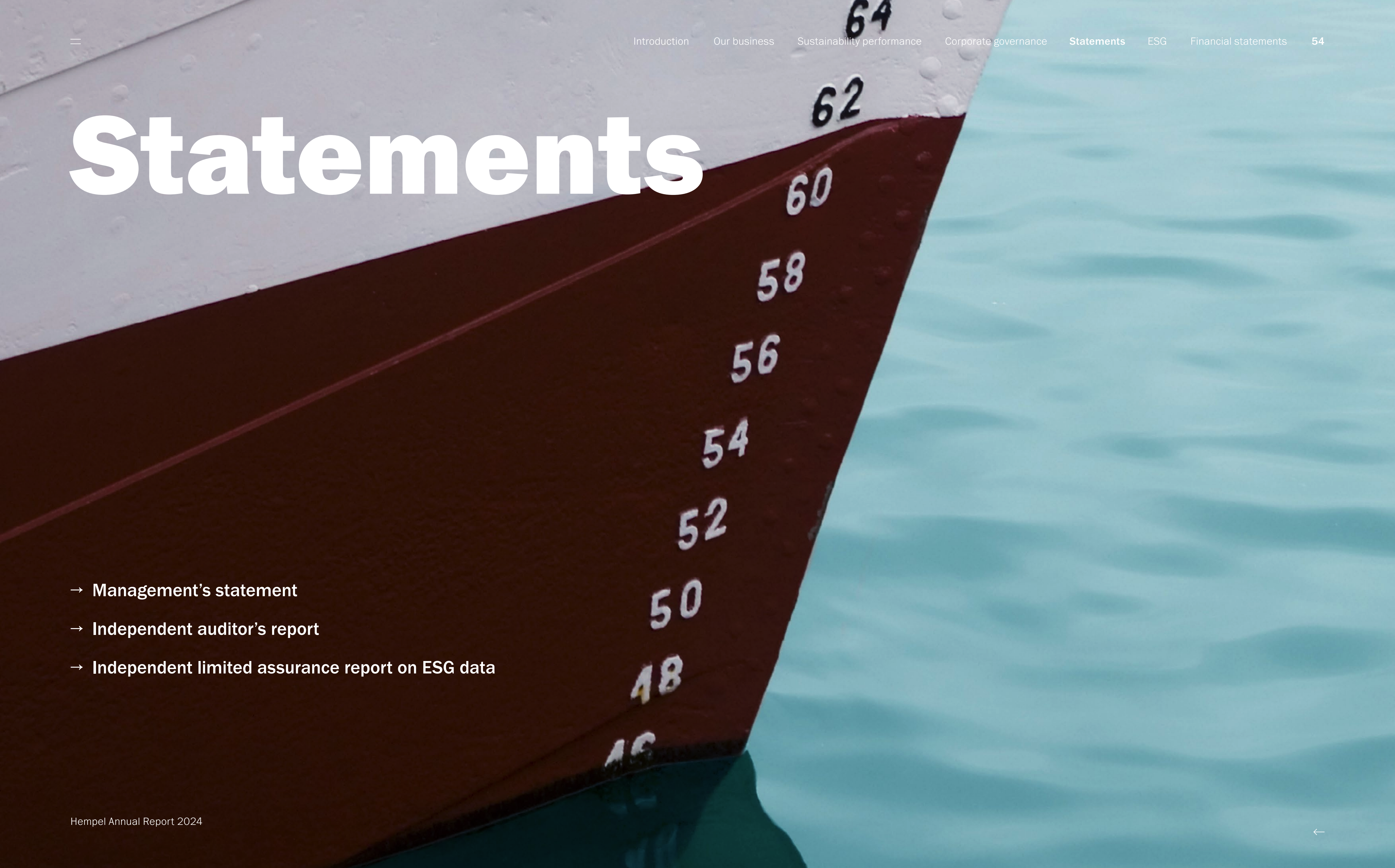


- Employee-related taxes
- Income taxes
- Product/sales taxes
- Other taxes

Hempel Group

EUR million

321m Global tax footprint	**2,185m** Revenue	**220m** Profit before tax
50m Corporate tax accrued	**76m** Corporate tax paid	**7,200+** Employees



Statements

Management's statement

The Board of Directors and the Executive Group Management have today considered and adopted the Annual Report of Hempel A/S for the financial year 1 January – 31 December 2024.

The Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2024 of the Group and the Parent Company and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2024.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company. In our opinion, the ESG data and information have been prepared in accordance with the accounting policies applied. They give a fair presentation of Hempel's environmental, social and governance performance. We recommend that the Annual Report be adopted at the Annual General Meeting.

Kgs. Lyngby, 4 March 2025

Registered Executive Management

Michael Hansen
Group President
& Chief Executive Officer

Peter la Cour Gormsen
Executive Vice President
& Chief Financial Officer

Board of Directors

Richard Sand
Chair

Søren P. Olesen
Deputy Chair

Leif Jensen

Britt Meelby Jensen

Karsten Munk Knudsen

Michael Lavrysen

Christoffer Sjøqvist

Helle Fiedler

Stephan Rolsted

Vibeke Stendal Larsen

Independent auditor's report

To the Shareholders of Hempel A/S

OPINION

In our opinion, the Consolidated Financial Statements (pages 71-112) give a true and fair view of the Group's financial position at 31 December 2024 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2024 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements (pages 113-122) give a true and fair view of the Parent Company's financial position at 31 December 2024 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Hempel A/S for the financial year 1 January – 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("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 Group 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 (pages 1-53 and 61-68).

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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group's and the Parent 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 Group or the Parent 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 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 March 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33771231

Anders Stig Lauritsen
State Authorised Public Accountant
mne32800

Kristian Pedersen
State Authorised Public Accountant
mne35412

Independent limited assurance report on the ESG data 2024

To the Stakeholders of Hempel A/S

Hempel A/S (Hempel) engaged us to provide limited assurance on the ESG data for the period 1 January – 31 December 2024 on pages 61-66 in the Annual Report for Hempel for 2024.

OUR CONCLUSION

Based on the procedures we performed and the evidence we obtained, nothing has come to our attention that causes us to believe that the ESG Data on pages 61-66 in the Hempel Annual Report 2024 have not been prepared, in all material respects, in accordance with the ESG Accounting Policies stated on pages 61-66.

This conclusion is to be read in the context of what we say in the remainder of our report.

WHAT WE ARE ASSURING

The scope of our work was limited to assurance over the ESG Data on pages 61-66 in Hempel's Annual Report.

PROFESSIONAL STANDARDS APPLIED AND LEVEL OF ASSURANCE

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions stated on pages 62-63, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board. Quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

UNDERSTANDING REPORTING AND MEASUREMENT METHODOLOGIES
The ESG Data needs to be read and understood together with the ESG accounting policies (pages 61-66), which management of Hempel is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

WORK PERFORMED
We are required to plan and perform our work in order to consider the risk of material misstatement of the ESG Data. In doing so, we:
- Conducted interviews with data owners to understand the key processes and controls for reporting site performance data;
- Obtained an understanding of the key processes and controls for measuring, recording and reporting the ESG Data;
- On a sample test basis agreed and reconciled reported data to underlying documentation;
- Performed analysis of data from reporting sites, selected based on risk and materiality to the Group; and
- Evaluated the evidence obtained.

MANAGEMENT'S RESPONSIBILITIES
Hempel's management are responsible for:
- Designing, implementing and maintaining internal controls over information relevant to the preparation of the ESG Data that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing the ESG Data;
- Measuring and reporting the ESG Data based on the accounting policies and the content of the ESG Data.

OUR RESPONSIBILITY
We are responsible for:
- Planning and performing the engagement to obtain limited assurance about whether the ESG Data are free from material misstatement, and are prepared, in all material respects, in accordance with the ESG accounting policies;
- Forming an independent conclusion, based on the procedures we have performed, and the evidence obtained; and
- Reporting our conclusion to the stakeholders of Hempel A/S.

Hellerup, 4 March 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Anders Stig Lauritsen
State Authorised Public Accountant
mne32800

Kristian Pedersen
State Authorised Public Accountant
mne35412

ESG

→ ESG data & accounting policies

ESG data & accounting policies

Basis for preparation

The environmental, social and governance (ESG) data disclosed in this section is prepared based on guidance from the UN Global Compact, recommendations from the CFA Society Denmark, GHG protocol and the metrics most relevant and material to the Hempel Group. The conversion of data reported to CO_2 equivalents is completed by applying relevant conversion factors from widely accepted authorities, such as the UK Department for Energy Security and Net Zero (DESNZ).

The consolidation principles are based on the same consolidation principles and period as the financial statements unless otherwise stated. Data from entities acquired or divested are included/excluded as of the date of the acquisition/divestment defined as the date Hempel obtains or ceases control, unless determined otherwise. If a divestment is financially classified as discontinued operations the entities are excluded from current year figures and comparative figures.

The accounting policies set out in this section have been applied consistently in the preparation of the consolidated ESG data and related disclosures for all the years presented.

Estimates & judgements

In preparing the ESG data, management is required to make judgements, estimates and assumptions that affect the amounts reported. The estimates and assumptions are based on experience, external sources and various other factors that management considers to be reasonable under the given circumstances. In general, carbon footprint scope 3 emissions have a higher degree of judgement and complexity, and changes in the assumptions and estimates could result in different outcomes than those recorded and presented in the scope 3 emissions.

Reporting scope

Environmental KPIs include Hempel Group data from all sites with production or warehouses in which Hempel has operational control. This includes 26 factories (2023: 26), 14 Innovation centres (2023: 14) and 25 warehouses (2023: 26) referred to as 'Hempel sites'.

In 2024, Hempel's reporting scope was revised to reflect the completion of the sale of the Hempel's decorative business in Germany and France on 1 August 2024. This divestment supports Hempel's strategic emphasis on strengthening its branded decorative business. 2023 figures have been restated to reflect the classification as a discontinued operation of Hempel's decorative business in Germany and France according to the financial consolidation principles.

Additionally, in line with Hempel's commitment to accurate accounting, the Carbon Footprint calculations have been updated. The revisions encompass:

- Updated to a more representative emission factor where relevant
- Restatement of data where applicable due to improved information visibility
- Expansion of categories under scope 1, 2, and 3 emissions
- Broadened reporting boundaries, see next page for further details

The same update and restatement has been made to the 2019 baseline.

In 2023, Hempel's scope, compared to previous years, was broadened to include emissions from company vehicles under scope 1, as well as the new factory in Zhangjiagang, China.

In 2024 retail stores and offices have been included, previously it has been deemed immaterial, however with the significant decrease in scope 1 and 2 emissions in our production sites, the relative impact from the offices and retail stores has increased and the data is hence collected and included.

All warehouses not under Hempel's operational control (e.g. consignment warehouses and third-party handled warehouses) are now included in scope 3.

Emissions from production, warehouses, retail stores and offices, company vehicles, purchase of raw and packaging materials, energy consumption for surface preparation and Volatile Organic Compounds in produced products cover all material activities in Hempel's value chain. Emissions from production at toll manufacturing sites on behalf of Hempel are included under the assumption that one tonne of toll-produced goods requires the same energy and results in the same waste generation as if the products had been produced at Hempel sites (i.e., the impact of these third-party emissions is estimated using the Hempel average material, energy, and waste impacts per litre of paint).

The social and governance data covers the Hempel Group, comprising Hempel A/S and entities controlled by Hempel A/S unless otherwise stated in the accounting policy.

Environmental data

All environmental data are presented in absolute numbers, as well as relative to production. The intensity data are given as the absolute data per 1,000 litres of paint produced.

Energy (kWh)
Energy consumption is defined as the energy used at Hempel sites and company vehicles and includes the amount of electricity, fuel, refrigerant top-up, district heating and gas consumption.

Electricity consumption at Hempel sites is calculated based primarily on readings from power managers and invoices, and adjusted to account for the reporting period. Electricity is classified according to source as either renewable, non-renewable or renewable energy through electricity bought with renewable energy certificates (RECs). Classification is based on the energy's source of origin, applying generally accepted definitions.

Waste generation (tonnes)
Waste generation includes amounts in tonnes of disposed waste, based on waste volumes collected by third-party waste handling providers. All waste generated is categorised by disposal method. Waste disposed through landfill is separately disclosed.

Carbon footprint scope 1 (tonnes CO_2e)
Scope 1 covers direct emissions originating from Hempel sites and company vehicles. Scope 1 emissions (operational) are based on energy consumed in the form of fuel used in operations (fuel oils and natural gas) as well as refrigerants (top-up). The total scope 1 emissions consists of the operational scope 1 emissions as well as the fuel from company vehicles. The consumption of fuels is converted to CO_2e emissions by applying relevant Greenhouse Gas Conversion Factors for Company Reporting from the Department for Energy Security and Net Zero (DESNZ, previously DEFRA) for the relevant year.

Carbon footprint scope 2 (tonnes CO_2e)
Scope 2 covers indirect emissions from electricity and district heating consumed at Hempel sites. The consumption of electricity and district heating is converted to CO_2e by applying the relevant emission factors (market or location based). Sites using documented renewable electricity contribute with zero emissions in the market-based approach. Electricity supplied through use of renewable

Energy & Waste	2024	2023
Renewable energy (kWh)	30,087,944	22,637,322
Renewable energy through use of RECs (kWh)	33,180,573	22,873,014
Non-renewable energy (kWh)	68,952,908	84,757,252
Total energy consumption (kWh)	132,221,425	130,267,588
Share of renewable energy	48%	35%
Share of renewable electricity	83%	67%
Energy (kWh / 1,000 L paint produced)	348	384
Waste generation (tonnes)	22,398	16,202
Waste generation (kg / 1,000 L paint produced)	59	48
Waste to landfill (tonnes)	1,586	934
Waste to landfill (kg / 1,000 L paint produced)	4	3
% reduction of waste to landfill from production sites (Baseline: 2019)	- 97%	- 95%

Carbon footprint	2024	2023
Carbon footprint scope 1 (tonnes CO_2e) Total	11,267	12,913
Carbon footprint scope 1 (tonnes CO_2e) Operational	6,553	7,516
Carbon footprint scope 2 (tonnes CO_2e) Location based	34,360	31,750
Carbon footprint scope 2 (tonnes CO_2e) Market based	7,500	12,059
Carbon footprint scope 3 (tonnes CO_2e) Total	2,822,684	3,000,090
Carbon footprint scope 3 (tonnes CO_2e) SBT	2,241,899	2,375,494
% reduction in absolute CO_2e emissions for scope 1 & 2 (Baseline: 2019)	- 65%*	- 54%
Carbon footprint scope 1 (tonnes CO_2e / 1,000 L paint produced)	0.03	0.04
Carbon footprint scope 2 (tonnes CO_2e / 1,000 L paint produced) Location based	0.09	0.09
Carbon footprint scope 2 (tonnes CO_2e / 1,000 L paint produced) Market based	0.02	0.04
Carbon footprint scope 3 (tonnes CO_2e / 1,000 L paint produced)	7.05	7.35

* Excluding company vehicles we reached a reduction of 70% in Scope 1&2.

certificates is, in the market-based approach, deducted in accordance with the guiding principles provided by RE100.

Carbon footprint scope 3 (tonnes CO_2e)
Scope 3 covers all relevant categories in the Greenhouse Gas Protocol. The emission factors used to convert to CO_2e are from the following datasets:

- Ecoinvent 3.4
- Raw materials LCI database for the European coatings and printing ink industries (CEPE database)
- Department for Energy Security and Net Zero (DESNZ) (previously DEFRA, 2024 v.1.1)
- Intergovernmental Panel on Climate Change (IPCC) (2013)
- DEFRA input/output emission factors for indirect supply chain emissions (2020 v.1) (DEFRA indirect)
- DEFRA Recovery Rate from Non-Hazardous Construction and Demolition Waste for the UK and England (2020) (DEFRA waste)
- CaDI Greenhouse Gas Emissions Factors for International Grid Electricity (calculated from fuel mix) (2024)

Category 1: Purchased goods and services
A hybrid approach is used for purchased good and service emissions whereas for office supplies, incidentals, purchased water and non-paint items a spend-based approach is used. Spend data is converted to CO_2e using DEFRA indirect emission factors. The Subcategories packaging and raw materials use an average-data approach. The calculation of CO_2e from materials used in Hempel's production based on the type and amount consumed during the year, with relevant conversion factors from the CEPE database or Ecoinvent 3.4 applied. For packaging, CO_2e is calculated based on volumes purchased by material type, with conversion factors from DESNZ used.

Category 2: Capital goods
A spend-based calculation method is applied to this category. The spend data are converted to CO_2e using DEFRA indirect conversion factors.

Category 3: Indirect energy
This category includes emissions from three activities: upstream emissions from purchased fuels; upstream emissions from purchased electricity; and transmission and distribution (T&D) losses. The detailed information from scope 1 and 2 emissions is converted to scope 3 emissions using factors from DESNZ.

Category 4: Upstream transportation and distribution
This category includes emissions from the transportation and distribution of raw materials, transportation of packaging as well as products to customers, that are not transported by Hempel owned or controlled vehicles. Emissions in this category are calculated based on data on distances converted to CO_2e using factors from DESNZ.

Category 5: Waste generated in operations
The calculation of CO_2e from waste generation is based on updated emission factors from the EcoInvent database, replacing the previous DEFRA factors which only covered transportation emissions to treatment facilities. The revised approach includes emissions from various waste management processes, such as incineration, landfill, and recycling, accounting for transportation and specific treatment emissions.

Category 6: Business travel
A hybrid approach is used for business travel emissions. The distance-based method is applied for business air travel using data provided by Hempel's travel agency. Business Travel by Air with Radiative Forcing emission factors are used from the factors from DESNZ. The spend-based calculation principle is deployed for terrestrial business travel by taxi, rental car and train, and converted to CO_2e using DEFRA indirect emission factors.

Category 7: Employee commuting
This category contains emissions from the transportation of employees between their homes and their worksites, as well as the energy used for working outside the office – while traveling and from home. The average-data method is applied to estimate the emissions from employee commuting based on the national average commuting patterns.

Category 9: Downstream transportation and distribution
This category contains emissions related to product distribution from our customers' delivery locations to their retail stores. Additionally, this category accounts for energy used in our non-operational-controlled warehouses.
A distance-based approach is used for the transportation emissions, and converted to CO_2e using factors from DESNZ. The energy consumption is based on the footprint of our operational control warehouses, and is extrapolated based on the area of the non-operational control warehouse that is occupied by Hempel.

Category 11: Use of sold products
This category covers direct use-phase emissions (VOC emitted from products), as well as indirect use-phase emissions (energy used in surface preparation and application of products).

Volatile Organic Compounds (VOCs) in products
The calculation of CO_2e from VOCs in products is based on the amounts of VOC in products sold (i.e. grams per litre of product sold). All VOCs are converted to carbon dioxide equivalent emissions using xylene as a representative profile.

Energy for application of products
The volume of sold paint is calculated based on actual production and sales data. The data are split per country and recommended product application method. The relevant country-specific emission factor (IEA dataset) is utilised to determine energy consumption for each country. To account for surface preparation, an average coverage of the sold products is calculated based on products supplied. The CO_2e is calculated by applying an estimated abrasive blasting emission factor (kg CO_2e/m²).

Category 12: End of life treatment
The waste-type specific method is applied to the total volumes produced at Hempel sites and at third-party toll manufacturing sites. Waste specific method is applied for this category. End of life emissions include the paint that is coated on an asset at its end of life, as well as the packaging of the paint product. At the end of life of the asset, it is assumed that the coating will not be removed prior to destruction, and the treatment methods are estimated based on DEFRA waste statistics. Packaging is split between plastic and metal, assuming that all packaging material can be recycled.

The following categories were deemed insignificant or not relevant for Hempel: Category 8: Upstream leased assets; Category 10: Processing of sold products; Category 13: Downstream leased assets; Category 14: Franchises; Category 15: Investments.

Social data

Lost Time Accident frequency
We use Lost Time Accidents (LTAs) as a key measure of workplace safety. LTA frequency is calculated as the number of LTAs per one million working hours.

LTAs are defined as occupational accidents that result in at least one day's absence following the day of the accident, as recommended by a medical professional. Days such as weekends, holidays and vacation are included. If the employee goes to work, even though a licensed healthcare professional advises not to, the accident will be reported as an LTA. Similarly, if the employee stays away from work without recommendation from a licensed healthcare professional, it is not included.

Only accidents involving employees employed directly or supervised by Hempel are reported. The number of working hours used to calculate the LTA frequency is based on the number of average full-time employees working for Hempel, multiplied by the most recent OECD average for actual working hours of 1,692 hours per employee per year (2023: 1,752 hours).

Consumption of hazardous raw materials
Hazardous raw materials are a subset of raw materials used in Hempel's production, which is monitored and compiled based on formulations and production data for specific products. The volume of paint produced includes all products produced by and for the Hempel Group, including products with no red raw material consumption.

A raw material falls under the Hazardous Raw Materials Programme if it carries any of the following hazard classifications according to the UN's Globally Harmonised System of Classification and Labelling:
- Carcinogen mutagen reprotoxic (CMR) category 1A or 1B
- Acute toxic category 1, 2 or 3
- Respiratory sensitisers category 1, 1A or 1B

Or if the raw material has the following properties:
- Persistent, bioaccumulative and/or toxic chemicals (PBT) or very persistent, very bioaccumulative (vPvB)
- Endocrine (hormonal) disruptors

Or is listed on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Candidate list or Authorisation list (Annex XIV).

The list of raw materials is reviewed and updated on a frequent basis, and our approach for reducing the amount of hazardous substances is split between two tracks: Substitution and Major Category Challenge. The Substitution track focuses on replacing existing raw materials with a less hazardous alternative, while the Major Category Challenge track focuses on long-term plans for some of the main ingredients in our paint products, resulting in position papers and overall business guidance related to the specific chemistry type.

Health & Safety	2024	2023
Lost Time Accident frequency (number/million work hours)	0.60	1.77
Consumption of hazardous raw materials (kg /1,000 L paint produced) Total	62.61	55.40
Consumption of hazardous raw materials (kg/1,000L paint produced) 2022 baseline	8.33	17.04

People & Diversity data
Headcount is defined as all individuals working directly for Hempel on a permanent or temporary contract at the end of the relevant year. Average Full-Time Equivalents (FTEs) is equal to the average number of full-time employees contracted with Hempel. Part-time employees are converted into FTEs proportionally based on the relevant country norm of a full-time employee.

Diversity KPIs are calculated based on the headcount at the end of the reporting period, using the following definitions:

- Total workforce is individuals on either a permanent or temporary contract with Hempel
- All management positions are defined as managers with at least 3 direct reports (previous definition)

Less than 0.5% of our employees have omitted to disclose whether they identify as male or female and therefore are not visible in the table on the right. However, internally all employees regardless of gender are given equal weight.

Employee Engagement – Response rate
Hempel conducts a comprehensive employee engagement survey once a year and all directly employed employees are invited to participate. The response rate is calculated as the number of employees who have responded to the full survey out of the total number of employees at the deadline for completing the survey.

Employee Engagement – Satisfaction & Motivation and Learning & Development
The Satisfaction & Motivation and Learning & Development scores are based on several questions included in the employee engagement survey. Answers are given on a scale from 1 to 10 (with 10 being the highest) and are subsequently converted to index figures on a scale from 0 to 100 by an external provider.

Employee engagement	2024	2023
Response rate	85%	84%
Satisfaction & Motivation	74	75
Learning & Development	81	81

People	2024	2023
Average full-time equivalents (FTEs)	6,932	6,788
Number of employees (headcount)	7,239	7,036

Diversity	2024		2023		Target for the under-represented gender
	Total	Ratio female/male	Total	Ratio female/male	
General workforce (total headcount per 31 Dec)	7,239	34/66	7,036	33/67	35% in 2025 (34% in 2024)
Leadership positions (3 direct reports per 31 Dec)	911	31/69	890	29/71	32% in 2025 (31% in 2024)

Governance data

Percentage of employees required to complete the Code of Conduct refresher
The percentage is calculated as the number of employees who completed and signed off on the annual Code of Conduct Refresher e-learning in Hempel's Learning Management System out of the total target group, consisting of over 4,000 employees.

Compliance cases
The number of compliance cases includes all cases that are recorded in our Hempel Ethics Hotline system, operated by NAVEX Global, and handled in accordance with Hempel's Ethics Hotline Policy. Such cases may have been submitted directly to the Ethics Hotline website, reported to our Compliance function or management, or registered following an internal finding.

Hempel Procurement Sustainability Screening Programme
The number of suppliers screened is the number of screenings completed within the relevant year. The percentage of direct and indirect spend on screened suppliers is calculated by dividing the total direct and indirect spend of the Hempel Group within the relevant year by the amount of direct and indirect spend on screened suppliers within the last three years.

Code of Conduct	2024	2023
Percentage of employees with a Hempel e-mail address who completed and signed off on the Code of Conduct Refresher	99%	99%

Compliance cases	2024	2023
Open compliance cases, beginning of the period	16	15
New compliance cases reported during the year	56	65
– Environment, health & safety	3	-
– Work environment	14	27
– Integrity	39	38
Compliance cases closed as substantiated during the year	30	33
Compliance cases closed as unsubstantiated during the year	32	31
Total cases under investigation, end of period	10	16

Sustainability Procurement Screening Programme	2024	2023
Suppliers screened	184	25
% of direct and indirect spend suppliers screened through Hempel Procurement Sustainability Screening	61%	44%

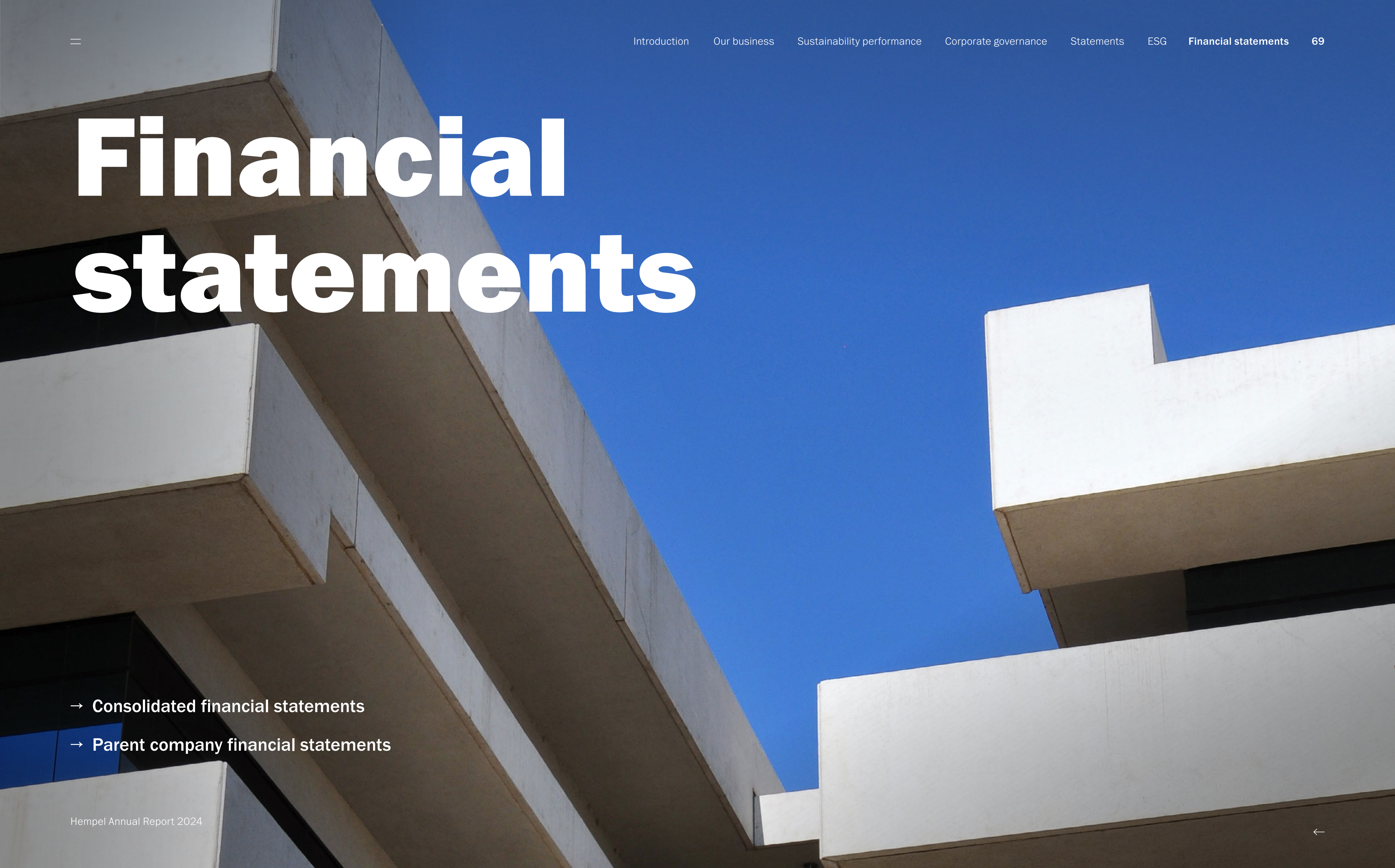
TCFD Table

Topic	Disclosures	What is Hempel doing		Reference
Governance	a. Describe the board's oversight of climate-related risks and opportunities.	The Board of Directors maintains full overview of Hempel's key risks, including any risks and opportunities related to climate and/or environmental sustainability. The risk identification process, as well as risk reporting, is anchored in our Enterprise Risk Management (ERM) Policy.	The Board of Directors has overall responsibility for reviewing and challenging the top key risks on a biannual basis; the Audit Committee has responsibility for overseeing the effectiveness of the risk management activities.	Page 39-53 (Corporate Governance)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Executive Group Management, including the Risk Committee, oversees our risk management process on a quarterly basis. This also includes a holistic review of the key risks in our segments and functions.	Furthermore it is the Executive Group Management's role to ensure that the risk appetite in our strategy, objectives, and business model is appropriate to ensure a sustainable business.	Page 39-53 (Corporate Governance)
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Climate change is one of the top risks to Hempel and has the potential to impact our business in the short, medium and long term. We are exposed to various physical risks from the effects of climate change, both at our factories and our R&D centres around the world. The risks include extreme weather and water scarcity, as well as the fact that our products contain VOCs and solvents. Further, we must ensure that our production facilities are adequately protected to secure resilience.	We assess risk stemming from the changing physical environment – such as acute and chronic weather changes (e.g., flood, fires, droughts, increasing temperatures and rising sea levels) – as part of our overarching ERM process. Potential regulatory risks associated with the shift to a low carbon emissions economy may impact governmental regulation and our ability to deliver on our strategic objectives. The potential regulatory risk can have a significant impact on our ability to manufacture our products in their current form. Although these risks are significant, they also present opportunities for R&D, new product development and recycling.	Page 39-53 (Corporate Governance)
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The potential impacts of climate change are taken into account when we assess our top enterprise-wide risks.	The materiality assessment highlighted the most material issues for Hempel to focus on, including greenhouse gas (GHG) emissions, resource consumption, waste disposal, hazardous materials, and social and economic inequality.	Page 23-24 (Double Materiality Assessment) Page 39-53 (Corporate Governance)
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have performed a scenario analysis for our science-based targets. This is the starting point we are using to formulate our climate adaptation strategy to ensure long-term business continuity.		Page 28-29 (Science-based targets)
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks.	The process for assessing and identifying climate-related risks is the same as identifying any other principal business risks. The overall process is an integral part of the ERM framework, which enables us to assess risks and opportunities in a consistent manner.	Our current method is based on a scenario analysis in which we evaluate risks based on the possible risk scenario and how it could impact our objectives.	Page 39-53 (Corporate Governance)
	b. Describe the organisation's processes for managing climate-related risks.	We continue to review our business risks and opportunities consistently. The top key risks are reported to our Executive Group Management and the Board of Directors according to our ERM framework and our Annual Enterprise Risk Management Cycle.		Page 39-53 (Corporate Governance)
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	We continue to consider and integrate climate-related matters into our overarching ERM framework in order to identify and analyse relevant climate-related data. We are also continuing to develop tools and explore opportunities for third-party data to measure and quantify climate-related risks.		Page 39-53 (Corporate Governance)
Metrics & targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We report on environmental targets and KPIs in our annual report. Relevant metrics include energy consumption, waste generation and disposal method, GHG emissions, carbon intensity and hazardous materials management.		Page 61-66 (ESG data)
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	We report absolute CO_2 emissions on Scope 1, 2 and 3 in our annual report. We report according to the Greenhouse Gas Protocol and our data reporting is subject to a limited assurance statement by our independent auditors.		Page 28-29 (Science-based targets) Page 61-66 (ESG data)
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We have set validated science-based targets for Scope 1, 2 and 3 CO_2e emissions. We are committed to the UN Global Compact, Climate Group's EV100, and disclosure through the EcoVadis platform.		Page 28-29 (Science-based targets) Page 25 (ESG ratings and external recognitions)

Target summary

Topics	2022 Material topics	2024 Material topics	Futureproof Targets	SDGs
E	Climate crisis	E1 Climate change	• 90% reduction of Scope 1 & 2 CO_2e emissions by 2026 (2019 baseline) • Reduce CO_2e emissions in our value chain by 50% by 2030 (Scope 3) • Reduce customer emissions by at least 35 million tonnes CO_2e by 2025[1]	
		E2 Pollution		
	Biodiversity crisis	E4 Biodiversity		
	Resource depletion	E5 Circularity	• Achieve zero waste to landfill at our production sites by end of 2025 • Achieve 50% recycled plastic in primary plastic packaging by end of 2025 • 1.3 million cans collected and recycled through the Can Back Scheme	
S	Health and Wellbeing	S1 Own workforce	• Complete a five-year plan for reducing and phasing out hazardous materials • Build an even stronger safety culture and eliminate all Lost Time Accidents and other injuries • Achieve the targets of 34% women in general workforce and 31% women in leadership by 2024	
		S2 Workers in the value chain	• Promote and further good ethical behaviour and environmental practices in our supply chain	
G		G1 Governance	• Promote and further good ethical behaviour and environmental practices in our supply chain	

[1] The target has been restated based on Hempel's Hempaguard X7 data, which was third-party validated in 2024. The new baseline year is 2013 when Hempaguard X7 was launched.



Financial statements

→ Consolidated financial statements

→ Parent company financial statements

Consolidated financial statements

Primary statements

Notes

Consolidated statement of profit and loss

Note	(EUR m)	2024	2023[1]
2.1	Revenue	2,185	2,170
2.3	Production costs	- 1,237	- 1,268
	Gross profit	**948**	**902**
2.3	Sales and distribution costs	- 511	- 519
2.3	Administrative costs	- 160	- 148
	Operating profit	**277**	**235**
4.5	Financial income	39	28
4.5	Financial expenses	- 96	- 121
	Profit before tax	**220**	**142**
2.4	Income tax	- 50	- 20
	Net profit for the year from continuing operations	**170**	**122**
4.6	Net loss for the year from discontinued operations	- 90	- 72
	Net profit for the year	**80**	**50**
	Attributable to:		
	Equity holders of the parent company	60	41
	Non-controlling interests	20	9
	Net profit for the year	**80**	**50**

[1] 2023 has been restated to reflect the classification as a discontinued operation of Hempel's decorative business in Germany and France – see note 4.6 Discontinued operations for further information.

Consolidated statement of comprehensive income

Note	(EUR m)	2024	2023
	Net profit for the year	80	50
	Other comprehensive income:		
	Items that may be reclassified to profit or loss:		
	Exchange rate differences on translation of foreign operations	57	1
4.4	Value adjustments of hedges	3	- 5
2.4	Tax on other comprehensive income	- 6	- 1
	Items that will not be reclassified to profit or loss:		
3.6	Remeasurements of defined benefit pension obligations	2	- 1
2.4	Tax on other comprehensive income	-	-
	Other comprehensive income for the year, net of tax	**56**	**- 6**
	Total comprehensive income for the year	**136**	**44**
	Attributable to:		
	Equity holders of the parent company	113	37
	Non-controlling interests	23	7
	Total comprehensive income for the year	**136**	**44**

Consolidated statement of financial position

31 December

Note	(EUR m)	2024	2023
3.1	Intangible assets	793	761
3.2	Property, plant and equipment	480	492
3.3	Right-of-use assets	122	136
	Other financial assets	9	13
3.6	Defined benefit pension plan surpluses	4	2
2.4	Deferred tax assets	122	112
	Total non-current assets	**1,530**	**1,516**
3.4	Inventories	336	332
3.5	Trade receivables	450	505
	Income tax receivables	22	18
	Prepayments	20	18
	Other receivables	63	71
	Cash	210	209
	Total current assets	**1,101**	**1,153**
	Total assets	**2,631**	**2,669**

Note	(EUR m)	2024	2023
4.1	Share capital	19	15
4.1	Share premium	590	-
4.1	Warrants	6	-
	Translation reserve	28	- 24
	Cash flow hedging	- 2	- 4
	Retained earnings	417	490
	Proposed dividend for the year	-	25
	Shareholders in Hempel A/S's share of equity	**1,058**	**502**
	Non-controlling interests	67	57
	Total equity	**1,125**	**559**
4.2	Borrowings	548	1,034
3.3	Lease liabilities	95	105
3.7	Provisions	55	36
3.6	Defined benefit pension plan deficits	22	21
2.4	Deferred tax liabilities	70	77
	Total non-current liabilities	**790**	**1,273**
4.2	Borrowings	75	53
3.3	Lease liabilities	34	35
	Trade payables	317	332
5.5	Payables to parent companies	-	57
	Deferred income	7	8
3.7	Provisions	16	10
	Income tax payables	44	41
3.8	Other liabilities	223	301
	Total current liabilities	**716**	**837**
	Total liabilities	**1,506**	**2,110**
	Total equity and liabilities	**2,631**	**2,669**

Consolidated statement of changes in equity

Note	(EUR m)	Share capital	Share premium	Warrants	Translation reserve	Cash flow hedging	Retained earnings	Proposed dividend	Shareholders in Hempel A/S' share of equity	Non-controlling interests	Total equity
	Equity at 1 January 2023	**15**	**-**	**-**	**- 25**	**-**	**529**	**-**	**519**	**28**	**547**
	Net profit for the year	-	-	-	-	-	41	-	41	9	50
	Other comprehensive income	-	-	-	1	- 4	- 1	-	- 4	- 2	- 6
	Total comprehensive income for the year	**-**	**-**	**-**	**1**	**- 4**	**40**	**-**	**37**	**7**	**44**
	Transactions with owners in their capacity as owners:										
	Paid extraordinary dividend	-	-	-	-	-	- 26	-	- 26	-	- 26
	Paid dividend	-	-	-	-	-	-	-	-	- 5	- 5
	Proposed dividend	-	-	-	-	-	- 25	25	-	-	-
	Transactions with non-controlling interests[1]	-	-	-	-	-	- 28	-	- 28	27	- 1
	Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**- 79**	**25**	**- 54**	**22**	**- 32**
4.1	**Equity at 31 December 2023**	**15**	**-**	**-**	**- 24**	**- 4**	**490**	**25**	**502**	**57**	**559**
	Equity at 1 January 2024	**15**	**-**	**-**	**- 24**	**- 4**	**490**	**25**	**502**	**57**	**559**
	Net profit for the year	-	-	-	-	-	60	-	60	20	80
	Other comprehensive income	-	-	-	52	2	- 1	-	53	3	56
	Total comprehensive income for the year	**-**	**-**	**-**	**52**	**2**	**59**	**-**	**113**	**23**	**136**
	Transactions with owners in their capacity as owners:										
	Additional share issue and contribution	4	590	6	-	-	-	-	600	-	600
	Paid extraordinary dividend	-	-	-	-	-	- 132	-	- 132	-	- 132
	Paid dividends	-	-	-	-	-	-	- 25	- 25	- 13	- 38
	Total transactions with owners	**4**	**590**	**6**	**-**	**-**	**- 132**	**- 25**	**443**	**- 13**	**430**
4.1	**Equity at 31 December 2024[2]**	**19**	**590**	**6**	**28**	**- 2**	**417**	**-**	**1,058**	**67**	**1,125**

[1] On 28 June 2023, the remaining 35% of shares in the JWO Group, previously recognised as non-controlling interests, were acquired. The non-controlling interests related to the 35% of shares have been transferred directly to retained earnings.
[2] Transaction costs totalling EUR 12 million were accounted for as a deduction from equity in the year ended 31 December 2024.

Consolidated cash flow statement

Note	(EUR m)	2024	2023
	Cash flows from operating activities		
	Operating profit	277	235
	Operating profit from discontinued operations	- 81	- 57
5.2	Adjustment for non-cash items	209	172
	Total cash flows from operating activities before financial items, tax and changes in working capital	**405**	**350**
	Changes in working capital:		
	Change in receivables	16	- 62
	Change in inventories	- 26	1
	Change in trade payables, other liabilities etc.	- 36	- 26
	Total change in working capital	**- 46**	**- 87**
	Total cash flows from operating activities before financial items and tax	**359**	**263**
	Income tax paid	- 75	- 62
	Interest received	9	12
	Interest paid	- 68	- 86
	Total cash flows from operating activities	**225**	**127**
	Cash flows from investing activities		
	Purchase of property, plant and equipment	- 61	- 71
	Purchase of intangible assets	- 32	- 34
	Sale of property, plant and equipment	3	1
	Divestment of enterprises	4	6
	Total cash flows from investing activities	**- 86**	**- 98**
	Free cash flow	**139**	**29**

Note	(EUR m)	2024	2023
	Cash flows from financing activities		
4.4	Repayment of lease liabilities	- 37	- 38
	Proceeds from borrowings	317	188
	Repayment of borrowings	- 840	- 105
	Proceeds of issue of equity	600	-
	Transactions with shareholders:		
4.1	Dividend distributed to shareholders	- 157	- 26
4.1	Dividend distributed to and other transactions with non-controlling interests	- 18	- 7
	Total cash flows from financing activities	**- 135**	**12**
	Net cash flow	**4**	**41**
	Cash beginning of year	209	183
	Exchange adjustment	- 3	- 15
	Cash end of year	**210**	**209**

1 Basis of preparation

1.1 Material accounting policy information

Introduction
The consolidated financial statements of Hempel A/S for the period 1 January – 31 December 2024 comprise Hempel A/S and its subsidiaries (the Group).

The Board of Directors considered and approved the 2024 Annual Report of Hempel A/S on 4 March 2025. The Annual Report will be submitted to the shareholders of Hempel A/S for approval at the Annual General Meeting on 21 May 2025.

Accounting policies
The consolidated financial statements have been prepared in accordance with IFRS as endorsed by the EU and additional Danish disclosure requirements applying to entities of reporting class C for large companies.

The notes are grouped in sections and include the relevant accounting policies. The Group's significant accounting estimates and judgements are described in note 1.2 Significant accounting estimates and judgements.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments and assets held for sale that are measured at fair value. The accounting policies have been applied consistently in the preparation of the consolidated financial statements and for the comparative figures.

Discontinued operations
Discontinued operations are excluded from the results of continuing operations and presented as a single amount in profit and loss after tax from discontinued operations in the statement of profit and loss. For discontinued operations, comparatives are restated in the statement of profit and loss. Refer also to note 4.6 Discontinued operations.

New standards, interpretations and amendments adopted
The Group applied certain standards, interpretations and amendments, which are effective for annual periods beginning on or after 1 January 2024: Amendments to IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases'.

The amendments listed above did not have any impact on the amounts recognised in current or prior periods and are not expected to significantly affect future periods.

Changes to IAS 1 Presentation of Financial Statements
The changes to IAS 1 require additional disclosures of the risk that non-current liabilities, which are subject to covenants, could become payable within 12 months after the balance sheet date. Reference is made to note 4.1 Share capital, distribution to shareholders.

New standards and interpretations not yet adopted
New accounting standards and interpretations that have been issued, but are not mandatory for the 31 December 2024 reporting period, have not been early adopted by the Group. These standards are not expected to have a material impact on recognition or measurement for the Group in future reporting periods, or on foreseeable future transactions.

IFRS 18 'Presentation and Disclosure in Financial Statements' replaces IAS 1 'Presentation of Financial Statements' and is effective for reporting periods beginning on or after 1 January 2027. The Group is working to identify the impact of IFRS 18 on the primary financial statements and the note disclosures.

Basis of consolidation
The consolidated financial statements comprise the parent company, Hempel A/S, and entities controlled by Hempel A/S (subsidiaries). Control is achieved when the Group is exposed to, or has a right to, variable returns from its involvement with the investee and has the power to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

Control is usually achieved by directly or indirectly owning, or in other ways controlling, more than 50% of the votes or other rights through agreements of management control. De facto control and other potential voting rights at the balance sheet date are also considered when determining whether control is achieved. Consolidation is performed by summarising the financial statements of the parent company and its subsidiaries. On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and intra-Group balance accounts as well as of realised and unrealised gains and losses on transactions between the consolidated enterprises.

1.1 Material accounting policy information — continued

When the Group loses control of a subsidiary, it derecognises the assets (including goodwill), liabilities, the carrying amount of any non-controlling interests and components of equity attributable to the non-controlling interests. Any gain or loss is recognised within other operating income and expenses.

The acquisition method of accounting is used to account for business combinations by the Group.

Non-controlling interests
Non-controlling interests' share in the results and equity of subsidiaries is shown separately in the consolidated statement of profit and loss, statement of comprehensive income, statement of financial position and statement of changes in equity, respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings within equity.

Presentation currency
The functional currency of the parent company is DKK, however the consolidated financial statements are presented in million EUR as the Group operates in a global environment with international stakeholders.

Translation of transactions and balances in foreign currencies
Items included in the financial statements of each of Hempel's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies. Transactions in foreign currencies are translated into the functional currency of the entity using exchange rates prevailing at the date of transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates on the reporting date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised as foreign exchange gains and losses in the statement of profit and loss as financial income or financial expenses.

Non-monetary items recognised in foreign currencies are measured at the transaction date exchange rates and are not subsequently retranslated.

Translation of Group companies
The results and financial position of foreign operations with a functional currency other than EUR (and which is not the currency of a hyper-inflationary economy) are translated into the presentation currency EUR as follows:

- assets and liabilities are translated at the exchange rate on the reporting date
- income and expenses in profit and loss and in the statement of comprehensive income are translated at monthly average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- share capital denominated in a currency that differs from the presentation currency of the consolidated financial statements is translated at historical cost
- all resulting exchange differences are recognised in other comprehensive income and attributed to a separate component of equity (translation reserve). However, where the entity is not whollyowned, a proportion of the translation difference is allocated to the non-controlling interests.

Foreign currency translation adjustments arising on loans to, or borrowings from, subsidiaries which are neither planned nor likely to be settled in the foreseeable future, and which are therefore considered to form part of the net investment in the subsidiary, are recognised directly in other comprehensive income under the separate translation reserve within equity. When a foreign operation is derecognised, the associated cumulative exchange rate differences are reclassified to profit or loss, as part of the gain or loss on sale. Repayment of loans considered a part of the net investment in a subsidiary is not considered a disposal when Hempel retains its proportionate ownership interests, thus the cumulative exchange difference is not reclassified to profit and loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation.

Hyperinflation
In foreign subsidiaries that operate in hyper-inflationary economies, income and expenses are translated into the presentational currency EUR at the exchange rate at the balance sheet date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, the income statement and non-monetary balance sheet items are restated taking into account changes in the general purchasing power of the functional currency based on the inflation up to the balance sheet date ('inflation adjustment'). The effect of the inflation adjustment is recognised in Other comprehensive income within the

1.1 Material accounting policy information — continued

translation reserve. In the income statement, gain/loss on the net monetary position in the foreign entities is recognised as financial income or expense.

The assessment as to when an economy is hyperinflationary is based on qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period exceeds 100%. Currently, Turkey and Argentina are considered hyperinflationary economies and thus the Group's operations in Argentina and Turkey have been remeasured in accordance with the principles described, applying the national Consumer Price Index (CPI) of Argentina and Turkey, respectively, for the inflation adjustment.

Classification of operating expenses in the statement of profit and loss

Production costs

Production costs comprise costs incurred to generate revenue for the year. Costs comprise raw materials, consumables, direct labour costs and indirect production costs, such as maintenance, amortisation and depreciation, as well as costs for operation, administration and management of factories. Production costs also include research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs (except for amortisation of business application software). Write-downs of inventory are also included.

Sales and distribution costs

Sales and distribution costs comprise costs incurred to distribute products and for sales campaigns, including costs for sales and distribution staff, advertising costs, depreciation of sales equipment and amortisation of customer relationships.

Administrative costs

Administrative costs comprise costs incurred for management and administration of the Group, including costs for administrative staff and management as well as office costs, depreciation and write-downs for bad debt. Amortisation of brands and software business applications are also recognised in administrative costs.

Cash flow statement

The statement of cash flows is presented using the indirect method. The statement of cash flows for the Group shows the cash flows for the year, broken down into operating, investing and financing activities and changes in the Group's cash and cash equivalents from the beginning of the year to the end of the year. The statement of cash flows cannot be immediately derived from the published financial records.

Cash flow from operating activities

Cash flow from operating activities is calculated as the operating profit or loss for the year adjusted for changes in working capital, non-cash items such as depreciation, amortisation and impairment losses and provisions, as well as interest and tax paid.

Cash flow from investing activities

Cash flow from investing activities comprises cash flows from purchases and disposals of intangible assets, property, plant and equipment and acquisitions/divestments of enterprises.

Cash flow from financing activities

Cash flow from financing activities comprises cash flows from the raising and repayment of principal long-term and short-term debt, including repayment of lease liabilities as well as payments to and from shareholders.

Cash flow in currencies other than the functional currency

Cash flow in currencies other than the functional currency are translated at the average exchange rates for the month, unless these differ significantly from the rates at the transaction date, in which case the exchange rate at the transaction date is applied.

Cash

Cash comprises cash at hand and bank deposits.

1.2 Significant accounting estimates and judgements

In preparation of the consolidated financial statements, management is required to make various accounting judgements and estimates that affect the reported amounts of assets, liabilities, income and expenses, including the related disclosures. A degree of uncertainty is involved in carrying out these judgements and estimates which could result in adjustments to the carrying amount of assets and liabilities in future periods.

The judgements, estimates and the related assumptions made are based on historical experience and other factors that management considers to be reasonable under the given circumstances. Estimates and judgements are reviewed on an ongoing basis.

The Group's significant accounting estimates and judgements are described below.

Significant accounting estimates

The significant accounting estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in a subsequent reporting period.

Warranties

The Group generally offers warranties for its products and receives claims under these warranties. Management makes estimates regarding the related provisions, both for claims that have already been received and for claims that may be received in the future related to products already sold that are still under warranty at the reporting date. For claims already received estimates take into account technical assessments of the validity of the claim, the costs of remediation and input from internal and external counsel regarding the probability of pending legal disputes and future litigation outcomes. For claims not yet received related to products sold before the reporting date, historical warranty claim information is used as the basis of the estimate of the provision, as well as recent trends that might suggest that historical claim levels do not accurately represent an approximation of the costs of future claims.

Factors that could impact the estimated amounts include whether the claims are received and deemed valid, to what extent the claims are covered by the product warranty and estimates of the costs of coating products and other associated costs for remediating any product failure. Reference is made to note 3.7 Provisions for information about the Group's warranty provision.

The Group has taken out insurance against product failures. The product failure insurance is, to a certain extent, linked to the size and nature of claims. This reduces the overall exposure to warranty claims and the potential net impact on profit and loss from claims.

Uncertain tax positions

Hempel has activities and subsidiaries in many different countries, and therefore is subject to income taxes in tax jurisdictions around the world. Uncertain tax positions relate to uncertainty in the interpretation of tax legislation in the countries Hempel operates in.

Significant estimates and judgements are required when determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provision for uncertain tax positions.

In the course of conducting business globally, transfer pricing disputes with tax authorities may occur, and management's judgement is applied to assess the possible outcome of such disputes. Hempel believes that the provision made for uncertain tax positions is adequate. However, due to the uncertainty, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Reference is made to note 2.4 Income tax, tax assets and liabilities.

Valuation of deferred tax assets

The deferred tax assets are recognised for carry-forward tax losses expected to be utilised and temporary deductible differences.

The Group recognises deferred tax assets, including the expected value of carry-forward tax losses, based on an assessment of the recoverability of the deferred tax assets, both at the initial recognision and subseqently on a regular basis.

The assessment of the recoverability of the deferred tax assets involves estimates by management as to the likelihood of the utilisation of the deferred tax assets within a foreseeable future. This depends on a number of factors, including whether there will be sufficient taxable profits available in future periods, against which the carry-forward tax losses can be utilised. In the event that actual future taxable profits generated are less than expected, impairment of the deferred tax assets may be required. Reference is made to note 2.4 Income tax, tax assets and liabilities.

Impairment test of goodwill

In performing the annual impairment test, management assesses whether the groups of Cash Generating Units (CGUs) to which the goodwill relates will be able to generate sufficient positive net cash flows to support their carrying amount together with other net assets of the respective groups of CGUs. This assessment is based on estimates of expected future cash flows. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that Hempel is not yet committed to or significant future investments that will enhance the performance of the assets of the groups of

1.2 Significant accounting estimates and judgements — continued

CGUs being tested. The recoverable amount is sensitive to the discount rate used, as well as the expected future cash inflows and the terminal growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different groups of CGUs are disclosed and further explained in note 3.1 Intangible assets.

Impairment test of brand

In performing the annual impairment test of the Farrow & Ball brand, management assesses whether the brand will be able to generate sufficient positive net cash flows to support the carrying amount of the brand. The assessment is performed using a relief-from-royalty method based on expected future cash flows generated from the royalty savings attributable to owning the brand. The expected cash flows are based on assumptions about the royalty rate, expected future revenue and the discount rate. The key assumptions used to determine the recoverable amount of the brand are disclosed and further explained in note 3.1 Intangible assets.

Significant accounting judgements

The significant judgements, apart from those that involve estimations, are the judgements that management made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Useful life of brands

Management has assessed that certain brands, in particular the Farrow & Ball brand, have an indefinite useful life as there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows, based on the brand being well-established in its markets, having existed for decades and having no legal, regulatory, contractual, competitive, economic or other factors limiting the useful life of the brand.

2 Results for the year

2.1 Revenue

Accounting policies
The Group mainly generates revenue from the sale of paints and coatings (goods for resale and finished goods) based on prices and conditions stated in the contracts with customers. The primary revenue-generating activity comprises sale of finished goods. In addition, the Group generates a minor part of its revenue from the provision of technical services.

Revenue from sale of paints and coatings is recognised when the related performance obligation is satisfied by transferring control of the promised goods to a customer. The Group's customer contracts usually include only a single performance obligation. Control of the paints and coatings is obtained when the goods are transferred to the customer. Where the Group provides technical services, including advice, training, project oversight and surface management services, etc., revenue is recognised over time as the services are rendered.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which Hempel expects to be entitled in exchange for those goods and services (transaction price), which normally comprises the price specified in the contract, net of discounts and customer bonuses.

The Group offers various discounts, including rebates, bonuses, volume discounts and payments to customers depending on the nature of the customer and business. These discounts are considered variable consideration. Bonuses and discounts payable to a customer are accrued for as the related performance obligations are satisfied and revenue is recognised. Historical experience is used to estimate and provide for the discounts, using the expected value method. Variable consideration related to discounts is only recognised as revenue to the extent that it is highly probable that a significant reversal will not occur in a later period. In the case of expected returns, a refund liability and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned.

Revenue
The vast majority of the Group's performance obligations are satisfied within one year or less. Amounts for remaining performance obligations (order backlog) are therefore not disclosed in accordance with the practical expedient in IFRS 15.121.

Payments from customers are due depending on the type of customer and local business practices, though typically within 30-90 days. Longer credit terms are provided in certain countries, though normally not exceeding 180 days. Retail payments are normally due immediately after control of the goods has transferred to the customer. Accordingly, no significant element of financing is present.

Disaggregation of revenue
The following table displays revenue disaggregated into sale of goods per geographical region:

(EUR m)	2024	2023
EMEA	1,225	1,157
Asia-Pacific	700	750
Americas	260	263
Total revenue	**2,185**	**2,170**

Revenue disaggregated into sale of goods per customer category:

(EUR m)	2024	2023
Decorative	653	610
Marine	709	725
Energy & Infrastructure	823	835
Total revenue	**2,185**	**2,170**

Due to changes in the organisational structure during 2024, revenue from Energy & Infrastructure is now grouped together, in contrast to 2023 where they were disclosed seperately. Reference is made to note 3.1 Intangible assets for a description of the organisational changes.

2.2 Employee costs

Accounting policies
Employee costs include wages and salaries, pensions, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits. Employee costs are recognised in the financial year in which the associated services are rendered.

Costs for long-term employee benefits provided by the Group are recognised in the period in which they are earned.

For further information about the Group's pension plans, reference is made to note 3.6 Pensions and other post-employment benefit obligations.

Equity-settled share-based payment transactions are measured at fair value determined at the date of grant and recognised as an expense over the vesting period with a corresponding increase in equity.

Key management compensation
Together with the Board of Directors, key management personnel comprise individuals in the Registered Executive Management and the Executive Group Management (EGM). Registered Executive Management is a part of the EGM and the EGM consists of 8 individuals (2023: 8 individuals).

Remuneration of the Executive Group Management includes a fixed salary, company car and other standard fringe benefits, and an annual bonus payment which cannot exceed 70-100% of the individual's fixed salary.

The annual cash bonus payment is contingent upon the fulfilment of ESG targets, including climate targets, and the realisation of specific financial targets.

During the year, a management incentive plan was implemented whereby members of the Executive Group Management and certain other senior managers were offered the opportunity to purchase, at fair value, shares and warrants of the Company.

The arrangement is classified as an equity-settled arrangement. As the participants in the plan paid fair value for the shares and warrants purchased, no share-based payment expense was incurred by the Company as a result of these equity-settled transactions. If a participant ceases to be an employee of the Company, the provisions of the plan may permit or require the Company to repurchase the leaver's shareholdings for either the original cost or fair value at the time of repurchase, depending upon the circumstances. See note 4.1 for further information.

A long-term cash-based incentive scheme, comprised of rolling three-year cash-based bonus programmes, was discontinued for the Executive Group Management and certain other senior managers during the year.

(EUR m)	**2024**	**2023**
Employee costs		
Wages and salaries	377	382
Pensions – defined contribution plans	22	21
Pensions – defined benefit plans	2	1
Other social security contributions	24	23
Other employee costs	23	24
Total employee costs for the year	**448**	**451**
Average number of full-time employees	6,932	6,788
Employee costs have been recognised in the profit and loss as follows:		
Production costs	140	135
Sales and distribution costs	229	232
Administrative costs	79	84
Total employee costs in the profit and loss	**448**	**451**

(EUR m)	**2024**	**2023**
Registered Executive Management		
Wages and salaries	3.2	3.6
Pensions, defined contribution plans	0.2	0.2
Severance pay	-	1.8
Other long-term benefits	1.5	3.3
Total	**4.9**	**8.9**
Other key management personnel		
Wages and salaries	3.6	4.9
Pensions, defined contribution plans	0.4	0.2
Severance pay	2.0	-
Other long-term benefits	2.4	2.1
Total	**8.4**	**7.2**
Board of Directors		
Board fee	1.2	1.1
Total	**1.2**	**1.1**
Total compensation to key management personnel	**14.5**	**17.2**

2.2 Employee costs — continued

All programmes were subject to vesting criteria based on a number of factors, including the realisation of minimum financial targets for the nominal EBITDA accumulated over the three-year period. The outcome was calculated at the end of the three-year programme period. The long-term cash incentive programme payment cannot exceed 110-120% of the individual's fixed annual salary. Final payments for the relevant participants under this scheme were made in the year and are included in the table on the previous page.

The Board of Directors determines annually whether to instigate new programmes and, if so, the scope and objectives of said programmes.

The compensation paid or payable to key management personnel for employee services is shown in the table on the previous page. Total remuneration for Registered Executive Management and Board of Directors amounted to EUR 6 million in 2024 (2023: EUR 10 million).

2.3 Special items

Special items include significant income and expenses of a special nature relative to the Group's earnings-generating activities, such as costs related to M&A activities, integration of acquired businesses and significant restructuring costs. Other significant amounts of a non-recurring nature are also included in special items.

In 2023, special items comprised employee redundancy costs and related costs in connection with organisational changes. Special items also included M&A related costs, primarily consultancy costs and an insurance settlement payment related to a past business acquisition.

Due to the significant impact on the statement of profit and loss, these non-recurring items of special nature are disclosed separately in this note. The special items are presented in the statement of profit and loss within the functions shown in the table below.

Special items (EUR m)	**2024**	**2023**
Restructuring costs	-	5
M&A and integration related costs	-	5
Insurance settlement	-	- 3
Total special items	**-**	**7**

(EUR m)	**2024**	**2023**
Production costs	-	1
Sales and distribution costs	-	3
Administrative costs	-	3
Total special items	**-**	**7**

2.4 Income tax, tax assets and liabilities

Income tax

Accounting policies

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, changes due to changes in tax rates, adjustments to tax from previous years and changes in provision for uncertain tax positions.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the parent company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current tax payable and receivable are recognised in the consolidated statement of financial position as tax computed on the taxable income for the year, adjusted for tax on taxable income for prior years and for prepaid tax.

Current tax and changes in deferred tax are recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In these cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Uncertain tax positions are recognised where the probability of the tax position being upheld in individual cases is considered less than 50%. Uncertain tax positions are assessed individually, and the possible outcome is measured based on management's best estimate of the amount required to settle the obligation. Uncertain tax positions relate to various tax disputes, including transfer pricing cases.

Tax for the year (EUR m)	**2024**	**2023**[1]
Tax for the year is specified as follows:		
Tax on profit for the year	- 50	- 20
Tax on other comprehensive income	- 6	- 1
Total tax for the year	**- 56**	**- 21**
Tax on profit for the year is calculated as follows:		
Current tax for the year	- 72	- 58
Deferred tax for the year	23	41
Adjustment in respect of previous years	- 1	- 3
Total tax on profit for the year	**- 50**	**- 20**
Effective tax rate of the Group		
Danish tax rate	22.0%	22.0%
Higher/(lower) tax rates of foreign subsidiaries	- 1.8%	- 5.8%
Permanent differences	0.6%	1.1%
Unrecognised deferred tax assets	5.9%	8.6%
Recognised deferred tax assets related to prior years	- 7.4%	- 4.6%
Adjustments in respect of previous years	- 0.3%	- 2.2%
Other adjustments (mainly changes in uncertain tax position)	0.1%	- 10.3%
Withholding taxes etc.	2.2%	4.4%
Effective tax rate of the Group excluding hyperinflation	**21.3%**	**13.2%**
Hyperinflation	1.4%	0.8%
Effective tax rate of the Group	**22.7%**	**14.0%**

[1] 2023 has been restated to reflect the classification as a discontinued operation of Hempel's decorative business in Germany and France – see note 4.6 Discontinued operations for further information. Net loss before tax in 2023 for discontinued operations was EUR 61 million whereas the tax expense was EUR 1 million.

2.4 Income tax, tax assets and liabilities — continued

Deferred tax

Accounting policies

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred income tax is calculated using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is adjusted for elimination of unrealised intra-group gains and losses.

Deferred tax assets are recognised if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where Hempel A/S is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax recognised in the balance sheet (EUR m)	**2024**	**2023**
Deferred tax, beginning of year	35	- 5
Recognised in profit or loss	22	41
Adjustments in respect of previous years	- 5	- 1
Deferred tax assets and liabilities at 31 December, net	**52**	**35**

Specification of deferred tax assets (EUR m)	**2024**	**2023**
Intangible assets	16	14
Property, plant and equipment	7	5
Inventories	2	2
Trade receivables	2	1
Provisions and defined benefit pension obligations	30	27
Lease liabilities	1	1
Tax loss carryforwards	64	62
Deferred tax assets at 31 December	**122**	**112**

Specification of deferred tax liabilities (EUR m)	**2024**	**2023**
Intangible assets	40	38
Property, plant and equipment	2	4
Provisions and defined benefit pension obligations	28	35
Deferred tax liabilities at 31 December	**70**	**77**

2.4 Income tax, tax assets and liabilities — continued

The Group recognises deferred tax assets, including the expected value of tax loss carry-forwards, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. At 31 December 2024, Hempel recognised a deferred tax asset related to tax loss carryforwards of EUR 64 million (2023: EUR 62 million).

Management has considered future taxable income and applied judgement in assessing whether deferred income tax assets should be recognised. The assessment of the recoverability of the deferred tax assets depends on a number of factors, including whether there will be sufficient taxable profits available in future periods in tax jurisdictions for which the tax loss carry-forwards can be utilised.

Assessment of the recoverability of the deferred tax assets is based on taxable income projections that contain estimates of, and tax strategies for, the future taxable income, taking into account the general market conditions, recent financial performance of the individual entities and the Group's approved business plan. The projections are based on the Group's five-year forecast, though in certain cases a longer forecast period is used. Such projections are inherently subject to uncertainty, as the realisation of the projections are dependent on the outcome of future events. It is management's assessment that the forecast is achievable and supports the recognised deferred tax assets. In making this assessment, business initiatives to improve organic growth and taxable income are considered together with expected allocation of future taxable income based on the transfer pricing policy in place.

Deferred tax assets not recognised in the balance sheet (EUR m)	**2024**	**2023**
Temporary differences	1	9
Tax loss carryforwards	44	50
Total tax asset not recognised	**45**	**59**
Temporary differences, gross	3	33
Tax loss carryforwards, gross	149	195
Total gross values	**152**	**228**

Out of tax loss carry forwards 0% (2023: 1%) expire within 1 year, and 0% (2023: 0%) within 5 years from the balance sheet date and 15-20% after five years. The remaining tax loss carry forwards do not have an expiration date.

The international tax reform – Pillar Two model rules

The Pillar Two model rules apply for the Hempel Group as of 1 January 2024. The current tax expense related to Pillar Two income taxes amounts to EUR 1.7 million for 2024.

Hempel has applied the exception of not recognising deferred tax assets and liabilities arising from the implementation of the Pillar Two model rules.

3 Operating assets and liabilities

3.1 Intangible assets

Accounting policies

Goodwill

Goodwill is initially recognised in the statement of financial position at cost and allocated to groups of cash-generating units (CGUs) at which goodwill is monitored. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Brands with an indefinite useful life

Brands acquired in a business combination are initially recognised in the statement of financial position at fair value and subsequently measured at cost less accumulated impairment losses. Brands which are considered to have an indefinite useful life are not amortised, since there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows.

Software and software under development

Acquired software and developed software are initially measured at cost and subsequently at cost less amortisation and impairment losses. Acquired software and developed software are amortised on a straight-line basis over the estimated useful life, which is 3-10 years, though minimum 5 years for ERP systems.

For software as a service (SaaS) arrangements, implementation costs are capitalised only where customisation and configuration of the SaaS arrangement results in an intangible asset controlled by the Group. Where customisation and configuration costs do not result in an intangible asset, costs are either expensed as incurred or alternatively over the contract term when the received services are not distinct from the SaaS solution.

Software under development is recognised at cost less impairment losses. Software under development is not amortised.

Customer relationships

Customer relationships acquired in a business combination are initially recognised at fair value and subsequently measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life, which is 5-12 years.

Other intangible assets

Other intangible assets comprise development projects such as development of products or processes, formulas and smaller brands.

Development projects are recognised as intangible assets where they relate to products or processes (other than software development projects) that are clearly defined and identifiable, and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the product or process in question. Development projects are initially measured at cost, which comprises expenses, including salaries, amortisation and external costs, directly attributable to these development projects. Development projects are subsequently measured at cost less amortisation and impairment losses.

Development projects are amortised on a straight-line basis over the estimated useful life, which is 3-10 years.

Formulas and smaller brands are measured at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period is 2-10 years.

Amortisation and impairment losses are included in the statement of profit and loss as follows.

Amortisation and impairment losses included in profit and loss (EUR m)	**2024**	**2023**
Production costs	6	5
Sales and distribution costs	6	6
Administrative costs	17	23
Discontinued operations	-	12
Total amortisation and impairment losses	**29**	**46**

3.1 Intangible assets — continued

Research and development costs expensed
Research and development costs not eligible for capitalisation are expensed in the period incurred and included in the statement of profit and loss within production costs. In 2024, this amounted to EUR 36 million (2023: EUR 34 million).

Re-allocation of goodwill
In 2024, the Group re-allocated goodwill to align with the new organisational structure announced in May 2024. The re-allocation was carried out to reflect the new internal management reporting and consequently how goodwill is monitored. Before the re-allocation of goodwill was carried out, an impairment test was performed which did not result in an impairment.

Previously, the Group had four commercial business units (Marine, Energy, Infrastructure and Decorative) and one internal business unit (Technology & Operations) and goodwill was allocated to those units. Following the reorganisation in May 2024, goodwill is now monitored on the basis of the Group's three commercial business units (Marine, Energy & Infrastructure and Decorative).

The three key commercial business units manage sales and are responsible for daily contact with the customers.

Marine customers comprise both newbuilding shipyards, ship owners requiring maintenance in dry dock or at sea, and maintenance contractors.

Maintenance work relates to every area of a vessel, most notably hull coating systems to protect the metal structure of the vessels.

Energy customers are owners of energy assets, which are often subject to harsh weather conditions, such as windmills and other energy solution assets. Infrastructure mainly relates to bridges, transportation assets and other infrastructure buildings. Customers are e.g. governments responsible for maintenance of critical infrastructure, companies that own infrastructure assets and maintenance contractors.

Decorative sells indoor and outdoor coating products. Decorative customers are both private and commercial customers, e.g. retailers.

The goodwill has been reallocated to the new groups of CGUs described above based on a relative value approach. This has been calculated by determining the value in use of each CGU as a proportion of the total value in use of the Group, and using those percentages to re-allocate the goodwill to the new groups of CGUs.

The carrying amount of goodwill re-allocated to the new groups of CGUs is shown in the table above to the right: Goodwill at time of re-allocation.

Impairment of non-current assets
Goodwill, intangible assets with an indefinite useful life and software under development that is not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill at time of re-allocation – May 2024 (EUR m)

	New groups of CGUs			
Old groups of CGUs	**Marine**	**Energy & Infrastructure**	**Decorative**	**Total**
Marine	4			4
Energy		3		3
Infrastructure		3		3
Decorative			180	180
T&O	176	115	54	345
Total goodwill	**180**	**121**	**234**	**535**

Impairment test
Hempel has tested the carrying amount of software under development, brands with indefinite useful life and goodwill for impairment.

Following the re-allocation noted above, goodwill is now monitored based on three commercial business units (Marine, Energy & Infrastructure and Decorative). As of 31 December 2024, goodwill is allocated to the groups of CGUs as follows:

(EUR m)	**2024**
Marine	180
Energy & Infrastructure	123
Decorative	254
Total goodwill	**557**

3.1 Intangible assets — continued

Key assumption	Description
Revenue growth and EBITDA margin	Revenue for all commercial business units is assumed to increase over the forecasting period on average by mid to high single-digit growth rates, assuming a slight increase in market share. This is based on past performance and assumptions about stable raw material prices in the forecast period, the general market development in the different commercial business areas, taking into consideration the maturity of the markets in which Hempel operates. Further, Group and local strategic initiatives are considered when estimating the revenue growth rates for the individual commercial businesses, including initiatives focusing on increasing sales prices and volumes. A stable EBITDA margin is assumed in all the commercial business units in the forecasting period, based on the business units' ability to generally increase selling prices in line with long-term inflation. The estimated revenue growth in Decorative is, in particular, to be achieved through our strong market position, brand awareness and companies and stores acquired in 2021 and 2022 that increase Decorative's accessibility in selected markets. In addition, we have expanded our e-commerce presence in key markets and opened new stores in 2024 in strategic geographical locations which is expected to help drive an increase in volumes. For Marine, the estimated revenue growth is to be achieved through our highly competitive products, e.g. hull coatings, and higher sales prices through a more value-based price setting model, as well as increased sales volumes based on the assumed continuation of the trend of increasing demand for products in the marine industry that reduce both fuel consumption and CO_2 emissions. In addition, completion of the ongoing construction of new cost-efficient factories in 2022 and 2023 has already improved the EBITDA margin over the forecast period and the ability to continuously optimise the production and supply chain, including higher utilisation of existing production capacity and reduction in production and employee cost. For Energy and Infrastructure, the estimated revenue growth is based on an increased demand for high-performance sustainable solutions in the renewable energy and infrastructure sectors, including increased focus on repair and maintenance work on corroded steel structures, and higher sales prices through a more value-based price setting model. In addition, completion of the ongoing construction of new cost-efficient factories in 2022 and 2023 has already improved and will continue to improve the EBITDA margin over the forecast period and the ability to continuously optimise the production and supply chain, including higher utilisation of existing production capacity and reduction in production and employee cost
Long-term growth	The terminal growth rates do not exceed expected long-term inflation.
Pre-tax discount rate	The pre-tax discount rate reflects the specific risks to the CGUs.

(EUR m)	Long-term growth rate 2024	Long-term growth rate 2023	Pre-tax discount rate 2024	Pre-tax discount rate 2023
Marine	2.00%	2.00%	9.18%	10.82%
Energy & Infrastructure	2.00%	2.00%	9.67%	10.88%
Decorative	2.00%	2.00%	9.18%	9.96%

Impairment test of goodwill

As described above, goodwill was re-allocated during the year to align with the new internal management reporting structure. In determining the carrying amount of net assets of each group of CGUs, certain allocation keys were applied.

The recoverable amounts of each group of CGUs are based on value-in-use calculations and based on cash flow projections for the years 2025-2029. The forecast represents management's best estimate of the future cash flows and is assumed to be both reasonable and achievable. The assumptions applied by management in forecasting the future cash flows reflect management's expectations considering all relevant factors, including Hempel's strategic initiatives, local initiatives, past experience and external sources of information, where possible and relevant. The key assumptions used in the cash flow projections are revenue growth, EBITDA margin, long-term growth rate and pre-tax discount rate (refer to the table on the left). Cash flows beyond the five-year forecast period are extrapolated using the estimated growth rates stated in the table on the left.

Sensitivity analysis

Management considered and assessed reasonably possible changes for the key assumptions and did not identify any instances that could cause the carrying amount of goodwill to exceed its recoverable amount.

3.1 Intangible assets — continued

Intangible assets (EUR m)	Goodwill	Brands (indefinite life)	Software	Intangible assets under construction	Customer relationships	Other intangible assets	Total
Cost at 1 January 2024	535	140	76	32	140	99	1,022
Effect of exchange rate adjustment	22	6	2	-	7	2	39
Additions for the year	-	-	1	31	-	-	32
Transfer and reclassifications	-	-	39	- 49	-	10	-
Disposals for the year	-	-	- 5	-	- 17	- 3	- 25
Cost at 31 December 2024	**557**	**146**	**113**	**14**	**130**	**108**	**1,068**
Accumulated amortisation at 1 January 2024	-	-	68	-	123	70	261
Effect of exchange rate adjustment	-	-	1	-	7	2	10
Amortisation for the year	-	-	15	-	6	8	29
Impairment losses for the year	-	-	-	-	-	-	-
Disposals for the year	-	-	- 5	-	- 17	- 3	- 25
Accumulated amortisation at 31 December 2024	**-**	**-**	**79**	**-**	**119**	**77**	**275**
Carrying amount at 31 December 2024	**557**	**146**	**34**	**14**	**11**	**31**	**793**
Cost at 1 January 2023	529	138	56	29	142	91	985
Effect of exchange rate adjustment	6	2	- 1	-	- 2	1	6
Additions for the year	-	-	-	32	-	1	33
Transfer and reclassifications	-	-	23	- 29	-	6	-
Disposals for the year	-	-	- 2	-	-		- 2
Cost at 31 December 2023	**535**	**140**	**76**	**32**	**140**	**99**	**1,022**
Accumulated amortisation at 1 January 2023	-	-	45	-	112	63	220
Effect of exchange rate adjustment	-	-	- 1	-	- 2	-	- 3
Amortisation for the year	-	-	8	-	8	6	22
Impairment losses for the year	-	-	18	-	5	1	24
Disposals for the year	-	-	- 2	-	-	-	- 2
Accumulated amortisation at 31 December 2023	**-**	**-**	**68**	**-**	**123**	**70**	**261**
Carrying amount at 31 December 2023	**535**	**140**	**8**	**32**	**17**	**29**	**761**

Impairment test of the Farrow & Ball brand

The carrying amount of the Farrow & Ball brand with indefinite useful life of EUR 136 million (2023: 136 million) was tested separately for impairment as the brand relates to the Farrow & Ball CGU. The recoverable amount is calculated based on a relief-from-royalty method, assuming a steady revenue growth of average 5.6% in the forecasting period based on expected market development within the luxury paint business.

The royalty rate applied in the relief-from-royalty calculation is based on a benchmark study for high-end brands with similar market position to Farrow & Ball. A royalty rate of 6.15% (2023: 6.15%) and a weighted average cost of capital (WACC) of 8.16% (2023: 9.35%) were applied.

3.2 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprise the purchase price, including import duties and non-refundable taxes, and expenses directly related to the acquisition up until the time when the asset is ready for intended use. In the case of assets of own construction, costs comprise direct expenses for labour, materials, components and suppliers.

Material general and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Subsequent costs, such as partial replacement of property, plant and equipment, are included in the carrying amount of the asset in question when it is probable that such costs will result in future economic benefits. The carrying amount of the replaced parts is derecognised from the balance sheet and recognised in the statement of profit and loss. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is based on the cost of an asset less its residual value. Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings (max.)	50 years
Laboratory equipment	10 years
Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 years

If the individual material components of an asset have different useful lives, each component is depreciated separately. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in other operating income and expenses. The assets' residual values and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period.

Information about commitments for acquisition of property, plant and equipment is provided in note 5.3 Contingent liabilities and other commitments.

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment. If an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss.

Depreciation and impairment losses are included in the statement of profit and loss as follows:

Depreciation and impairment losses included in profit and loss (EUR m)	**2024**	**2023**
Production costs	34	32
Sales and distribution costs	6	5
Administrative costs	7	6
Discontinued operations	1	19
Total depreciation and impairment losses	**48**	**62**

3.2 Property, plant and equipment — continued

Property, plant and equipment (EUR m)	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2024	**386**	**341**	**134**	**46**	**907**
Effect of exchange rate adjustment	12	12	5	1	30
Additions for the year	6	5	7	34	52
Transfer and reclassifications	-	15	16	- 31	-
Disposals for the year	- 37	- 26	- 12	- 5	- 80
Cost at 31 December 2024	**367**	**347**	**150**	**45**	**909**
Accumulated depreciation at 1 January 2024	**128**	**204**	**83**	**-**	**415**
Effect of exchange rate adjustment	5	8	4	-	17
Depreciation for the year	11	23	14	-	48
Disposals for the year	- 26	- 14	- 11	-	- 51
Accumulated depreciation at 31 December 2024	**118**	**221**	**90**	**-**	**429**
Carrying amount at 31 December 2024	**249**	**126**	**60**	**45**	**480**
Cost at 1 January 2023	**323**	**292**	**129**	**135**	**879**
Effect of exchange rate adjustment	- 9	- 4	- 1	- 6	- 20
Additions for the year	-	4	5	50	59
Transfer and reclassifications	72	53	8	- 133	-
Disposals for the year	-	- 4	- 7	-	- 11
Cost at 31 December 2023	**386**	**341**	**134**	**46**	**907**
Accumulated depreciation at 1 January 2023	**100**	**189**	**79**	**-**	**368**
Effect of exchange rate adjustment	- 3	- 2	- 1	-	- 6
Depreciation for the year	13	20	12	-	45
Impairment losses for the year	17	-	-	-	17
Transfer and reclassifications	1	-	- 1	-	-
Disposals for the year	-	- 3	- 6	-	- 9
Accumulated depreciation at 31 December 2023	**128**	**204**	**83**	**-**	**415**
Carrying amount at 31 December 2023	**258**	**137**	**51**	**46**	**492**

There are no capitalised interest expenses for the year 2024 (2023: EUR 2 million).

3.3 Leases

Accounting policies

Lease liabilities

At the commencement date of leases, the Group recognises lease liabilities, measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivables, variable lease payments that depend on an index or rate, e.g. when a minimum indexation is applied, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The present value is calculated using the interest rate implicit in the lease or Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components. For these contracts, the consideration promised in the contract is allocated based on the relative stand-alone prices between the lease and non-lease component. Non-lease components are accounted for in accordance with the accounting policy applicable to such items.

Some lease contracts include extension and termination options. Management exercises judgement in determining whether these options are reasonably certain to be exercised. Management considers all relevant facts and circumstances that create an economic incentive to exercise the extension option.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. The lease liability is increased to reflect the accretion of interest and reduced for lease payments made. The lease liability is remeasured when there is a change in the lease term or a change in the assessment to purchase the underlying asset. In addition, the lease liability is remeasured if there is a change in future lease payments arising from a change in an index or rate, including revised lease payments that reflect a change in market rental rates, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee.

When lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero, any further reduction is recognised in the statement of profit and loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date and any initial direct costs incurred. Dismantling and restoration costs are not included in the calculation of the right-of-use assets value, but are booked separately.

After initial recognition, right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is calculated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

Right-of-use assets mainly comprise office and warehouse buildings, stores and vehicles, such as cars, trucks and vans. Lease terms of buildings are usually 5-10 years whereas vehicles typically have a lease term of 3-5 years.

Short-term and low-value leases

Short-term and low-value leases are expensed directly as operating costs in the statement of profit and loss, usually on a straight-line basis over the lease term.

The Group has recognised the following amounts relating to leases, as shown on the next page.

Depreciation is included in the statement of profit and loss as follows:

Depreciation included in profit and loss (EUR m)	**2024**	**2023**
Production costs	12	13
Sales and distribution costs	24	23
Administrative costs	2	2
Discontinued operations	1	2
Total depreciation	**39**	**40**

3.3 Leases — continued

Amounts relating to leases (EUR m)	**Land and buildings**	**Vehicles**	**Other fixed assets**	**Total**
Right-of-use assets				
Cost at 1 January 2024	208	27	1	236
Effect of exchange rate adjustment	3	1	-	4
Additions for the year	8	13	-	21
Remeasurements	10	-	-	10
Disposals for the year	- 12	- 11	-	- 23
Cost at 31 December 2024	**217**	**30**	**1**	**248**
Depreciation at 1 January 2024	84	16	-	100
Effect of exchange rate adjustment	2	-	-	2
Depreciation for the year	31	8	-	39
Disposals for the year	- 5	- 10	-	- 15
Accumulated depreciation at 31 December 2024	**112**	**14**	**-**	**126**
Carrying amount at 31 December 2024	**105**	**16**	**1**	**122**
Right-of-use assets				
Cost at 1 January 2023	209	27	1	237
Effect of exchange rate adjustment	- 2	-	-	- 2
Additions for the year	6	6	-	12
Remeasurement	5	-	-	5
Disposals for the year	- 10	- 6	-	- 16
Cost at 31 December 2023	**208**	**27**	**1**	**236**
Depreciation at 1 January 2023	62	14	-	76
Effect of exchange rate adjustment	- 1	-	-	- 1
Depreciation for the year	32	8	-	40
Disposals for the year	- 9	- 6	-	- 15
Accumulated depreciation at 31 December 2023	**84**	**16**	**-**	**100**
Carrying amount at 31 December 2023	**124**	**11**	**1**	**136**

Lease liabilities (EUR m)	**2024**	**2023**
Current	34	35
Non-current	95	105
Total	**129**	**140**

The following lease expenses are recognised in the statement of profit and loss:

Expenses relating to leases (EUR m)	**2024**	**2023**
Depreciation expense of right-of-use assets	39	40
Interest expense on lease liabilities	4	4
Expenses related to short-term leases	1	1
Total amount recognised in profit or loss	**44**	**45**

Total cash outflow from leases amounts to EUR 43 million, including cash outflow from short-term and low-value leases (2023: EUR 43 million).

The maturity analysis of undiscounted cash flow in lease liabilities is disclosed in note 4.3 Financial risks.

3.4 Inventories

Accounting policies
Inventories are measured at cost, determined using the FIFO-method, or net realisable value if the net realisable value is lower. Costs of inventories comprise purchase costs of raw materials, including import duties and transportation costs directly attributable to the acquisition of raw materials, costs of conversion and other costs incurred in bringing the inventories to the present location and condition.

The costs of finished goods and work in progress also include indirect production costs, which 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 and costs of factory administration and management.

The net realisable value is calculated as the selling price less costs of completion and costs necessary to make the sale and is determined based on the most reliable evidence available at the time the estimates are made, taking into account obsolescence and development in expected selling prices.

(EUR m)	**2024**	**2023**
Raw materials and consumables	108	92
Work in progress	9	9
Finished goods	219	231
Total inventories	**336**	**332**
Cost of inventories, included under production costs	1,193	1,307
Hereof write-downs to net realisable value during the year	11	12

3.5 Trade receivables

Accounting policies
Trade receivables are recognised initially at their transaction price. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance. Due to the short-term nature of trade receivables, amortised cost is equal to the invoiced amount less loss allowance for expected credit losses.

Credit risk
The Group is exposed to financial and commercial counterparties but has no particular concentration of customers. To minimise the credit risk related to trade receivables, financial vetting is undertaken for all major customers and credit limits are assigned for major customers based on the Group's credit risk assessment.

The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. Trade receivables not due are also included when assessing the expected lifetime loss provision.

Trade receivables are written off when there is no reasonable expectation of recovery, i.e. typically when customers are undergoing restructuring or bankruptcy proceedings have commenced.

The Group's maximum exposure to credit risk at the end of the reporting period related to trade receivables is the carrying amount of trade receivables mentioned above. The Group does not hold collateral as security.

Expected credit loss 2024 (EUR m)	**Carrying amount, gross**	**Expected loss rate (%)**	**Loss allowance**	**Carrying amount, net**
Current	338	0.8%	2.7	335.3
Overdue 1-30 days	54	1.0%	0.5	53.5
Overdue 31-60 days	24	3.0%	0.7	23.3
Overdue 61-120 days	18	3.6%	0.6	17.4
Overdue 121-240 days	17	12.6%	2.1	14.9
Overdue 241-360 days	6	21.7%	1.3	4.7
Overdue > 360 days	40	99.0%	39.6	0.4
Total	**497**		**47.5**	**449.5**

Expected credit loss 2023 (EUR m)	**Carrying amount, gross**	**Expected loss rate (%)**	**Loss allowance**	**Carrying amount, net**
Current	367	0.7%	2.4	364.6
Overdue 1-30 days	63	0.6%	0.4	62.6
Overdue 31-60 days	31	1.5%	0.5	30.5
Overdue 61-120 days	23	1.6%	0.3	22.7
Overdue 121-240 days	16	7.2%	1.2	14.8
Overdue 241-360 days	4	16.8%	0.6	3.4
Overdue > 360 days	39	84.1%	32.7	6.3
Total	**543**		**38.1**	**504.9**

Loss allowance provision (EUR m)	**2024**	**2023**
Provision at 1 January	38	31
Sale of enterprises	- 1	-
Additions for the year	14	9
Losses recognised	- 5	- 2
Currency translation	2	-
Total	**48**	**38**

3.6 Pension and other post-employment benefit obligations

Accounting policies
The Group operates various post-employment benefit plans, including defined benefit and defined contribution pension plans.

Defined contribution plans
Hempel operates a number of defined contribution plans which provide post-employment benefits determined by the value of funds contributed in respect of each employee. The Group's contributions to defined contribution plans are recognised in profit and loss in the year in which they become payable. The Group's obligation is limited to the amount that it agrees to contribute to the plans; it has no further obligation once the contributions have been paid. Contributions payable are recognised in the statement of financial position within other current liabilities.

Defined benefit plans
For defined benefit post-employment benefit plans, the surplus or deficit recognised in the statement of financial position for each plan is determined as the fair value of the plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation and cost of providing benefits is calculated annually by independent actuaries using the projected unit credit method. This is done separately for each major plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligations. In countries where there is no deep market in such bonds, the market rates for government bonds are used.

Defined benefit plan surpluses are recognised only to the extent that they are recoverable by way of either reduced future contributions to the plan or a refund from the plan.

Service costs comprise current service costs and past service costs. Current service cost is the increase in the present value of the defined benefit obligation resulting from employee services in the current period. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit and loss as past service costs.

The net interest expense is calculated by applying the discount rate to the defined benefit obligation and the fair value of plan assets. This cost is included in financial expenses in the consolidated statement of profit and loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Pension and other post-employment benefit plan costs
In 2024, net costs of EUR 25 million relating to Hempel's pension and other post-employment benefit plans were recognised in the statement of profit and loss (2023: EUR 24 million) as analysed in the table below.

Post-employment benefit plan costs (EUR m)	**2024**	**2023**
Costs for defined contribution plans:		
Employee costs	22	21
Costs for defined benefit plans:		
Employee costs	2	2
Interest expense	1	1
Total costs recognised in the profit and loss	**25**	**24**

3.6 Pension and other post-employment benefit obligations — continued

Hempel's defined benefit plans

The Group operates defined benefit plans in several countries with the major plans being pensions in Ireland and the UK. None of the plans are individually significant to the Group.

The pension plans are generally final salary plans, which provide benefits in the form of a guaranteed level of pension payable for life. The level of benefits provided typically depends on the employees' length of service and their salary in the final years leading up to retirement. The majority of the defined benefit obligation relates to plans that are funded. However, there are also a number of unfunded plans in which the Group meets the benefit payment obligation as it falls due. Recognition of plan assets for the UK defined benefit pension plan is restricted as the surplus in the plan may not ultimately be recoverable by the Group.

Plan assets held in trusts are governed by local regulations and practice in the relevant country, as is the nature of the relationship between the Group and the trustee boards and their composition.

The Group also operates a number of other post-employment benefit plans which are primarily unfunded and typically provide a lump sum payment on leaving employment.

Movements in the present value of the defined benefit obligations and the fair value of the plan assets during the year are shown in the table to the right.

(EUR m)	2024	2023
Present value of obligation at 1 January	**50**	**51**
Current service cost	2	2
Interest expense	2	2
Actuarial (gains)/losses arising from changes in financial assumptions	- 1	- 3
Actuarial (gains)/losses arising from experience adjustments	2	2
Exchange differences	-	-
Benefit payments from employer	- 2	- 1
Payments from the plans	- 1	- 3
Present value of obligation at 31 December	**52**	**50**
Fair value of plan assets at 1 January	**32**	**35**
Calculated interest on plan assets	1	1
Return on plan assets excluding calculated interest	2	- 2
Exchange differences	-	-
Employer contributions	1	1
Payments from the plans	- 1	- 3
Fair value of plan assets at 31 December	**35**	**32**
Surplus (deficit) at 31 December	**- 17**	**- 18**
Effect of asset ceiling	- 1	- 1
Net benefit asset (liability) at 31 December	**- 18**	**- 19**
Represented by amounts recognised in the statement of financial position:		
Asset recognised	4	2
Liability recognised	- 22	- 21
Net benefit asset (liability)	**- 18**	**- 19**
The defined benefit obligation may be analysed as follows:		
Funded plans	- 30	- 28
Unfunded plans	- 22	- 22
Defined benefit obligation	**- 52**	**- 50**
The defined benefit obligation may be analysed as follows:		
Pension plans	- 32	- 31
Other post-employment benefit plans	- 20	- 19
Defined benefit obligation	**- 52**	**- 50**

3.6 Pension and other post-employment benefit obligations — continued

Of the total defined benefit obligation, 50% (2023: 48%) relates collectively to pension plans in Ireland and the UK.

The expected average duration of the defined benefit obligations is 10 years (2023: 11 years) and the expected employer contributions for the year ending 31 December 2025 are EUR 3 million.

The composition of plan assets is shown in the table below.

Mortality rates are also a key assumption; in each country the most common demographic assumptions, including mortality rates, are applied.

Sensitivity analysis
The following table illustrates the change in the defined benefit obligation relating to defined benefit plans due to a change in key actuarial assumptions. The analysis is based on reasonably possible changes, provided that other parameters remain unchanged.

Defined benefit plan assets by category:	**2024**	**2023**
Cash and cash equivalents	1%	2%
Equity instruments	21%	23%
Debt instruments	57%	47%
Real estate	1%	1%
Investment funds	9%	18%
Assets held by insurance company	9%	5%
Other	2%	4%
Total	**100%**	**100%**

The following table summarises the key assumptions of the defined benefit plans.

	2024	**2023**
Weighted discount rate	4.55%	4.57%
Future wage / salary increase	3.60%	3.45%

Recognised defined benefit obligation (EUR m)	**2024**	**2023**
Discount rate		
Increase of 0.5 %-points	- 2	- 2
Decrease of 0.5 %-points	3	2
Future wage / salary increase		
Increase of 0.5 %-points	1	1
Decrease of 0.5 %-points	- 1	- 1
Mortality		
Increase 1 year	-	1
Decrease 1 year	-	- 1

3.7 Provisions

Accounting policies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions for environmental, warranty and restructuring obligations, as well as other obligations, are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The costs required to settle the liability are discounted if the effect is material to the measurement of the provision. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Decommissioning and restoration obligations are measured at the present value of the future liability in respect of decommissioning as expected at the balance sheet date. The present value of the provision and changes in estimates are recognised as part of the cost of property, plant and equipment and depreciated together with the associated asset.

Interest on provisions is recognised in the statement of profit and loss under financial expenses.

Environmental provisions

Environmental obligations relate to restoration of various sites and to remedying established environmental damages that occurred in connection with the production of coatings and disposal or release of certain wastes. Management anticipates that the resolution of the Group's environmental obligations will occur over an extended period, in some cases over a period of more than 5 years.

(EUR m)	Environmental obligations	Warranties	Other provisions	Total
Total provisions, beginning of year	**21**	**15**	**10**	**46**
Additions for the year	-	17	12	29
Reversed for the year	- 1	-	- 2	- 3
Consumed for the year	-	- 1	-	- 1
Total provisions, end of year	**20**	**31**	**20**	**71**
Current liabilities	2	7	7	16
Non-current liabilities	18	24	13	55
Total provisions, end of year	**20**	**31**	**20**	**71**

Warranties

Provision is made for estimated warranty claims in respect of products sold that are still under warranty at the end of the reporting period. Warranty cases are normally resolved within 0 - 5 years, though some complex cases are resolved over an extended period of more than 5 years.

In line with accounting policies, potential product warranties are recognised as warranty provisions when revenue from the related sale is recognised.

Other provisions

The Group is involved in a number of legal cases, tax cases and other disputes. Some of these involve significant amounts and are subject to some uncertainty. Management continuously assesses the risks associated with the cases and disputes, and their likely outcome. It is the opinion of management that, apart from items recognised in the financial statements, the outcomes of these cases and disputes are not probable or cannot be reliably estimated in terms of amount or timing. The Group does not expect these to have a material impact on the consolidated financial statements.

3.8 Other liabilities

Accounting policies

Other liabilities mainly comprise accrued employee costs, including bonuses, withholding tax and VAT, customer bonuses, commission payables, accrued interests and prepaid rent.

Other financial liabilities are measured at initial recognition at fair value. Subsequently, other financial liabilities are measured at amortised cost using the effective interest method, which usually corresponds to the nominal value. Other non-financial liabilities arising from e.g., taxation or employer benefits, are measured in accordance with the appropriate standards.

4 Capital structure and financing items

4.1 Share capital, distribution to shareholder

Accounting policies
Dividends proposed by management for the year are presented separately within equity.

The translation reserve comprises foreign exchange differences arising from the translation to EUR of financial statements of the parent company and its subsidiaries. Also, the effect of the inflation adjustment from hyperinflationary economies is recognised within the translation reserve.

The cash flow hedge reserve covers cash flow hedging of interest rates associated with loans and borrowings.

Share capital
In August 2024, CVC Funds acquired 22.2% of Hempel A/S through the issuance of new B shares in addition to the already existing B shares, which is owned by Hempel Invest A/S. At the time of the investment, the existing share capital was re-structured into A, B and C classes with shares of DKK 1 each.

The share capital has been fully paid and no shares have special dividend rights. A shares carry 10 votes per share whereas B shares carry 1 vote per share. There are no voting rights attached to C shares.

The C shares have been issued in connection with a management incentive programme. The total number of shares issued amount to 200,422 of which key management personnel subscribed for 118,592 shares. If a participant ceases to be an employee of the Company, the provisions of the plan generally permit the Company to repurchase the leaver's shareholdings for either the original cost or fair value at the time of repurchase, depending upon the circumstances. In limited instances outside the control of the participant, Hempel has an obligation to reacquire the shares at either the original cost or fair value at the time of repurchase, depending upon the circumstances.

In addition, 5,522,548 warrants were issued in connection with this programme which give the holder the right, in certain circumstances, to subscribe for D shares in Hempel A/S at an exercise price of DKK 0.01 per share. Of these, 3,267,537 warrants have been issued to key management personnel. The warrants are subject to the same repurchase provisions as the C shares. As of 31 December 2024 all warrants were still outstanding.

Share capital, distribution to shareholder	31 December 2024		31 December 2023	
	Number of shares	Nominal value (DKK)	Number of shares	Nominal value (DKK)
The share capital comprises:				
A shares	32,857,143	32,857,143	-	-
B shares	115,000,000	115,000,000	-	-
C shares	200,422	200,422	-	-
Shares	-	-	115	115,000,000
Share capital (fully paid)	**148,057,565**	**148,057,565**	**115**	**115,000,000**

Dividends
The Group proposes a dividend of EUR 0 thousand per share (2023: EUR 217 thousand per share), in total amounting to EUR 0 million (2023: EUR 25 million).

During 2024, before issuance of new shares, ordinary dividends related to the year 2023 amounted to EUR 217 thousand per share (2023: EUR 0 thousand per share) equal to a total dividend payment of EUR 25 million (2023: EUR 0 million) was paid out. Extraordinary dividends of EUR 1.1 million per share was paid out in 2024 (2023: 229 thousand per share), in total amounting to EUR 132 million (2023: EUR 26 million).

Capital structure
The capital structure of the Group is intended to ensure sufficient financial flexibility and stability for the Group to reach its strategic goals. The Group aims to maintain an optimal capital structure, and to use the free operating cash flow after financial items and tax for debt servicing and business development.

The Group's dividend policy is to distribute 50% of net profit for the year, with a lower limit of EUR 25 million. However, due to the extraordinary dividend payment in 2024, a change has been made to the dividend distribution policy, so the Group is not going to declare dividends for the financial years 2024 to 2027.

4.1 Share capital, distribution to shareholder — continued

The Group strives to ensure adequate credit resources at all times, which includes securing access to committed bank financing and refinancing maturing debt in a timely manner. The Group aims to have minimum EUR 250 million of free committed credit resources available for the next 12 months.

In order to achieve this overall objective, the Group's capital management aims to ensure that it meets its financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. The covenants, which the Group is required to comply with quarterly, state that the Group's leverage must not exceed 4.0x. The Group's leverage is defined in note 5.7 Financial definitions.

At the end of 2024, the leverage ratio was 1.4x (2023: 3.1x *). The Group aims to maintain a leverage ratio of approximately 2.5x in the long term while a higher leverage ratio is accepted when acquiring strategic businesses.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches, nor close to default, of the financial covenants of any interest-bearing loans or borrowings in the current period or in the previous period.

No changes were made in the objectives or processes for managing capital during 2024 or 2023, except for the change to the contribution policy mentioned above.

* Leverage ratio for 2023 has not been restated.

4.2 Borrowings

Accounting policies
Long-term loans, such as loans from credit institutions, are recognised initially at fair value net of directly attributable transaction costs. Subsequently, the loans are measured at amortised cost using the effective interest method. The difference between the proceeds initially received and the nominal value is recognised as financial expenses in the statement of profit and loss over the loan term.

The bank loans are floating interest loans based mainly on EURIBOR. Further, the interest rate is linked to the Group's leverage ratio and to achievement of the Group's sustainability targets aimed at reducing CO_2 emissions, landfill waste and use of hazardous materials in production.

A negative pledge clause is attached to the Group's long-term loan arrangements that prevents Hempel A/S from pledging certain assets as security.

Secured loans
Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert back to the lessor in the event of default.

The Group's borrowings consist of the following, see table to the right:

2024 (EUR m)	Average interest rate	Maturity	Carrying amount
Bank loans	3.52%	2026 - 2027	548
Overdraft facilities	3.46%	2025	75
Lease liabilities	0.2% - 13.1%	2025 - 2047	129
Total borrowings			**752**
Current			109
Non-current			643
Total borrowings			**752**

2023 (EUR m)	Average interest rate	Maturity	Carrying amount
Bank loans	5.46%	2025 - 2027	1,034
Overdraft facilities	5.21%	2024	53
Lease liabilities	0.2% - 13.1%	2024 - 2047	140
Loan to parent company	6.28%	2024	57
Total borrowings			**1,284**
Current			145
Non-current			1,139
Total borrowings			**1,284**

4.3 Financial risks

This note describes the exposure to financial risks and how these risks could affect the Group's future financial performance.

The Group's activities expose Hempel to a variety of risks related to the Group's financial assets and liabilities. The Group's financial liabilities comprise primarily borrowings, trade and other payables and lease liabilities, whereas the financial assets primarily comprise trade receivables and cash deposits.

Management has assessed the following key financial risks and their significance to the Group:

Financial risk type	2024	2023
Foreign exchange risk	Low	Low
Interest rate risk	Low	Medium
Credit risk	Low	Low
Liquidity risk	Low	Low

The above financial risks are inherent to the way Hempel operates as a global company with a large number of operating units across the world. The Group's overall risk management programme seeks to identify, assess, and mitigate these financial risks in order to reduce the effects on the Group's financial performance. The risks are managed in accordance with the policies and guidelines laid out by the Board of Directors. Hempel has centralised handling of these risks, except for commercial credit risk, which is managed locally. There are no changes in the Group's financial risk management policies compared to the previous year.

It is the Group's policy not to speculate actively on financial risks.

To some extent, the Group's income and expenses in foreign currencies net out and create a natural hedge of the Group's profitability margin. Foreign exchange hedges are executed to reduce risks associated with currency fluctuations in internal balances between Group entities. See further description under market risk.

Market risk
The Group's exposure to market risks is related to foreign exchange risks and interest rate risk. All market risks are managed in accordance with the Group's Treasury Policy.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates.

Hempel's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's trade receivables and trade payables, arising respectively from revenue and purchase transactions denominated in a foreign currency and intercompany loans and deposits. The currency exposure in these balances may affect Hempel's result.

The overall objective of foreign exchange risk management is to reduce the short-term negative impact of exchange rate fluctuations on net financials and cash flows, thereby contributing to the predictability of the financial results.

To manage exposure to foreign exchange risk, it is Hempel's policy to pool funding activities centrally through intercompany loans and deposits. In each subsidiary, foreign exchange risk derived from trade receivables or payables is mitigated by Hempel A/S establishing an intercompany loan/receivable towards the local entity in the same foreign currency, thereby creating a natural hedge.

Currency risk is, as a main policy, hedged against DKK or EUR when exposure exceeds EUR 0.5 million (higher thresholds are applied for US, SGD, HKD and PLN). Some currencies cannot be hedged within a reasonable price range, in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied.

Foreign exchange forward contracts are used to hedge the exposure to currency risk. As the vast majority of intercompany loans are hedged, and because changes in the fair value of both the hedged item and the foreign exchange forward is recognised in profit and loss under financial items, the net exposure to foreign currency risk is deemed low, though a higher foreign exchange risk persists in countries with high inflation.

Foreign currency sensitivity
The sensitivity analysis is based on financial assets and liabilities recognised as of 31 December. The table on the next page demonstrates the sensitivity to a reasonably possible change in USD and GBP exchange rates against EUR, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities denominated in foreign currencies and non-designated foreign exchange derivatives. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

The movement in pre-tax equity equals the effect on profit before tax adjusted for fair value movements of interest rate swaps designated as hedging instruments.

4.3 Financial risks — continued

Interest rate risk
The Group's exposure to changes in interest rates primarily relates to long-term loans and borrowings with floating interest rates. The Group's policy is to hedge its interest rate risk depending on the Group's interest coverage level (EBITDA/interest). When the Group's interest coverage level falls below 10, the Group assesses whether it is necessary to mitigate the interest rate risk by entering into hedging instruments.

Hempel has fixed the interest rate on EUR 500 million of debt by entering into variable-to-fixed interest rate swaps maturing in December 2025, which reduces the exposure to changes in interest rates in 2025. The interest related to the EUR 500 million debt is fixed at an average interest rate of 2.62% until December 2025.

There is an economic relationship between the loans and the hedging instruments as both the nominal amount and terms of the interest rate swaps mirror the hedged exposure, creating an equal and opposite interest receipt and a fixed interest payment. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swaps are identical to the hedged risk.

The table to the right demonstrates sensitivity to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity analysis is based on financial assets and liabilities recognised as of 31 December and assumes that the interest rate hedges are 100% effective. The sensitivity analysis is based on a change of 100 bps which is considered a reasonably possible change at 31 December 2024.

(EUR m)	Change in rate	Nominal value	Effect on profit before tax	Effect on equity
2024				
USD/EUR	5%	- 47.7	- 2.4	- 1.9
USD/EUR	- 5%	- 47.7	2.4	1.9
2024				
GBP/EUR	5%	14.1	0.7	0.6
GBP/EUR	- 5%	14.1	- 0.7	- 0.6
2023				
USD/EUR	5%	- 66.7	- 3.3	- 2.6
USD/EUR	- 5%	- 66.7	3.3	2.6
2023				
GBP/EUR	5%	- 6.8	-0.3	-0.3
GBP/EUR	- 5%	- 6.8	0.3	0.3

(EUR m)	Increase/ decrease in bps	Effect on profit before tax	Effect on equity
2024			
Euro	+100 bps	1	1
Euro	- 100 bps	- 1	- 1
2023			
Euro	+100 bps	- 2	- 2
Euro	- 100 bps	2	2

4.3 Financial risks — continued

Credit risk

Credit risk arises from the possibility that trading partners and customers may default on their obligations, causing financial losses for the Group. The Group is exposed to credit risk on cash, trade and other receivables. Please refer to note 3.5 for a description of the Group's credit risk in relation to trade receivables.

The carrying amount of EUR 273 million (2023: EUR 280 million) represents the maximum credit exposure related to cash and other receivables.

Hempel's main banks are all financial institutions with a high credit rating and, therefore, financial assets such as cash are considered to be of low risk.

Other financial assets measured at amortised cost comprise other receivables. These financial assets are considered to have a low credit risk, and thus the impairment provision calculated based on 12 months of expected losses is considered immaterial. The financial assets are considered to be low risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group has no material risks relating to a single customer or business partner. It is the Group's credit policy to rate major customers and other business partners on a regular basis. Bank Acceptance Bills are used as a financial instrument to further limit the risk of credit losses.

The Group considers a financial asset in default when the Group is unlikely to recover the outstanding contractual amount in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Liquidity risk

The liquidity risk is assessed to be low. Hempel ensures the availability of the required liquidity through a combination of cash management and both uncommitted and committed credit facilities. Hempel applies cash pool arrangements for optimisation and centralisation of cash management.

Hempel has an undrawn credit facility of EUR 454 million (2023: EUR 472 million).

Maturities of financial liabilities

The table to the right provides an analysis of Hempel's financial liabilities divided into relevant maturity groupings based on their contractual maturities for non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual undiscounted cashflows (EUR m)	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
2024			
Non-derivatives:			
Borrowings, current and non-current	94	559	-
Trade payables	317	-	-
Lease liabilities	37	81	21
Derivatives:			
Derivative financial instruments	1	1	-
Total contractual undiscounted cash flows at the end of the year	**449**	**641**	**21**
Non-current liabilities	662		
Current liabilities	449		
2023			
Non-derivatives:			
Borrowings, current and non-current	88	1,080	-
Loan from parent company	60	-	-
Trade payables	332	-	-
Lease liabilities	36	84	32
Derivatives:			
Derivative financial instruments	4	4	-
Total contractual undiscounted cash flows at the end of the year	**520**	**1,168**	**32**
Non-current liabilities	1,200		
Current liabilities	520		

The contractual payments for borrowings are based on the variable interest rates as of 31 December 2024. The derivatives reflect the mark-to-market value and expected cash flows of interest rate swaps, totalling EUR 500 million maturing in December 2025, and an additional interest rate swap of EUR 200 million maturing in December 2026.

4.4 Financial instruments

Accounting policies

Derivative financial instruments, foreign exchange forwards, currency swaps and interest rate swaps are initially recognised in the balance sheet at fair value and subsequently remeasured at their fair value.

Derivatives are used for economic hedging purposes and not as speculative investments. Where the derivatives do not meet the hedge accounting criteria, they are measured at fair value through profit and loss.

Hedging instruments not qualifying for hedge accounting

For foreign exchange forwards and currency swaps, positive and negative fair values of these derivative financial instruments are recognised as Other receivables and Other payables, respectively.

Changes in the fair values of foreign exchange forwards and currency swaps are recognised in the statement of profit and loss under financial income and expenses.

Cash flow hedge accounting

For interest rate swaps, cash flow hedge accounting is applied. Positive and negative fair values are recognised as Other receivables and Other payables, respectively. Changes in the fair values are recognised directly within Other comprehensive income. The amount accumulated in equity is reclassified to profit and loss as a reclassification adjustment in the same periods during which the hedged cash flows affect profit and loss. Fair value of the interest rate swaps was negative EUR 2.0 million as of 31 December 2024 (2023: EUR 4.5 million).

Financial instruments, fair value disclosures

The carrying amount of financial instruments is a reasonable approximation of the fair value, except for loans measured at amortised cost. The carrying amount of loans measured at amortised cost amounts to EUR 623 million (2023: EUR 1,144 million) compared to a fair value of EUR 624 million (2023: EUR 1,147 million). The fair value is determined based on the present value of expected future cash flows.

The carrying amount of lease liabilities amounts to EUR 129 million (2023: EUR 140 million) compared to a fair value of EUR 131 million (2023: EUR 120 million).

Financial instruments measured at fair value

Fair value measurement of financial intruments is categorised into a hierarchy based on the inputs used in the valuation process. The hierarchy consists of three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

Foreign exchange contracts, currency swaps, and interest rate swaps and loans are categorised as Level 2 in the fair value hierarchy. Their valuation is based on observable market data, such as foreign exchange rates. Loans are classified as Level 3 in the fair value hierarchy, as their valuation relies on inputs not based on observable market data.

Reconciliation of liabilities arising from financing activities (EUR m)					Non-cash movements		
	Beginning of the year	**Cash flows**	**Additions**	**Disposals**	**Acquisitions**	**Exchange rates**	**End of the year**
2024							
Lease liabilities	140	- 37	31	- 7	-	2	129
Borrowings, current and non-current	1,144	- 523	-	-	-	2	623
Liabilities arising from financing activities	**1,284**	**- 560**	**31**	**- 7**	**-**	**4**	**752**
2023							
Lease liabilities	165	- 38	12	-	-	1	140
Borrowings, current and non-current	1,067	83	-	-	-	- 6	1,144
Liabilities arising from financing activities	**1,232**	**45**	**12**	**-**	**-**	**- 5**	**1,284**

4.5 Financial income and expenses

Accounting policies

Financial income and expenses comprise interest income and expenses, gains and losses on receivables, payables, realised and unrealised exchange gains and losses on transactions denominated in foreign currencies.

Financial income (EUR m)	**2024**	**2023**
Interest income	18	26
Gain on derivative financial instruments at fair value through profit and loss	16	2
Fair value adjustment transferred from equity hedge reserve	3	-
Net monetary gain	2	-
Total financial income	**39**	**28**

Financial expenses (EUR m)	**2024**	**2023**
Interest expense on borrowings	- 49	- 53
Interest expense on lease liabilities	- 4	- 4
Interest expenses to Group enterprises	- 3	- 3
Interest expenses on financial liabilities measured at amortised cost	**- 56**	**- 60**
Foreign exchange loss (net)	- 24	- 38
Net monetary loss	-	- 2
Other financial expenses	- 16	- 21
Total financial expenses	**- 96**	**- 121**

Gains and losses on foreign exchange derivative financial instruments measured at fair value through profit and loss has been presented separately.

4.6 Discontinued operations

Divestment of the Decorative business in France and Germany

In May 2024, Hempel announced the planned divestment of its Decorative business in France and Germany to Fidelium Partners. The divestment completed on 1 August 2024, having received approval from the relevant authorities. The sale included a production site in Germany, stores in France, around 500 employees and a portfolio of customers. The business is reported as a discontinued operation.

Divestment of Hempel Russia

On 13 July 2023, the divestment of the Hempel assets in Russia was completed. The associated operations were previously presented as discontinued operations, and continue to be presented as such up to the date of disposal.

Net loss from discontinued operations (EUR m)	**2024**	**2023**
Revenue	94	202
Production costs	- 76	- 171
Sales and distribution costs	- 21	- 41
Administrative costs	- 7	- 37
Financial income and expenses	- 9	- 14
Net loss before tax from operating activities	**- 19**	**- 61**
Income tax	-	- 1
Net loss after tax from operating activities	**- 19**	**- 62**
Loss on sale of Decorative business in France and Germany	- 75	-
Loss on sale of Hempel Russia	4	- 10
Net loss from discontinued operations (attributable to the shareholders of Hempel A/S)	**- 90**	**- 72**

Cash flow from discontinued operations (EUR m)	**2024**	**2023**
Cash flow from operating activities	- 12	- 47
Cash flow from investing activities	4	6
Total	**- 8**	**- 41**

Loss on sale of Decorative business in France and Germany and Hempel Russia (EUR m)	**2024**	**2023**
Net cash received	4	6
Net proceeds receivables/payables	- 5	4
Total consideration received or receivable	**- 1**	**10**
Carrying amount of net assets sold	- 58	- 13
Reclassification of foreign currency translation reserve	-	- 7
Carrying amount of building sold	- 8	-
Transaction costs	- 3	-
Total loss on sale of Decorative business in France and Germany and Hempel Russia	**- 70**	**- 10**

The carrying amounts of assets and liabilities as of the date of sale were:

(EUR m)	**2024[2]**	**2023[1]**
Non-current assets	33	11
Inventory	30	-
Trade receivables	49	-
Cash	1	1
Other current assets	6	1
Total assets	**119**	**13**
Non-current liabilities	- 8	-
Trade payables	- 29	-
Other current liabilities	- 24	-
Total liabilities	**- 61**	**-**
Net assets	**58**	**13**

[1] Sale of Hempel Russia on 13 July 2023.
[2] Sale of Decorative business in France and Germany on 1 August 2024.

5 Other disclosures

5.1 Fee to the auditors appointed at the General Meeting

Fees for services other than statutory audit of the financial statements provided by Pricewater-houseCoopers Statsautoriseret Revisionspartner-selskab to the Hempel Group mainly consist of financial due diligence and transaction advice, accounting advisory services, and other advisory and tax services.

(EUR m)	2024	2023[1]
Audit fee	2	2
Tax advice	1	1
Total	**3**	**3**

[1] 2023 has not been restated to reflect the presentation as a discontinued operation of Hempel's decorative business in Germany and France.

5.2 Adjustment for non-cash items

For the purpose of presenting the statement of cash flows, non-cash items with effect on the statement of profit and loss must be reversed to identify the actual cash flow effect from the statement of profit and loss. The adjustments are specified as follows:

(EUR m)	2024	2023
Amortisation, depreciation and impairment	116	148
Other non-cash adjustments	1	-
Provisions	21	9
Gains and losses on the sale of fixed assets	71	10
Hyperinflation adjustment	-	5
Total	**209**	**172**

5.3 Contingent liabilities and other commitments

Other contingent liabilities
The Group is, through its ongoing business, involved in product liability claims and disputes in connection with the Group's operational activities. The Group does not expect the pending litigations, claims and investigations, individually and in the aggregate, to have a material impact on the Group's financial position, operating profit or cash flow in addition to the amounts accrued as provision for legal disputes.

Hempel A/S and its Danish subsidiaries are jointly taxed with several Danish companies in the Hempel Foundation Group. The Group's Danish enterprises are jointly and severally liable for Danish taxes at source and income taxes. Refer to the tax administration company Hempel Invest A/S for the total amount of corporate tax payable for the Group of jointly taxed companies.

5.4 Events after the reporting period

On 6 February 2025, Hempel refinanced the EUR 1 billion Revolving Credit Facility (RCF) maturing in April 2026 with a new EUR 850 million RCF that matures in February 2030.

5.5 Related parties and ownership

Parent companies

Hempel Invest A/S

As of 31 December 2024, loan payables to Hempel Invest A/S had been fully repaid (2023: EUR 57 million outstanding). Interest expense during the year amounted to EUR 3 million (2023: 3 million).

Dividend

Extraordinary dividend of EUR 132 million was paid to Hempel Invest A/S (2023: EUR 26 million). Ordinary dividend of EUR 25 million was distrubuted to shareholders of Hempel A/S (2023: EUR 0 million).

Other related parties

Hempel Ejendomme A/S

Hempel A/S paid rent of EUR 5 million (2023: EUR 0 million) to Hempel Ejendomme A/S. The leased buildings were previously owned by the Hempel Foundation and Hempel Invest A/S, respectively, but ownership was transferred to Hempel Ejendomme A/S in December 2023 (2023: Hempel A/S paid rent expenses of EUR 3 million to Hempel Foundation).

At 31 December 2024, Hempel A/S has EUR 1 million deposit receivable from Hempel Ejendomme A/S in relation to office leases (2023: EUR 1 million).

Key management personnel of the entity or its parent

For information on remuneration of key management personnel of Hempel, please refer to note 2.2 Employee costs. There were no material unsettled balances with key management personnel at the end of the year.

Related parties and ownership	Basis
Controlling influence:	
Hempel Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Ultimate parent company
Hempel Invest A/S, Amaliegade 8, 1256 Copenhagen K, Denmark	Majority shareholder (77.7%)
Minority shareholder:	
SeaCoat Investments S.a r-l Company no. B286172, 29, Avenue de la Porte-Neuve L-2227 Luxembourg	Shareholder (22.2%)
Other related parties:	
Members of Registered Executive Management and Board of Directors of Hempel A/S, Hempel Invest A/S and Hempel Foundation	Related party
Key management personnel of Hempel A/S	Related party
Hempel's Employee Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel's Cultural Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Brænderupvænge ApS, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Keldskov ApS, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel Employee Foundation from 2017, 2800 Kongens Lyngby, Denmark	Related party
Hempel Administration ApS, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel Invest II ApS, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel Ejendomme A/S,Amaliegade 8, 1256 Copenhagen K, Denmark	Related party

5.6 The Hempel Group

Location	Name	Currency	Ownership
Denmark	Hempel A/S	DKK	100%
Argentina	Hempel Argentina S.R.L.	ARS	100%
Australia	Hempel (Australia) Pty. Ltd.	AUD	100%
Australia	Hempel NewCo (Australia) Pty. Ltd.	AUD	100%
Australia	Hempel (Wattyl) Australia Pty. Ltd.	AUD	100%
Bahrain	Dahna Paint Middle East Holding B.S.C.	BHD	51%
Bahrain	Hempel Paints (Bahrain) S.P.C.	BHD	51%
Brazil	Hempel Tintas do Brasil Ltda	BRL	100%
Canada	Farrow & Ball Canada Limited	CAD	100%
Canada	Hempel (Canada) Inc.	CAD	100%
Chile	Pinturas Hempel Chile SpA	CLP	100%
China	Hempel North Asia Holding Co., Ltd	CNY	100%
China	Hempel (Hong Kong) Limited	HKD	100%
China	Hempel (China) Limited	HKD	100%
China	Hempel (Kunshan) Coatings Ltd.	CNY	100%
China	Hempel (Yantai) Coatings Ltd.	CNY	100%
China	Hempel (Guangzhou) Coatings Ltd.	CNY	100%
China	Hempel (Zhangjiagang) Coatings Ltd.	CNY	100%
Croatia	Hempel Coatings (Croatia) Ltd.	HRK	100%
Cyprus	Hempel Coatings (Cyprus) Limited	EUR	100%
Czech Republic	Hempel (Czech Republic) s.r.o.	CZK	100%
Denmark	HSA (Danmark) A/S	DKK	100%
Denmark	Hempel Decorative Paints A/S	DKK	100%
Denmark	HF (Denmark) A/S	DKK	100%
Ecuador	Hempel Ecuador S.A.	USD	100%
Egypt	Hempel Coatings (Egypt) LLC	EGP	100%
Egypt	Hempel Egypt L.L.C.	EGP	100%
Egypt	Hempel Paints Egypt LLC	EGP	99%
Finland	OY Hempel (Finland) AB	EUR	100%
France	Hempel (France) SAS	EUR	100%
Germany	Farrow & Ball DE GmbH	EUR	100%
Germany	Hempel (Germany) GmbH	EUR	100%
Germany	Hempel Beteiligungsgesellschaft GmbH	EUR	100%
Germany	Rottkamp Immoblilien GmbH & Co. KG	EUR	100%
Germany	Rottkamp Immobilien Verwaltung GmbH	EUR	100%
Greece	Hempel Coatings (Hellas) Single Member S.A.	EUR	100%
India	Hempel Paints (India) Private Limited	INR	100%
Indonesia	P.T. Hempel Indonesia	IDR	100%
Ireland	Crown Paints Ireland Limited	EUR	100%
Italy	Hempel (Italy) S.r.l.	EUR	100%
Korea	Hempel Korea Co. Ltd.	KRW	100%
Kuwait	Hempel Paints (Kuwait) K.S.C.C.	KWD	51%
Malaysia	Hempel (Malaysia) Sdn. Bhd	MYR	100%

Location	Name	Currency	Ownership
Malaysia	Hempel Manufacturing (Malaysia) Sdn. Bhd.	MYR	100%
Mexico	Pinturas Hempel de Mexico S.A. de C.V.	MXN	100%
Morocco	Hempel Maroc SARL	MAD	100%
New Zealand	Hempel (Wattyl) New Zealand Ltd.	NZD	100%
Norway	Hempel Norway AS	NOK	100%
Oman	Hempel (Oman) L.L.C	OMR	25%
Oman	Hempel Manufacturing LLC	OMR	25%
Peru	Hempel Pinturas Del Perú S.A.C.	PEN	100%
Poland	Hempel Paints (Poland) S.p. z o.o.	PLN	100%
Portugal	Hempel (Portugal) Lda	EUR	100%
Qatar	Hempel Paints (Qatar) W.L.L.	QAR	28%
Saudi Arabia	Hempel Paints (Saudi Arabia) W.L.L.	SAR	51%
Singapore	Hempel (Singapore) Pte. Ltd.	SGD	100%
South Africa	Hempel Paints South Africa (Pty) Ltd.	ZAR	100%
Spain	Pinturas Hempel SAU	EUR	100%
Sweden	Hempel (Sweden) AB	SEK	100%
Switzerland	Hempel Schweiz AG	CHF	100%
Syria	Hempel Paints (Syria) W.L.L.	SYP	43%
Taiwan	Hempel (Taiwan) Co., Ltd.	TWD	100%
Thailand	Hempel (Thailand) Ltd.	THB	100%
The Netherlands	Hempel (The Netherlands) B.V.	EUR	100%
The Netherlands	Hempel Industrial B.V.	EUR	100%
Turkey	Hempel Coatings San. ve Tic. Ltd. Sti.	TRY	100%
UK	Crown Brands Limited	GBP	100%
UK	Crown Paints Limited	GBP	100%
UK	Crown Paints Group Limited	GBP	100%
UK	Crown Paints Holdings Limited	GBP	100%
UK	FB Ammonite Limited	GBP	100%
UK	FB Brassica Limited	GBP	100%
UK	FB Brinjal Limited	GBP	100%
UK	FB Calluna Limited	GBP	100%
UK	Farrow & Ball Holding Limited	GBP	100%
UK	Farrow & Ball Limited	GBP	100%
UK	Hempel Decorative Paints Limited	GBP	100%
UK	Hempel UK Ltd.	GBP	100%
UK	Reebor Limited	GBP	1%
Ukraine	Hempel Ukraine LLC	UAH	100%
United Arab Emirates	Hempel Paints Company Abu Dhabi L.L.C.	AED	24%
United Arab Emirates	Hempel Paints Emirates L.L.C.	AED	49%
USA	Farrow & Ball Inc.	USD	100%
USA	Hempel (USA), Inc.	USD	100%
USA	Jones-Blair Company, LLC	USD	100%
Vietnam	Hempel Vietnam Company Limited	VND	100%

5.7 Financial definitions

Financial ratios have been calculated as follows:

Organic growth	=	$\frac{\text{Organic revenue}}{\text{Revenue in comparative period}}$ Organic growth is defined as revenue growth from one year to the next, based on values in fixed currencies for both years excluding mergers, acquisitions and divestments, etc.
Gross margin	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
EBITDA margin	=	$\frac{\text{EBITDA}}{\text{Revenue}}$
EBITDA margin, adjusted	=	$\frac{\text{EBITDA, adjusted}}{\text{Revenue}}$
EBITDA	=	Operating profit (and loss) before impairment, amortisation and depreciation
EBITDA, adjusted	=	EBITDA before special items and before adjustment for hyperinflation according to IAS 29
Operating profit margin	=	$\frac{\text{Operating profit (loss)}}{\text{Revenue}}$
Return on invested capital (ROIC)	=	$\frac{\text{12 month operating profit less effective tax rate + Special items}}{(\sum_{i=T-12}^{i=T} \text{Invested capital}) / 12}$
Invested capital	=	Intangibles + property, plant and equipment + inventories + receivables – provisions – trade payables – other payables
Equity ratio	=	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$
Leverage ratio	=	$\frac{\text{Net interest-bearing debt}}{\text{EBITDA before special items (incl. full-year figures from acquisitions)}}$
Net interest-bearing debt	=	Overdraft facilities + bank loans, etc. + interest-bearing payables to Group enterprises + lease liabilities – cash at bank and in hand
Free cash flow	=	Total net cash generated from operating activities less net cash used in investing activities
Cash conversion	=	$\frac{\text{Total net cash flows from operating activities before financial items and tax}}{\text{Total EBITDA}}$

Financial ratios have been calculated as follows:

Accounts receivable days	=	$\frac{\text{Accounts receivable x 90}}{\text{Revenue (last 3 months)}}$
Accounts payable days	=	$\frac{\text{Accounts payable x 90}}{\text{Cost of goods sold + change in inventory (last 3 months)}}$
Inventory days	=	$\frac{\text{Inventory x 90}}{\text{Cost of goods sold (last 3 months)}}$
Average net working capital days	=	Accounts receivable days + inventory days – accounts payable days (12 months average)

The following key figures are calculated as follows (EUR m)		**2024**	**2023**
Operating profit		277	235
Amortisation, depreciation and impairment		114	113
EBITDA	**=**	**391**	**348**
Special items, see note 2.3		-	7
Adjustment for hyperinflation according to IAS 29		1	5
EBITDA, adjusted	**=**	**392**	**360**
The following key figures are calculated as follows:			
Borrowings		623	1,087
Payables to parent company		-	57
Lease liabilities		129	140
Cash		- 210	- 209
Net interest-bearing debt	**=**	**542**	**1,075**
EBITDA, adjusted		392	360
Adjustment for hyperinflation according to IAS 29		- 1	- 5
EBITDA from 1 January to date of acquisition for acquired companies		-	-
EBITDA before special items	=	391	355
Leverage ratio	**=**	1.4	3.1[1]

[1] Leverage ratio for 2023 has not been restated.

Parent company financial statements

Primary statements

Notes

Statement of profit and loss

Note	(EUR m)	2024	2023
2.1	Revenue	246	234
	Production costs	- 128	- 115
	Gross profit	**118**	**119**
	Sales and distribution costs	- 30	- 32
	Administrative costs	- 79	- 90
	Other operating income/expenses	1	- 11
2.2	**Operating profit (loss)**	**10**	**- 14**
5.5	Income from investments in subsidiaries	5	18
	Profit (loss) before financial income and expenses	**15**	**4**
4.3	Financial income and expenses	- 22	- 32
	Profit (loss) before tax	**- 7**	**- 28**
2.3	Income tax	6	-
	Net profit (loss) for the year	**- 1**	**- 28**

Statement of financial position

31 December

Note	(EUR m)	2024	2023
	Software	7	3
	Software under development	17	33
	Other intangible assets	11	9
3.1	**Intangible assets**	**35**	**45**
	Plant and machinery	5	6
	Leasehold improvements	21	19
	Other fixed assets	1	1
	Assets under construction	1	8
3.2	**Property, plant and equipment**	**28**	**34**
5.5	Investments in subsidiaries	1,004	915
	Loans to Group enterprises	230	159
2.3	Deferred tax assets	33	23
	Deposits	1	2
	Other non-current assets	**1,268**	**1,099**
	Total non-current assets	**1,331**	**1,178**
3.3	Inventories	22	6
	Trade receivables	13	12
	Receivables from Group enterprises	498	673
	Tax receivables	12	-
	Other receivables	35	34
	Prepayments	14	10
	Cash	20	28
	Total current assets	**614**	**763**
	Total assets	**1,945**	**1,941**

Note	(EUR m)	2024	2023
	Share capital	19	15
	Share premium	590	-
	Warrants	6	-
	Reserve for development costs	24	32
	Retained earnings	164	252
	Proposed dividend for the year	-	25
4.1	**Total equity**	**803**	**324**
4.2	Borrowings	498	970
	Provisions	12	24
	Total non-current liabilities	**510**	**994**
4.2	Overdraft facilities	44	33
	Trade payables	22	11
4.2	Payables to parent company	-	55
	Payables to Group enterprises	532	462
	Tax payables	2	-
	Other liabilities	32	62
	Total current liabilities	**632**	**623**
	Total liabilities	**1,142**	**1,617**
	Total equity and liabilities	**1,945**	**1,941**

Statement of changes in equity

Note	(EUR m)	Share capital	Share premium	Warrants	Reserve for development costs	Retained earnings	Proposed dividend	Total equity
	Equity at 1 January 2023	**15**	**-**	**-**	**30**	**372**	**-**	**417**
	Net profit / (loss) for the year	-	-	-	-	- 28	-	- 28
	Exchange adjustment	-	-	-	-	- 2	-	- 2
	Remeasurements of defined benefit pension plans	-	-	-	-	- 1	-	- 1
	Cash flow hedging	-	-	-	-	- 5	-	- 5
	Other adjustments[1]	-	-	-	-	- 30	-	- 30
	Tax on equity transactions	-	-	-	-	- 1	-	- 1
	Extraordinary dividend distributed	-	-	-	-	- 26	-	- 26
	Proposed dividend	-	-	-	-	- 25	25	-
	Development projects reserve, additions	-	-	-	8	- 8	-	-
	Development projects reserve, amortisation	-	-	-	- 6	6	-	-
4.1	**Equity at 31 December 2023**	**15**	**-**	**-**	**32**	**252**	**25**	**324**
	Equity at 1 January 2024	**15**	-	-	**32**	**252**	**25**	**324**
	Net profit / (loss) for the year	-	-	-	-	- 1	-	- 1
	Exchange adjustment	-	-	-	-	38	-	38
	Remeasurements of defined benefit pension plans	-	-	-	-	2	-	2
	Cash flow hedging	-	-	-	-	3	-	3
	Other adjustments	-	-	-	-	- 2	-	- 2
	Tax on equity transactions	-	-	-	-	- 4	-	- 4
	Extraordinary dividend distributed	-	-	-	-	- 132	-	- 132
	Ordinary dividend paid	-	-	-	-	-	- 25	- 25
	Additional share issue and contribution	4	590	6	-	-	-	600
	Development projects reserve, amortisation	-	-	-	- 8	8	-	-
4.1	**Equity at 31 December 2024**	**19**	**590**	**6**	**24**	**164**	**-**	**803**

[1] On 28 June 2023, the remaining 35% of shares in the JWO Group were acquired. The negative equity reserve, including the transaction price, has been transferred to equity.

1 Basis of preparation

1.1 General accounting policies

The financial statements of Hempel A/S have been prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven) applying to large enterprises of reporting class C.

The financial statements are presented in EUR million.

Because a statement of cash flows is prepared for the Group in the consolidated financial statements, no separate statement of cash flows has been prepared for the parent company (as permitted under the Danish Financial Statements Act). Please refer to the consolidated cahs flow statement for the Group.

The accounting policies and presentation for the parent company are the same as for the consolidated financial statements with the exceptions described in the following sections. For a description of the accounting policies of the Group, please refer to the consolidated financial statements.

Revenue
Revenue is generated mainly from the sale of goods for resale and finished goods. Revenue is recognised in the income statement when all significant risk and rewards have been transferred to the customer and when the income can be reliably measured and is expected to be received. Revenue is measured at the fair value of the consideration expected to be received. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Receivables
Receivables are measured in the balance sheet at the lower of amortised cost and the net realisable value, which normally corresponds to the nominal value.

Leases
A finance lease is a lease that transfers substantially all the risk and rewards incidental to ownership of an asset. The parent company does not have any finance lease agreements.

An operating lease is a lease other than a finance lease. Operating lease commitments mainly relate to office buildings, leased cars and, to some extent, office equipment. Payments made under operating leases are recognised in the income statement over the lease term.

Hyperinflationary economies
The results and financial position of subsidiaries in Argentina and Turkey are translated into the presentational currency EUR following the principles described in note 1.1 Translation of Group companies in the consolidated financial statements. The results and financial position in Parent Financial Statements are not restated taking into account inflation adjustments in hyperinflationary economies.

Discontinued operations
Activities in Decorative business in France and Germany, divested in 2024, and Russia, divested in 2023, are not presented as discontinued operations.

2 Results for the year

2.1 Revenue

All revenue is derived from activities within the EMEA region. The following table displays revenue disaggregated into the sale of goods per customer category.

Disaggregation of revenue is based on internal management reporting. The other category primarily consists of intercompany sales.

(EUR m)	2024	2023
Marine	46	47
Energy & Infrastructure	11	11
Other	189	176
Total revenue	**246**	**234**

2.2 Employee costs

For remuneration of the Board of Directors and Registered Executive Management, please refer to note 2.2 in the consolidated financial statements.

Staff costs (EUR m)	2024	2023
Wages and salaries	61	68
Pension costs	4	4
Other social security contributions	1	1
Other employee costs	2	3
Total	**68**	**76**
Average number of employees	425	382

2.3 Income tax, tax assets and liabilities

Income tax **Tax for the year** (EUR m)	2024	2023
Tax for the year is specified as follows:		
Tax on profit for the year	- 21	- 5
Tax in respect of subsidiaries	27	5
Total tax for the year	**6**	**-**
Tax on profit for the year is calculated as follows:		
Current tax for the year	- 4	- 10
Deferred tax for the year	11	10
Adjustment in respect of previous years	- 1	-
Total tax on profit for the year	**6**	**-**

Deferred tax **Deferred tax recognised in the balance sheet** (EUR m)	2024	2023
Deferred tax (net):		
Deferred tax, beginning of year	23	13
Recognised in profit and loss	11	10
Recognised in equity	3	-
Adjustment in respect of previous years	- 4	-
Deferred tax (net), end of year	**33**	**23**

The Danish corporate tax rate was 22% in 2024 (22% in 2023). At 31 December 2024, the company had recognised a deferred tax asset of EUR 20 million (2023: EUR 23 million) which relates to temporary differences and tax losses carried forward.

3 Operating assets and liabilities

3.1 Intangible assets

Intangible assets (EUR m)	Software	Software under development	Other intangible assets[1]	Total
Cost at 1 January 2024	**17**	**33**	**41**	**91**
Additions for the year	-	7	-	7
Transfer between categories	8	- 16	8	-
Disposals for the year	-	- 7	-	- 7
Cost at 31 December 2024	**25**	**17**	**49**	**91**
Accumulated amortisation at 1 January 2024	**14**	**-**	**32**	**46**
Amortisation for the year	4	-	6	10
Accumulated amortisation at 31 December 2024	**18**	**-**	**38**	**56**
Carrying amount at 31 December 2024	**7**	**17**	**11**	**35**

[1] Other intangible assets comprise mainly brands and formulas.

3.2 Property, plant and equipment

Property, plant and equipment (EUR m)	Plant and machinery	Leasehold improvements	Other fixed assets	Assets under construction	Total
Cost at 1 January 2024	**11**	**25**	**4**	**8**	**48**
Transfer between categories	-	4	1	- 5	-
Disposals for the year	-	-	-	- 2	- 2
Cost at 31 December 2024	**11**	**29**	**5**	**1**	**46**
Accumulated depreciation at 1 January 2024	**5**	**6**	**3**	**-**	**14**
Depreciation for the year	1	2	1	-	4
Accumulated depreciation at 31 December 2024	**6**	**8**	**4**	**-**	**18**
Carrying amount at 31 December 2024	**5**	**21**	**1**	**1**	**28**

3.3 Inventories

Inventories (EUR m)	2024	2023
Raw materials and consumables	13	6
Work in progress	1	-
Finished goods	8	-
Inventories	**22**	**6**

4 Capital structure and financing items

4.1 Share capital, distribution to shareholder

Refer to note 4.1 in the consolidated financial statements for an overview of the changes in share capital.

An amount equal to capitalised development costs, net of tax, is reserved in the Reserve for development costs within equity. The reserve is reduced with amortisation and write-downs of development projects. The reserve cannot be used for payments of dividends.

Distribution of profit (EUR m)	**2024**	**2023**
Proposed dividends	-	25
Extraordinary dividends	- 132	-
Retained earnings	131	- 53
Total	**- 1**	**- 28**

4.2 Borrowings

As of 31 December 2024, loans from Hempel Invest A/S was fully repaid (2023: EUR 57 million). Overdraft facilities amounted to EUR 44 million (2023: EUR 33 million).

Long-term borrowings etc. including short-term part (EUR m)	**2024**	**2023**
Due within 1 year	44	88
Due within 1 to 5 years	498	970
Total borrowings	**542**	**1,058**

4.3 Financial income and expenses

(EUR m)	**2024**	**2023**
Interest income from subsidiaries	47	49
External interest expenses	- 42	- 49
Interest income, other	1	1
Other financial expenses	- 7	- 8
Interest paid to Group enterprises	- 17	- 14
Realised and unrealised exchange gains/losses, net	- 4	- 11
Net financial income/expenses	**- 22**	**- 32**

5 Other disclosures

5.1 Fee to the auditors appointed at the General Meeting

The audit fee is disclosed in the consolidated financial statements, note 5.1.

5.2 Contingent liabilities and other commitments

The operating lease commitments are related to non-cancellable operating leases primarily related to buildings, company cars and office equipment.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term. The parent company guarantees unutilised local loans and bank credits to subsidiaries.

Hempel A/S is jointly taxed with a number of Danish companies in the Hempel Foundation Group. The Group's Danish enterprises are jointly and severally liable for Danish taxes at source and income taxes.

Refer to note 5.3 in the consolidated financial statements for more information.

(EUR m)	2024	2023
Rental and lease obligations:		
Due within 1 year from the balance sheet date	6	6
Due within 1 to 5 years from the balance sheet date	24	24
Due more than 5 years from the balance sheet date	6	12
Total rental and lease obligations	**36**	**42**
Guarantees:		
For local loans and bank credits to subsidiaries	85	67
Total guarantees	**85**	**67**

5.3 Events after the reporting period

Refer to note 5.4 in the consolidated financial statements for more information.

5.4 Related parties

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

5.5 Investments in subsidiaries

Accounting policies
Investments in subsidiaries are recognised and measured under the equity method. This implies that the proportionate share of the net result, less amortisation of goodwill and other fair value adjustments from business acquisitions, is recognised in income from investments in subsidiaries in the statement of profit and loss. Goodwill and brands are amortised over 10 years. Goodwill is amortised over the period the company is expected to derive benefits from the goodwill, which is based on the acquisition business case.

The investments are measured in the balance sheet at the proportionate ownership share of the net asset value of the enterprises with deduction or addition of shares of unrealised intercompany profits and losses.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to 'Reserve for net revaluation under the equity method' under equity. The reserve is reduced by dividends distributed to the parent company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the parent company to cover the negative balance of the subsidiary is recognised in receivables from subsidiaries or as a provision.

Impairment of investments in subsidiaries
In 2023, an impairment of EUR 32 million was made in the parent financial statements recognised within income from investment in subsidiaries. The impairment test was performed based on the principles described in note 3.2 in the consolidated financial statements.

Decorative business in France and Germany
The additions are a result of capital increases in the Decorative business in France and Germany that took place before it was divested.

Investments in subsidiaries (EUR m)	**2024**	**2023**
Cost at 1 January	1,045	1,049
Additions for the year	99	-
Disposals for the year	- 99	- 4
Cost at 31 December	**1,045**	**1,045**
Net revaluations at 1 January	- 276	- 195
Exchange rate adjustments	26	- 14
Remeasurements of defined benefit pension plans	2	- 1
Net profit for the year	71	93
Amortisation and impairment of goodwill and brands	- 66	- 75
Dividend received	- 56	- 47
Disposal	95	- 9
Other adjustments[1]	97	- 28
Net revaluations at 31 December	**- 107**	**- 276**
Carrying amount at 31 December	**938**	**769**
Recognised in the statement of financial position as follows:		
Subsidiaries with negative equity	- 66	- 146
Investments in subsidiaries	1,004	915
	938	**769**
Subsidiaries with negative equity are recognised in the statement of financial position as follows:		
Recognised as provisions	- 12	- 24
Recognised in receivables from subsidiaries	- 54	- 122
Net value at 31 December	**- 66**	**- 146**

[1] 2024: As part of the sale of the Decorative business in France and Germany the remaining Intercompany loans were written-down, which is presented under other adjustments.
2023: On 28 June 2023, the remaining 35% shares in the JWO Group were acquired resulting in an adjustment to the carrying amount of the subsidiaries, which is presented under other adjustments.

Please refer to note 5.6 in the consolidated financial statements for an overview of the Hempel Group and please refer to note 4.6 in the consolidated financial statements for the total loss related to the divestment of the Decorative business in France and Germany.

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