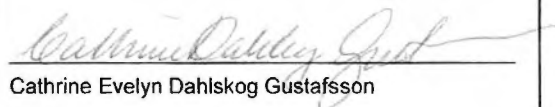


International Farvefabrik A/S
Marielundvej 43 A, 1
2730 Herlev

International Farvefabrik
A/S
2018

The annual report was presented and adopted at the
Company's annual general meeting on 20th May 2019



Cathrine Evelyn Dahlskog Gustafsson

Chairman

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Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of International Farvefabrik A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

Executive Board: 20th May 2019



Gerard de Vries

Board of Directors:



Cathrine Evelyn
Dahlskog Gustafsson
Chairman



Gerard de Vries



Boris Kuzmanovic

Independent Auditor's Report

To the Shareholders of International Farvefabrik A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of International Farvefabrik A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

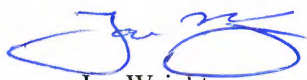
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 20th May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Jan Wright

State Authorised Public Accountant
mne10053



Allan Wøhlk Høgh

State Authorised Public Accountant
mne34528

Company details

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

Telephone: +45 4466 4444
Website: www.akzonobel.com
CVR no.: 16 97 27 11
Established: 1914
Registered office: Herlev
Financial year: 1 January – 31 December

Board of Directors

Cathrine Evelyn Dahlskog Gustafsson (Chairman)
Gerard de Vries
Boris Kuzmanovic

Executive Board

Gerard de Vries

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial statements 1 January – 31 December

Accounting policies

The Annual Report of International Farvefabrik A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C

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

Financial statements for 2018 are presented in DKK.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods, comprising the sale of paint, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be reliably measured and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Financial statements 1 January – 31 December

Accounting policies

Cost of raw materials and consumables

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

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Other operating costs

Other operating costs comprise items secondary to the activities of the entities, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

Customer contracts and relationships acquired are measured at cost less accumulated amortisation and impairment losses. Customer contracts and relationships are amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Accounting policies

Intangible assets are written down to the recoverable amount if this is lower than the carrying amount.

Impairment of non-current assets

The carrying amount of intangible assets is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

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

The cost of goods for resale equals landed cost.

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

Receivables

Receivables are measured at amortised cost.

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

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Prepayments

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

Financial statements 1 January – 31 December

Accounting policies

Equity

Dividends

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

Corporation tax and deferred tax

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

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Financial debts

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



Financial statements 1 January – 31 December

Accounting policies

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.



Financial statements 1 January – 31 December

Income statement

	Note	2018 DKK'000	2017 DKK'000
Revenue		103,531	120,328
Cost of raw materials and consumables		-68,962	-78,453
Other external costs		-17,867	-25,965
Gross profit		16,702	15,910
Staff costs	2	-8,666	-8,437
Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses		-14	-14
Ordinary operating profit/loss		8,022	7,459
Other financial income		0	532
Other financial expenses	3	-332	-28
Profit/loss before tax		7,690	7,963
Tax on profit/loss for the year	4	-1,436	-2,090
Profit/loss for the year		6,254	5,873
Proposed profit appropriation/distribution of loss			
Proposed dividend for the year		7,500	10,000
Retained earnings		-1,246	-4,127
		6,254	5,873

Financial statements 1 January – 31 December

Balance sheet

	Note	2018 DKK'000	2017 DKK'000
ASSETS			
Non-current assets			
Intangible assets			
Customer contracts and relationships		19	33
Total non-current assets		19	33
Current assets			
Inventories			
Goods for resale		7,810	6,709
		7,810	6,709
Receivables			
Trade receivables		21,714	24,380
Receivables from group entities		34,904	19,080
Other receivables		1,295	1,266
Deferred tax asset		10	5
Prepayments		0	210
		57,923	44,941
Total current assets		65,733	51,650
TOTAL ASSETS		65,752	51,683

Financial statements 1 January – 31 December

Balance sheet

	Note	2018 <u>DKK'000</u>	2017 <u>DKK'000</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,000	4,000
Retained earnings		10,538	11,784
Proposed dividend for the year		7,500	10,000
Total equity		<u>22,038</u>	<u>25,784</u>
Other provision		362	0
Provisions		<u>362</u>	<u>0</u>
Prepayments received from customers		647	168
Trade payables		1,537	1,068
Payables to group entities		35,970	18,543
Corporation tax		1,709	2,058
Other payables		3,489	4,062
		<u>43,352</u>	<u>25,899</u>
Total liabilities		<u>43,714</u>	<u>25,899</u>
TOTAL EQUITY AND LIABILITIES		<u><u>65,752</u></u>	<u><u>51,683</u></u>
Contractual obligations, contingencies, etc.	5		
Related parties	6		

Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Balance at 1 January 2018	4,000	11,784	10,000	25,784
Ordinary dividend paid	0	0	-10,000	-10,000
Net profit/loss for the year	0	-1,246		-1,246
Proposed dividend for the year	0		7,500	7,500
Balance at 31 December 2018	4,000	10,538	7,500	22,038

Notes

1 Main activity

The company supplies paints and coatings to the international shipping industry and Danish industrial industry

	2018	2017
	DKK'000	DKK'000
2 Staff costs		
Wages and salaries	7,778	7,408
Pensions	888	1,029
Other social security costs	0	0
	<u>8,666</u>	<u>8,437</u>
Average number of employees	<u>10</u>	<u>10</u>
3 Other financial expenses		
Interest expense to group entities	25	28
Foreign exchange losses	307	0
	<u>332</u>	<u>28</u>
4 Tax on profit/loss for the year		
Current tax for the year	1,709	1,777
Deferred tax for the year	-5	1
Adjustment of tax concerning previous years	-268	312
Adjustment of deferred tax concerning previous years	0	0
	<u>1,436</u>	<u>2,090</u>

Notes

5 Contractual obligations, contingencies, etc.

Contingent liabilities

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

Lease obligations

The Company has entered into operating leases at the following amounts:

	2018	2017
	DKK'000	DKK'000
Within 1 year	707	962
Between 1 and 5 years	744	967
	<u>1,451</u>	<u>1,929</u>

