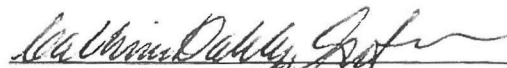


International Farvefabrik A/S
Marielundvej 43 A, 1
2730 Herlev

International Farvefabrik A/S

Annual report 2016

The annual report was presented and adopted at the
Company's annual general meeting on 29th May
2017



Cathrine Evelyn Dahlskov 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 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

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

19th May 2017

Executive Board:



Gerard de Vries

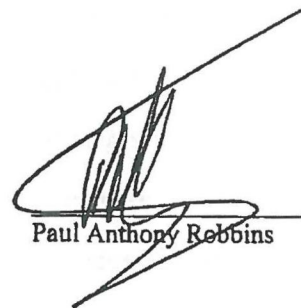
Board of Directors:



Cathrine Evelyn
Dahlskog Gustafsson
Chairman



Gerard de Vries



Paul Anthony Robbins

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 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 2016, 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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, 29th May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31


Marianne Fog Jørgensen
State Authorised Public Accountant


Christian Huss
State Authorised Public Accountant

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
Paul Anthony Robbins

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 2016 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

Financial statements for 2016 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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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

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.

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.

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.

Financial statements 1 January – 31 December

Accounting policies

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.

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.

Share-based incentive schemes

Share-based incentive schemes for the Company's Management and employees with the option to subscribe for shares in the Parent Company (share options) are considered a matter of the relevant shareholders, and the fair value of share options granted is therefore not recognised in the income statement as estimated payroll costs on an ongoing basis.

Financial statements 1 January – 31 December

Accounting policies

Corporation tax and deferred tax

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

Payable and receivable joint taxation contributions are 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.

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.

Other provisions comprise of obligations to make good any defects within the warranty period of 1-5 years. Provisions are measured at net realisable value and recognised on the basis of the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Financial debts

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

Financial statements 1 January – 31 December

Income statement

	Note	2016 DKK'000	2015 DKK'000
Revenue		162,714	126,023
Cost of raw materials and consumables		-113,773	-99,722
Other external costs		-25,637	-21,412
Gross profit		23,304	4,889
Staff costs	2	-8,352	-5,844
Depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses		-14	-14
Ordinary operating profit/loss		14,938	-968
Other financial expenses	3	-1,242	-376
Profit/loss before tax		13,696	-1,344
Tax on profit/loss for the year	4	-3,025	256
Profit/loss for the year		10,671	-1,088
Proposed profit appropriation/distribution of loss			
Retained earnings		10,671	-1,088
		10,671	-1,088

Financial statements 1 January – 31 December

Balance sheet

	Note	2016	2015
		DKK'000	DKK'000
ASSETS			
Non-current assets			
Intangible assets			
Customer contracts and relationships		47	61
Total non-current assets		47	61
Current assets			
Inventories			
Goods for resale		5,146	5,007
		5,146	5,007
Receivables			
Trade receivables		33,346	28,579
Receivables from group entities		1,624	2,491
Other receivables		1,349	408
Deferred tax asset		6	670
		36,324	32,147
Total current assets		41,471	37,154
TOTAL ASSETS		41,517	37,215



Financial statements 1 January – 31 December

Balance sheet

	Note	2016 DKK'000	2015 DKK'000
EQUITY AND LIABILITIES			
Equity			
Share capital		4,000	4,000
Retained earnings		15,911	5,240
Total equity		19,911	9,240
Provisions			
Other provisions		0	1,196
Total provisions		0	1,196
Current liabilities other than provisions			
Prepayments received from customers		179	297
Trade payables		959	1,758
Payables to group entities		13,085	19,885
Corporation tax		2,750	6
Other payables	5	4,633	4,832
		21,606	26,782
Total liabilities other than provisions		21,606	26,782
TOTAL EQUITY AND LIABILITIES		41,517	37,215
Contractual obligations, contingencies, etc.	6		
Related parties	7		

Statement of changes in equity

	Share capital	Retained earnings	Total
	DKK'000	DKK'000	DKK'000
Balance at 1 January 2016	4,000	5,240	9,240
Net profit/loss for the year	0	10,671	10,671
Balance at 31 December 2016	4,000	15,911	19,911



Financial statements 1 January – 31 December

Notes

1 Main activity

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

	2016	2015
	DKK'000	DKK'000
2 Staff costs		
Wages and salaries	7,042	5,161
Pensions	893	683
Other social security costs	417	0
	8,352	5,844
Average number of employees	9	7
3 Other financial expenses		
Interest expense to group entities	36	29
Foreign exchange losses	1,206	347
	1,242	376
4 Tax on profit/loss for the year		
Current tax for the year	2,750	0
Deferred tax for the year	282	-256
Adjustment of tax concerning previous years	-389	0
Adjustment of deferred tax concerning previous years	382	0
	3,025	-256

Financial statements 1 January – 31 December

Notes

5 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2016 DKK'000	2015 DKK'000
Liabilities	39	30

Forward exchange contracts have been concluded to hedge 100% of sales and purchase invoices which are outstanding on the ledger for currency balances > €5,000.

At the balance sheet date the forward exchange contracts which relate to the sales of goods are summarised as follows:

Currency	DKK'000	Currency Amount '000	Term
USD	8,764	1,237	1-2 months
EUR	1,471	198	1 month
GBP	610	70	1 month
Total	10,845		

Financial statements 1 January – 31 December

Notes

At the balance sheet date the forward exchange contracts which relate to the purchase of goods are summarised as follows:

Currency	DKK'000	Currency Amount '000	Term
EUR	2,372	319	1 month
NOK	690	844	1 month
SGD	368	75	1 month
AED	85	44	1 month
Total	3,515		

6 Contractual obligations, contingencies, etc.

Contingent liabilities

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

Lease obligations

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

	2016	2015
	DKK'000	DKK'000
Within 1 year	829	522
Between 1 and 5 years	1,416	860
	<u>2,245</u>	<u>1,382</u>

Financial statements 1 January – 31 December

Notes

7 Related parties

Consolidated Financial Statements

The consolidated annual report 2016 can be requested by contacting Akzo Nobel 'C' Holding BV, Netherlands

