

# PPG Coatings Danmark A/S

Gladsaxevej 300

2860 Søborg

CVR No. 18998696

## Annual Report 2018

25. financial year

The Annual Report was presented and  
adopted at the Annual General Meeting of  
the Company on 28 May 2019

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Peter Flemming Sørensen  
Chairman

**Contents**

Management's Statement	3
Independent Auditor's Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	11
Accounting Policies	12
Income Statement	17
Balance Sheet	18
Statement of changes in Equity	20
Notes	21

## Management's Statement

Today, Management has considered and adopted the Annual Report of PPG Coatings Danmark A/S for the financial year 1 January 2018 - 31 December 2018.

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

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

In our opinion, the Management Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

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

Søborg, 28 May 2019

### Executive Board

Peter Flemming Sørensen

### Supervisory Board

Steven Pocock

Peter Flemming Sørensen

Pascal Tisseyre

Michael Nielsen

Jan Hollender

## Independent Auditor's Report

To the shareholder of PPG Coatings Danmark A/S

### Opinion

We have audited the financial statements of PPG Coatings Danmark A/S for the financial year 1 January 2018 - 31 December 2018, which comprise an income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

### Basis of 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.

### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management considers 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

### The auditor's responsibility 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

## Independent Auditor's Report

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 risk of material misstatement in 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 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 whether 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 which we identify during our audit.

Hellerup, 28 May 2019

**PricewaterhouseCoopers**  
**Statsautoriseret Revisionspartnerselskab**  
CVR-no. 33771231

Martin Lunden  
State Authorised Public Accountant  
mne32209

Mark Philip Beer  
State Authorised Public Accountant  
mne29472

## PPG Coatings Danmark A/S

### Company details

<b>Company</b>	PPG Coatings Danmark A/S Gladsaxevej 300 2860 Søborg
CVR No.	18998696
Date of formation	18 December 1995
Registered office	Gladsaxe
Financial year	1 January 2018 - 31 December 2018
<b>Supervisory Board</b>	Steven Pocock Peter Flemming Sørensen Pascal Tisseyre Michael Nielsen Jan Hollender
<b>Executive Board</b>	Peter Flemming Sørensen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231
<b>Attorneys</b>	Bech-Bruun Advokatpartnerselskab
<b>Bank</b>	Danske Bank A/S Nordea Bank Danmark A/S BNP Paribas Fortis

## Management's Review

### **The Company's principal activities**

PPG Coatings Danmark A/S is a wholly-owned subsidiary of PPG Industries Inc. headquartered in Pittsburgh, USA. As a global supplier of paints, coatings, optical products, and specialty materials, PPG Industries Inc. operates in more than 70 countries and employs around 47,000 people to bring life to our purpose and promise: WE PROTECT AND BEAUTIFY THE WORLD™.

The activities of PPG Coatings Danmark A/S comprise production and distribution of paints, wood stain products and speciality products and we employ 267 people. Our production takes place at the factory in Søborg, Denmark, but products are also purchased within PPG Industries Inc. and from external suppliers. Distribution primarily takes place through the major 'do it yourself' chains to end-users or through PPG Coatings Danmark A/S' 20 professional paint centres where professional decorators buy products and tools.

In line with our corporate purpose and promise, the objective of PPG Coatings Danmark A/S is to deliver quality products and continuously develop technologies that provide additional benefits to our customers.

### **Development in activities and financial matters**

The Company's Income Statement of the financial year 1 January 2018 - 31 December 2018 shows a result of DKK 25.128.653 and the Balance Sheet at 31 December 2018 a balance sheet total of DKK 547.220.860 and an equity of DKK 211.644.080.

### **Expectations for the future**

The Company expects the operating profit to be between DKK millions 40 and DKK millions 50 in 2019.

### **Net profit/loss for the year compared with expected developments in the most recently published annual report**

The result is in line with our expectations.

### **Statement on sustainability**

Through our business and principle activities, PPG Coatings Danmark A/S contribute to PPG Industries Inc.'s continued efforts to enhance and strengthen sustainable operations and bring life to our corporate purpose and promise.

In line with PPG Industries Inc.'s sustainability vision we are committed to delivering lasting value for shareholders and customers by operating with integrity, working safely, respecting the contributions of our people, preserving the environment and supporting the communities where we operate. Furthermore, we launched in 2018 corporate sustainability goals towards 2025 that guides our company in implementing sustainable business practices. Our research and development portfolio is driven by environmental stewardship and our goal is to achieve 40% of sales from sustainable products and processes by 2025. For more detail see PPG Industries Inc.'s consolidated sustainability report available at [www.sustainability.ppg.com](http://www.sustainability.ppg.com).

At PPG Coatings Danmark A/S, we primarily focus our sustainability efforts on our production facility in view of potential risks related to the environment, health and safety (EHS). We comply with applicable law and PPG Industries Inc.'s sustainability policies that respond to identified risks and opportunities and details internationally recognised standards within the area of the environment, human rights including labour rights, anti-corruption and corporate governance. Similarly, we expect our suppliers and their subcontractors to comply with applicable law and to adhere to the standards described in our Global Code of Ethics.

#### *Environment, health and safety*

Our EHS Policy states that PPG Industries Inc. market, distribute and manufacture products globally in a responsible manner that protects employees, neighbours, customers and the environment. The policy incorporate elements of Responsible Care and Coatings Care initiatives and emphasises our commitment to continuous improvement and sustainability.

## Management's Review

Through our global EHS management system 'PPG EHS Management System', we work to meet our objectives and monitor our performance at our production facility. Our Danish EHS Leadership Team has 16 members representing different parts of the business. In 2018, they meet monthly to discuss progress and made an annual assessment of EHS risks and prioritised actions accordingly. EHS training and risks recognition was identified as areas that needed extra attention and new initiatives have been taken to remedy those.

In 2018, our main EHS activities centred on proper implementation of our EHS requirements and preparing for the internal audit of the EHS management system in November. The audit takes place every three year and the results were satisfactory with a slight improvement compared to the previous prior audit. 12 EHS findings were identified and action plans to remedy these by 2019 have been agreed.

Our key environmental practice and corporate goals include:

**Waste:** The more efficient we use materials to make our products, the less waste we produce, the fewer resources we consume and the more money we save. We work toward absolute material utilization throughout our manufacturing processes followed by eliminating, minimizing, reusing and recycling the waste materials we do produce. Our corporate 2025-goal is a 25% reduction in waste.

**Water:** We see it as our responsibility to optimize water use through conservation and reuse and continue to reduce our consumption of water in our production. Our corporate 2025-goal is a 20% reduction in water consumption.

**Spill and releases:** We have strong management practices in place to prevent spills and releases, and our corporate spill-elimination standard requires the establishment of a spill-elimination program at our facility. Unfortunately, we had one larger (4000 L) spill inside and one minor spill (50-100 kg) to rainwater sewer system in 2018. Our corporate 2025-goal is a 65% improvement in our spills and release rate.

**Energy:** Most of our manufacturing processes are not energy-intensive, but we are committed to reducing our energy consumption to minimize our greenhouse gas (GHG) emissions, reduce costs and create more efficient facilities. Our corporate 2025-goals are a 15% in energy reduction and a 15% reduction in GHG emissions.

With regards to health and safety, we implement programs and initiatives to reduce health and safety risks in our operations and nurture sound operating practises. We have a corporate target of no PPG Injury and Illness (PPG II) incidents, which includes for example fatalities, amputations, 30 or more calendar days of away from work and third degree burns. Whilst we did not have any PPG II incidents at PPG Coatings Danmark A/S' production facility in 2018, one of our salespeople was involved in a car accident and tragically did not survive. There should be no doubt that it is a top priority for us to ensure that all employees return home safely each day and we continuously work to improve our ability to predict, prevent and manage errors that could result in injury in all parts of our business.

### EHS indicator 2018

Total waste intensity (metric tons/100 ton production) 7,07

Water usage intensity (cubic meters/metric ton production) 0,21

Energy intensity (million British thermal unit/metric ton production) 0,75

Spills and releases (category I, II and III) rate\*) 1,20

PPG II incident rate\*\*) 0

The EHS indicators for PPG Coatings Danmark A/S' production facility are prepared in accordance with PPG Industries Inc.'s EHS accounting principles. Only data for 2018 is included as the reporting system has changed in 2018.

## Management's Review

\*) The rate is calculated by multiplying the number of Incidents (Category I/II/III) by 200,000, and then dividing that number by the number of labour hours at the site.

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### *Employee relations and human rights*

Our 267 employees are a key asset – an intellectual capital resource – to the operations of PPG Coatings Danmark A/S. In addition to operating safe and healthful workplaces it is pivotal that we are able to attract and retain our employees and that they have the right competences. Hence, a clear focus on learning and development is crucial to ensure that we keep our employees engaged, productive and successful at every stage of their careers. We are committed to promoting from within wherever possible while also bringing in new ideas, thoughts and insights. It is Management's assessment that PPG Coatings Danmark A/S has the right competences to develop its business positively going forward.

Overall, our Global Code of Ethics sets the standard for the relationship between PPG Industries Inc. and its employees. At PPG Coatings Danmark A/S, the HR-department manages employee related matters in view of the Code to nurture a good working environment and accelerate employee development. Our work council, which engages a representative from management, HR and our production facility, meet four times in 2018 to discuss pertinent issues and assess progress in our work. Furthermore, our trade union representative union member represents and gives advice to employees if they have work-related problems. Our Code and daily practise in 2018 focused on:

Diversity: We value differences among us in experience, perspective, background, race, age, national origin, religion, sex, sexual orientation, gender identity and/or expression, culture, interests, geography, and style, and we strive for a collaborative environment in which everyone has a chance to succeed. We base employment decisions on job qualifications and merit, which include education, experience, skills, ability, and performance.

Human rights, including labour rights: We respect the dignity and human rights of all people, and we comply with all laws pertaining to freedom of association, privacy, collective bargaining, immigration, working time, wages, and hours, as well as laws prohibiting forced, compulsory and child labour, human trafficking, and employment discrimination.

Non-discrimination and harassment: We give equal employment opportunity to and will not discriminate against individuals on the basis of any status protected by applicable laws. We are committed to providing a workplace that is free from harassment and bullying.

Data privacy: We respect individual privacy rights and are committed to collecting, handling, reviewing, and protecting personal information responsibly and in compliance with applicable privacy and information security requirements and laws. We strive to respect the privacy of our employees by honouring our legal requirements and upholding high ethical standards.

We did not introduce new initiatives per se in Denmark in 2018, but continued to also nurture a culture of health, where our employees become responsible for their individual well-being through informed, active participation in health and wellness activities. We focus on nutrition, exercise, health screenings and mindfulness/stress which research has identified as key to our employees overall well-being. For example, the wellness program at PPG Coatings Danmark A/S, which has been in place for a number of years, includes yoga classes. Our corporate 2025-goal is that 100% of PPG facilities have wellness programs.

## Management's Review

### *Anti-corruption and bribery*

Our Global Code of Ethics and Global Anti-Corruption Policy make clear that PPG Industries Inc. prohibit bribery and corruption in all of its business dealings in every country. We must govern our conduct in order to conform to the rigorous anti-bribery and anti-corruption laws in place throughout the world. Hence, PPG Coatings Danmark A/S' employees and intermediaries are prohibited from making, offering or accepting bribes, payments or anything of value in order to improperly obtain or retain contracts, business, government approvals, favourable tax or customs rulings, or to secure any other improper business advantage, with any entity or individual.

At PPG Coatings Danmark A/S, we have established internal controls and accounting practices to prevent and reduce the risk of use of funds for bribes or unlawful payments. Furthermore, our Global Code of Ethics provide guidance to our employees in their daily business conduct. If there is suspicion or known violations of our policies employees must report the information to our global Chief Compliance Officer, Danish counsel representative or they can use our corporate confidential, anonymous 'Ethics Hotlines'.

In 2018 all employees at PPG Coatings Danmark A/S engaged through our annual mandatory online training and our Corporate Audit Services regularly monitor and review employee compliance with the Global Anti-Corruption Policy.

### **Statement on gender distribution in management**

To ensure that employees feel valued and respected, PPG Industries Inc. is committed to providing a workplace that embraces a culture of diversity and inclusion. It is in our policies to consider diversity among employees and within management as a strength for the business.

We actively promoting gender diversity and it is PPG Coatings Danmark A/S ambition to increase the number of women in management. Our target for gender representation within our supreme management body, the Board of Directors, is to have one woman among the three members elected by the annual general assembly no later than 2020. As all members of the Board of Directors were re-elected in 2018, there are currently no women represented. The representation of women in management, which represents the management team, is 20%. This is also the same levels as in 2017 despite our efforts to improve gender distribution in management in 2018.

To improve gender distribution it is part of our practise to shortlist both male and female candidates when we hire or promote employees to management positions. We also provide equal opportunity for all employees to increase their skills and competences through additional training and education and we continue to retain and nudge female colleagues with management potential and ambitions to seek a career within PPG. In 2018, our HR manager engaged in PPGs Women's Leadership Council and in an external diversity council in Denmark to share learnings and get new inspiration on how to engage more women in management.

The overall objective of the PPG Group is to have the highest standards within Corporate Social Responsibility. Further information **on reporting on corporate social responsibility cf. Section 99 a of the Danish Financial Statements Act** can be found at:

<https://ppg.pairsite.com/PPG-Annual-Report-2018/10/index.html>

Considerable resources have been used to implement the global standards for especially environment and work environment.

## Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

*Numbers appear in thousands*

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenue	803.585	756.401	722.364	755.696	799.883
Profit from ordinary operating activities	51.089	43.447	25.661	12.564	45.224
Profit/loss for the year	25.129	16.697	12.646	27.094	30.207
Net financial income and expenses	-3.850	-5.200	-6.160	-6.859	-6.443
Investment in non-current PPE	5.645	23.249	13.457	17.686	15.289
Total assets	547.221	604.904	634.903	638.401	677.860
Total equity	211.644	186.515	169.819	264.941	255.894
Avg. number of full-time employees	267	272	282	287	284
Profit margin (%)	6,36	5,74	3,55	3,59	5,65
Return on equity (ROE) (%)	12,62	9,37	5,82	4,84	12,65
Return on capital employed (%)	8,87	7,01	3,96	4,11	6,95
Solvency ratio (%)	38,68	30,83	26,75	41,50	37,75

For definitions of key ratios, see Accounting and Valuation Principles. Comparative figures have been adjusted based on the mergers.

## Accounting Policies

### Reporting Class

The Annual Report of PPG Coatings Danmark A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

According to section 112(2) and 86(4) of the Danish Financial Statement Act, no consolidated statement or cash flow statement have been prepared. The financial statements of PPG Coatings Danmark A/S and its group enterprises are included in the consolidated financial statements of PPG Industries Inc, Pittsburgh, PA 15272, USA.

The accounting policies applied remain unchanged from last year.

### Reporting currency

The Annual Report is presented in Danish kroner.

### Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

## General Information

### Basis of recognition and measurement

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

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

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

## Accounting Policies

### Income Statement

#### Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

#### Other operating income

Other operating income comprise items of a secondary nature to the principal activity of the Company.

#### Change in inventories of finished goods, work in progress and goods for resale.

Change in inventories comprises of the change in inventories of finished goods, work in progress and goods for resale.

#### Raw materials and consumables

Costs for raw materials and consumables comprise of consumption of goods and services for resale.

#### Other external expenses

Other external expenses comprise expenses regarding sale and administration.

#### Employee benefits expense

Staff expenses comprise wages and salaries, pensions and social security costs.

#### Depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets recognised in the profit or loss

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life :

	<b>Useful life</b>
Acquired intangible assets	5-10 years
Goodwill	5 years
Land and buildings	5-50 years
Plant and machinery	3-30 years
Fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	5-10 years

The usefull life and residual value for tangible assets are revaluated yearly.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

#### Other Finance income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities.

#### Tax expence on ordinary activities

Tax on net profit for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and

## Accounting Policies

deferred tax regarding changes in equity is recognised directly in equity. The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

## Balance Sheet

### Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

Acquired intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses. An impairment test is performed in the event of indications of a decrease in value. Furthermore, annual impairment tests are performed for ongoing and activated development projects, if any. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or assets group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

### Property plant and equipment

Tangible assets are measured at cost, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

An impairment test of tangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

### Long term investments in group enterprises

Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realisable value, a write-down to this lower value will be performed.

### Deposits, investments

Deposits are measured at amortised cost which usually corresponds to the nominal value.

### Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Work in progress and manufactured goods are measured at manufacturing price comprising of cost of goods sold plus direct and indirect production costs.

### Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

### Deferred cost

Deferred cost, recognised in assets comprises of prepaid costs regarding subsequent financial years.

## Accounting Policies

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

### Provisions

#### Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### Other provisions

Other provisions comprise of expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

Provisions that are expected to be settled later than a year from the balance sheet date are measured at the present value and the expected payments. Other provisions are measured at net realisable value.

#### Long-term liabilities other than provisions

Payables to group enterprises are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

#### Short-term liabilities other than provisions

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

#### Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

## Accounting Policies

### Explanation of financial ratios

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

Profit margin	=	$\frac{\text{Profit from ordinary operating activities X 100}}{\text{Revenue}}$
Return on equity (%)	=	$\frac{\text{Profit/loss for the year X 100}}{\text{Avg. equity}}$
Return on capital employed (%)	=	$\frac{\text{Profit from ordinary operating activities X 100}}{\text{Avg. assets}}$
Solvency Ratio (%)	=	$\frac{\text{Equity X 100}}{\text{Assets}}$

## Income Statement

	Note	2018 kr.	2017 kr.
Revenue	1	803.584.875	756.400.750
Change in inventories of finished goods, work in progress and goods for resale		-4.994.924	-3.196.178
Other operating income		2.663.630	2.172.800
Raw materials and consumables used		-410.594.096	-380.789.419
Other external expenses		-160.371.705	-148.480.112
<b>Gross result</b>		<b>230.287.780</b>	<b>226.107.841</b>
Employee benefits expense	2	-149.945.751	-156.591.220
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-29.252.643	-26.069.702
<b>Profit from ordinary operating activities</b>		<b>51.089.386</b>	<b>43.446.919</b>
Income from investments in group enterprises and associates		1.418.000	0
Other finance income	3	2.369.259	1.739.330
Impairment of financial assets		-11.120.204	-14.495.769
Finance expenses	4	-6.219.794	-6.939.191
<b>Profit from ordinary activities before tax</b>		<b>37.536.647</b>	<b>23.751.289</b>
Tax expense on ordinary activities	5	-12.407.994	-7.054.771
<b>Profit</b>		<b>25.128.653</b>	<b>16.696.518</b>
Distribution of profit	6		

## Balance Sheet as of 31 December

	Note	2018 kr.	2017 kr.
<b>Assets</b>			
Acquired intangible assets	7	11.265.084	9.756.987
Goodwill	8	183.332	283.332
<b>Intangible assets</b>		<b>11.448.416</b>	<b>10.040.319</b>
Land and buildings	9	107.192.073	119.755.637
Plant and machinery	10	41.039.600	46.768.892
Fixtures, fittings, tools and equipment	11	21.028.639	23.456.570
Leasehold improvements	12	0	0
<b>Property, plant and equipment</b>		<b>169.260.311</b>	<b>189.981.099</b>
Long-term investments in group enterprises	13, 14	117.525.311	124.495.515
Deposits, investments	15	4.056.771	4.493.373
<b>Investments</b>		<b>121.582.082</b>	<b>128.988.888</b>
<b>Fixed assets</b>		<b>302.290.809</b>	<b>329.010.306</b>
Raw materials and consumables		12.096.456	14.339.581
Work in progress		6.543.205	5.057.505
Manufactured goods and goods for resale		59.206.789	65.687.413
<b>Inventories</b>		<b>77.846.450</b>	<b>85.084.499</b>
Short-term trade receivables		72.315.503	71.662.539
Short-term receivables from group enterprises		84.837.129	106.550.794
Other short-term receivables		5.453.905	465.152
Deferred cost		1.965.303	2.881.577
<b>Receivables</b>		<b>164.571.840</b>	<b>181.560.062</b>
<b>Cash and cash equivalents</b>		<b>2.511.761</b>	<b>9.248.874</b>
<b>Current assets</b>		<b>244.930.051</b>	<b>275.893.435</b>
<b>Assets</b>		<b>547.220.860</b>	<b>604.903.741</b>

## Balance Sheet as of 31 December

	Note	2018 kr.	2017 kr.
<b>Liabilities and equity</b>			
Contributed capital		110.000.000	110.000.000
Retained earnings		101.644.080	76.515.427
<b>Equity</b>		<b>211.644.080</b>	<b>186.515.427</b>
Provisions for deferred tax	16	6.612.338	7.150.358
Other provisions	17	1.742.950	2.816.745
<b>Provisions</b>		<b>8.355.288</b>	<b>9.967.103</b>
Payables to group enterprises		109.099.328	209.099.328
<b>Long-term liabilities other than provisions</b>	18	<b>109.099.328</b>	<b>209.099.328</b>
Trade payables		162.979.544	140.277.888
Payables to group enterprises		18.636.782	9.640.734
Tax payables		2.626.567	4.084.759
Other payables		33.879.271	45.318.503
<b>Short-term liabilities other than provisions</b>		<b>218.122.164</b>	<b>199.321.883</b>
<b>Liabilities other than provisions within the business</b>		<b>327.221.492</b>	<b>408.421.211</b>
<b>Liabilities and equity</b>		<b>547.220.860</b>	<b>604.903.741</b>
Contingent liabilities	19		
Related parties	20		
Fees for auditors elected on the general meeting	21		

## PPG Coatings Danmark A/S

### Statement of changes in Equity

	<b>Contributed capital</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 January 2018	110.000.000	76.515.427	186.515.427
Profit (loss)	<u>0</u>	<u>25.128.653</u>	<u>25.128.653</u>
<b>Equity 31 December 2018</b>	<b><u>110.000.000</u></b>	<b><u>101.644.080</u></b>	<b><u>211.644.080</u></b>

The share capital has remained unchanged for the last 5 years.

## Notes

	2018	2017
<b>1. Revenue</b>		
Revenue, Denmark	636.645.590	600.244.514
Revenue, Export	166.939.285	156.156.236
	<b>803.584.875</b>	<b>756.400.750</b>
Revenue consists primarily of paint and related products within the architectural coatings industry.		
<b>2. Employee benefits expense</b>		
Wages and salaries	126.513.118	134.618.132
Post-employment benefit expense	12.571.456	12.624.679
Social security contributions	1.207.002	1.438.639
Other employee expense	9.654.175	7.909.770
	<b>149.945.751</b>	<b>156.591.220</b>
Average number of employees	267	272
In accordance with the Danish Financial Act §98B, the employee benefit expense for management is not disclosed.		
<b>3. Finance income</b>		
Finance income from group enterprises	0	0
Other finance income	2.369.259	1.739.330
	<b>2.369.259</b>	<b>1.739.330</b>
<b>4. Finance expenses</b>		
Finance expenses arising from group enterprises	4.370.629	4.556.329
Other finance expenses	1.849.165	2.382.862
	<b>6.219.794</b>	<b>6.939.191</b>
<b>5. Tax expense</b>		
Current corporation taxes	11.596.322	7.045.833
Adjustment prior years tax	1.349.693	-631.840
Deferred tax	-538.020	640.778
	<b>12.407.995</b>	<b>7.054.771</b>
<b>6. Distribution of profit</b>		
Transferred to retained earnings	25.128.653	16.696.518
	<b>25.128.653</b>	<b>16.696.518</b>

## Notes

	2018	2017
<b>7. Acquired intangible assets</b>		
Cost at the beginning of the year	55.747.181	51.134.999
Addition during the year, incl. improvements	4.472.526	4.612.182
<b>Cost at the end of the year</b>	<b>60.219.707</b>	<b>55.747.181</b>
Depreciation at the beginning of the year	-45.990.194	-44.767.852
Depreciation for the year	-2.964.429	-1.222.342
<b>Depreciation at the end of the year</b>	<b>-48.954.623</b>	<b>-45.990.194</b>
<b>Carrying amount at the end of the year</b>	<b>11.265.084</b>	<b>9.756.987</b>
<b>8. Goodwill</b>		
Cost at the beginning of the year	600.000	600.000
<b>Cost at the end of the year</b>	<b>600.000</b>	<b>600.000</b>
Depreciation and amortisation at the beginning of the year	-316.668	-216.668
Amortisation for the year	-100.000	-100.000
<b>Impairment losses and amortisation at the end of the year</b>	<b>-416.668</b>	<b>-316.668</b>
<b>Carrying amount at the end of the year</b>	<b>183.332</b>	<b>283.332</b>
<b>9. Land and buildings</b>		
Cost at the beginning of the year	195.209.989	234.475.132
Addition during the year	0	6.446.001
Disposal during the year	-49.835	-45.711.144
Transfers during the year to other items	-5.244.971	0
<b>Cost at the end of the year</b>	<b>189.915.183</b>	<b>195.209.989</b>
Depreciation at the beginning of the year	-75.454.352	-96.369.244
Depreciation for the year	-7.268.758	-7.212.111
Reversal of impairment losses and amortisation of disposed assets	0	28.127.003
<b>Impairment losses and depreciation at the end of the year</b>	<b>-82.723.110</b>	<b>-75.454.352</b>
<b>Carrying amount at the end of the year</b>	<b>107.192.073</b>	<b>119.755.637</b>

## Notes

	2018	2017
<b>10. Plant and machinery</b>		
Cost at the beginning of the year	223.529.756	223.069.781
Addition during the year	2.190.175	779.009
Disposal during the year	-894.406	-319.034
Transfers during the year to other items	5.244.970	0
<b>Cost at the end of the year</b>	<b>230.070.495</b>	<b>223.529.756</b>
Depreciation at the beginning of the year	-176.760.864	-164.601.190
Depreciation for the year	-13.164.437	-12.159.674
Reversal of impairment losses and depreciations of disposed assets	894.406	0
<b>Impairment losses and depreciation at the end of the year</b>	<b>-189.030.895</b>	<b>-176.760.864</b>
<b>Carrying amount at the end of the year</b>	<b>41.039.600</b>	<b>46.768.892</b>
<b>11. Fixtures, fittings, tools and equipment</b>		
Cost at the beginning of the year	102.538.002	86.195.343
Addition during the year	3.455.265	16.342.659
Disposal during the year	-8.273.129	0
<b>Cost at the end of the year</b>	<b>97.720.138</b>	<b>102.538.002</b>
Depreciation at the beginning of the year	-79.081.432	-75.268.246
Depreciations for the year	-5.820.087	-3.813.186
Reversal of impairment losses and depreciation of disposed assets	8.210.020	0
<b>Impairment losses and depreciation at the end of the year</b>	<b>-76.691.499</b>	<b>-79.081.432</b>
<b>Carrying amount at the end of the year</b>	<b>21.028.639</b>	<b>23.456.570</b>
<b>12. Leasehold improvements</b>		
Cost at the beginning of the year	423.658	423.658
<b>Cost at the end of the year</b>	<b>423.658</b>	<b>423.658</b>
Depreciations at the beginning of the year	-423.658	-360.375
Amortisation for the year	0	-63.283
<b>Impairment losses and amortisation at the end of the year</b>	<b>-423.658</b>	<b>-423.658</b>
<b>Carrying amount at the end of the year</b>	<b>0</b>	<b>0</b>

## Notes

	2018	2017
<b>13. Long-term investments in group enterprises</b>		
Cost at the beginning of the year	198.821.284	198.821.284
Addition during the year	4.150.000	0
<b>Cost at the end of the year</b>	<b>202.971.284</b>	<b>198.821.284</b>
Revaluations at the beginning of the year	-74.325.769	-59.830.000
Revaluations for the year	-11.120.204	-14.495.769
<b>Revaluations at the end of the year</b>	<b>-85.445.973</b>	<b>-74.325.769</b>
<b>Carrying amount at the end of the year</b>	<b>117.525.311</b>	<b>124.495.515</b>

**14. Disclosure in long-term investments in group enterprises and associates***Group enterprises*

Name	Registered office	Share held in		Equity	Profit
			%		
Tintas Dyrup S.A.	Portugal*	100,00		72.207.623	-50.054.588
Dyrup Austria GmbH	Austria***	100,00		9.537.540	106.500
Pinturas Dyrup S.A.	Spain*	100,00		5.780.490	-5.920.163
Plus Malergrossisten Århus A/S	Århus**	75,49		3.851.763	1.454.527
Plus Malergrossisten Aalborg ApS	Aalborg**	75,50		5.206.606	2.390.628
Plus Malergrossisten Viborg ApS	Viborg**	51,00		2.205.584	603.279
Plus Malergrossisten Esbjerg ApS	Esbjerg**	100,00		-306.676	83.976
				<b>98.482.930</b>	<b>-51.335.841</b>

\*Based on 2016 annual report.

\*\*Based on 2018 annual report.

\*\*\*Based on 2017 annual report

**15. Deposit, investment**

Cost at the beginning of the year	4.493.373	3.953.840
Addition during the year	70.663	832.072
Disposal during the year	-507.265	-292.539
<b>Cost at the end of the year</b>	<b>4.056.771</b>	<b>4.493.373</b>
<b>Carrying amount at the end of the year</b>	<b>4.056.771</b>	<b>4.493.373</b>

## Notes

	2018	2017
<b>16. Provisions for deferred tax</b>		
Deferred tax	6.612.338	7.150.358
<b>Balance at the end of the year</b>	<b>6.612.338</b>	<b>7.150.358</b>
Intangible assets	853.177	1.160.896
Property, plant and equipment	6.142.610	6.609.146
Provisions	-383.449	-619.684
	<b>6.612.338</b>	<b>7.150.358</b>

The movement in deferred tax is booked in profit and loss. No deferred tax is booked directly in the equity.

**17. Other provisions**

Technical guarantees	1.742.950	2.816.745
<b>Balance at the end of the year</b>	<b>1.742.950</b>	<b>2.816.745</b>

**18. Long-term liabilities**

	Due after 1 year	Due within 1 year	Due after 5 years
Payables to group enterprises	0	0	109.099.328
	<b>0</b>	<b>0</b>	<b>109.099.328</b>

**19. Contingent liabilities**

Lease obligations under operating leases within 1 year T.DKK 4.260 (2017, T.DKK 4.678) between 1 and 5 years, T.DKK 6.803 (2017, T.DKK 7.539).

Rent payments concerning contracts which is interminable T.DKK 17.835 (2017, T.DKK 20.584).

The Company's bank has provided guarantee towards third party of DKK 187.500. The bank has recourse against PPG Coatings Danmark A/S if the third party should effectuate the guarantee.

The Company is jointly taxed with the other enterprises in the group and are jointly and seperally liable for the taxes that concern the joint taxation.

**Notes**

**2018**

**2017**

**20. Related parties**

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital :

PPG Industries Europe sarl, Switzerland.

The ultimate parent company is :  
PPG Industries Inc, USA.

The company is included in the group annual report of PPG Industries Inc, USA and PPG Industries Europe sarl, Switzerland.

Both annual reports can be obtained at the following address :  
PPG Industries Inc,  
Pittsburgh, PA 15272  
USA

There are no transactions with related parties that are not conducted on arms length principles.

**21. Fees for auditors elected on the general meeting**

Statutory audit	350.000	350.000
Other assurance reports	0	18.500
Tax consultancy	50.000	50.000
Other services	0	55.000
	<b>400.000</b>	<b>473.500</b>