Hempel Invest A/S

CVR-nr. 32 05 82 05

Annual report for 2018

Årsrapporten er fremlagt og godkendt på selskabets ordinære generalforsamling
den 5/4 2019
Dirigent:

Hempel Invest A/S
Amaliegade 8
DK 1256 Copenhagen K
Denmark

The company	Hempel Invest A/S Amaliegade 8 DK-1256 København K Denmark CVR-nr.: 32 05 82 05 Financial year: 1. January - 31. December
Board of Directors	Richard Sand, Chairman Leif Jensen, Deputy Chairman Kim Dam-Johansen Birgitte Hagemann Snabe Lars Aaen Britt Meelby Jensen Louise Krüger Kofoed, elected by the employees Martin Bøgsted, elected by the employees Claus Juul Petersen, elected by the employees
Executive Management	Anders Holm, Executive Director, Administration
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup Denmark

Contents

Key figures

In EUR thousands

	2018	2017	2016	2015	2014
Income statement					
Revenue	1,345,829	1,378,319	1,424,414	1,563,442	1,297,876
EBITDA	131,633	170,130	151,453	219,342	166,101
Amortisation, depreciation and impairment	54,908	55,886	58,256	61,380	37,294
Operating profit	76,725	114,244	93,197	157,962	128,807
Share of net profit of associates	0	0	2,360	1,958	2,162
Net financials	3,797	-21,186	-18,582	-21,551	-16,031
Profit before tax	80,522	93,058	76,975	138,369	114,938
Net profit for the year	54,728	56,031	45,986	108,368	71,640
Balance					
Balance sheet total	1,359,537	1,185,764	1,273,881	1,437,697	1,205,587
Equity	491,890	531,326	519,892	502,083	464,210
Cash Flows					
Operating activities	95,370	172,451	234,264	120,903	100,453
Investing activities	-78,855	-42,322	-7,815	-178,200	-52,361
- including net investments in property, plant and equipment and intangible assets	-60,294	-24,793	-35,679	-46,972	-23,236
Financing activities	-50,232	-108,368	-222,518	46,323	-73,410
Change in cash and cash equivalents	-33,717	21,761	3,931	-10,974	-25,318
Employees					
Average number of employees	5,882	5,740	5,787	5,661	5,134
Ratios (%)					
Gross margin	38.1	40.9	43.7	41.7	41.0
EBITDA margin	9.8	12.3	10.6	14.0	12.8
Return on assets	6.0	9.3	6.9	12.0	16.0
Solvency ratio	36.2	44.8	40.8	34.9	38.5
Return on equity	10.7	10.7	9.0	22.4	16.5

For definitions, see note 5.8.

Management's statement

The Board of Directors and the Executive Management Board have today considered and adopted the Annual Report of Hempel Invest A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements and the consolidated financial statements give a true and fair view of the financial position at 31 December 2018 of the company and the Group and of the results of the company's and Group's operations and consolidated cash flows for 2018.

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 sustainability data represents a reasonable, fair and balanced representation of the Group's sustainability performance and is presented in accordance with the stated accounting policies.

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

Copenhagen 5 April 2019

Executive Board

Anders Holm
Executive Director,
Administration

Board of Directors

Richard Sand Chairman	Leif Jensen Deputy Chairman	Kim Dam-Johansen
Birgitte Hagemann Snabe	Lars Aaen	Britt Meelby Jensen
Louise Krüger Kofoed Elected by the employees	Martin Bøgsted Elected by the employees	Claus Juul Petersen Elected by the employees

Independent Auditor's Report

To the shareholder of Hempel Invest A/S

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2018, and of the results of the Group's and the parent company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the consolidated financial statements and the parent company financial statements of Hempel Invest A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the parent company, as well as the consolidated statement of cash flows ("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' 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.

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 Statements Act. We did not identify any material misstatement.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and 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 isstatement 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 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance 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, 5 April 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Lars Baungaard
State Authorised Public Accountant
mne23331

Mads Melgaard
State Authorised Public Accountant
mne34354

2018 in review

Main activity and Management
Hempel Invest A/S' main activity is the ownership of Hempel A/S, acquisition and management of real estate as well as investment and business activities or other activities, which the Board of Directors assesses to be relevant.

Financial development
Development for the year has been satisfactory. Hempel Invest A/S Group's consolidated income statement shows a net profit of EUR 55 million compared to EUR 56 million in 2017. The Company's consolidated balance sheet at 31 December 2018 constitutes EUR 1,360 million and equity of EUR 553 million.

As expected in the Annual Report last year, 2018 proved to be a challenging year for Hempel A/S. The revenue for the year was EUR 1,346 million, corresponding to organic growth of -1.4 per cent.

In April 2017, the subsidiary Hempel A/S self-reported a number of uncovered illegal sales practices found in Germany, other countries in Europe and in Asia to SØIK, the Danish State Prosecutor for Serious Economic and International Crime. The unlawful practices were stopped immediately and the people responsible were replaced. Hempel has completed internal remediation, invested heavily, and stablished a robust compliance framework. Hempel A/S and Hempel (Germany) GmbH have now been fined and agreed to a total settlement of DKK 220 million for these illegal practices. The fine is within the range of expectations and will be paid to SØIK and the Prosecution Authority in Kiel, Germany. DKK 123 million was expensed in Hempel's financial statements for 2016, with the remaining part in the financial year 2018. Hempel A/S has cooperated fully with and had complete confidence in the authorities throughout this process.

To reach our ambitious growth targets, our appetite for acquisitive scaling has never been higher and we continue to actively seek out new family members of the right fit, both commercially and culturally. In 2018, we were pleased to welcome J.W. Ostendorf to the Hempel family, a family-run decorative coatings company with approximately 650 employees and operations primarily in Germany and France. J.W. Ostendorf shares many of our values, not least a strong commitment to the customer and a constant desire to improve, and we are already seeing the benefits of bringing J.W. Ostendorf into the Hempel Group. The acquisition doubled our decorative business in Europe and contributed EUR 39 million in sales in 2018. Going forward, it will increase our decorative business by more than EUR 200 million in sales annually. It also brought us a cutting-edge production facility in Coesfeld, Germany, and skilled and knowledgeable new colleagues. Not least, J.W. Ostendorf has given us the breadth of operations required to introduce a strong new business unit to the Hempel Group: Decorative Europe. Combining Crown Paints and J.W. Ostendorf, Decorative Europe will be a true leader in the decorative coatings market for both branded and private labelling, capable of serving customers across the region with excellent coating solutions, knowledge and service. Decorative Europe will also be aspirational for other companies, an organisation they want to join. Ultimately, it will serve all of Europe, both retail customers, who are increasingly consolidating across the region, and homeowners.

The parent company's profit before tax was EUR 50 million in 2018 compared to EUR 42 million in 2017. Excluding income from investments in subsidiaries the result before tax was EUR 8 million compared to EUR 1 million in 2017. The results excluding income from investments in subsidiaries are from investments in stocks and bonds. The increase in results are driven by positive returns from investments.

In 2018 we acquired a site to expand the headquarters of Hempel A/S. Construction has commenced in 2018 with expected finalisation in 2020.

Outlook
We anticipate that the coatings market will regain strength in 2019 and, with a fully customer-focused organisation, we expect to deliver underlying organic growth in line with or slightly better than the market. From an earnings perspective, we expect flat margin development in percentage terms and an increase in absolute terms.

Again, 2019 will be a year of strategy execution. Internally, we will use the House of Priorities to ensure focus and commitment on our excellence journeys. Externally, we will look to build closer relationships with our customers, driving innovation and co-creation together in order to find new solutions and technologies that add value to their businesses. We will also look for new companies to bring into the Hempel family, as we continue our journey towards our goal of becoming a EUR 3 billion revenue company and one of the global leaders in the coatings industry.

Risks

Providing a robust and effective framework to mitigate risk to the Hempel Group.

Hempel's business covers many industry segments and a wide range of operational activities across the globe, resulting in a variety of risks and opportunities. Risks are therefore a natural part of our business and a precondition for being able to create value. Across the organisation, we continuously evaluate the risks we face and assess the level of acceptable risk within the business. This is done through a process and governance structure that outlines clear roles and responsibilities for identifying and reviewing risks as well as following up on mitigating actions.

Risk Governance
The Board of Directors has final responsibility for risk management and is the approver of risk tolerance and risk mitigation activities. In Hempel A/S, the Audit Committee monitors key risks, as well as the risk management process and governance structure.

The Group Risk Committee in Hempel A/S has overall responsibility for running the risk management process and governance structure within the day-to-day business. It also evaluates consolidated risks and the status of mitigating actions at group level.

The risk management process
Every year, a group-wide risk analysis is carried out, in which risks are assessed and quantified by key employees in Hempel's regions and Group functions. The risks are subsequently addressed and mitigated internally to reduce risk exposure. We focus on risks that can impact our ability to execute our strategy in the next 2-5 years, as well as more operational risks in our regions. Both types of risks are included in the key risk section below.

The key risks described here are risks that we have assessed to be material to Hempel. This implies that the list is not exhaustive – there may be other risks that at a later point in time could develop into material risks. We monitor these risks constantly and work continuously to improve and mitigate the risks in the best possible way. The split between external and internal risks has not changed in the past year, but there has been movement in some of the underlying risks. One risk that we can see is developing rapidly is growing health, safety and environmental (HSE) regulation and sustainability requirements, as more countries are putting schemes in place to regulate the use of and exposure to chemicals. Internally, we are starting to see the effect of our comprehensive Business Ethics programme as well as our efforts to lower the risk of fire. Our business ethics risk and fire risk have reduced significantly as a result of these mitigating actions; business ethics to the extent that it is no longer considered a key material risk.

Key Risks
The most important risks are identified based on their potential impact and likelihood. The most important risks as identified at the end of 2018 are:

- Market risk
- Increasing HSE regulation and sustainability rquirements
- Fluctuating raw material prices
- Fire, leading to human injury or loss of production
- Workplace accidents

Main Risks

Discription of risk	Potential impact	Actions taken
Market risks Large structural changes to the coatings industry could come about through disruption to end markets (e.g. the thermal power or oil & gas markets), due to industry consolidation or new innovations that compete with current coatings.	• Reduction in size of the coatings market • Weakening of Hempel's competitive position • Potential significant impact on Hempel's sales and earnings	• Monitoring of technology trends in Hempel's end markets • Targeted product innovation through partnerships with customers and universities • Launched the first internal Innovation Cup to engage the entire organisation in innovation • Began work to align Hempel's M&A strategy with expected changes to end market and technology conditions
Increasing HSE regulation and sustainability requirements HSE legislation is growing (in some regions very fast) and demands for sustainability are increasing from our customers. There is a risk that we will not be able to adapt to these changes with the necessary speed and agility.	• Potential loss of customers and market share • Potential penalties and loss of business	• Following internal standards for continuously monitoring and assessing any changes in legislation • Use of a cross-functional forum to share and discuss future legislation • Conducting an HSE evaluation of new products as part of the development process • Began project to create a group-wide standard for how to communicate any changes in HSE legislation that could potentially impact our products

Description of risk	Potential impact	Actions taken
Fluctuating raw material prices Raw materials account for a large share of our costs, and prices are volatile.	• Potential significant impact on Hempel's profit and cash flow	• Mitigating of our raw material exposure mainly takes place through adjustment of sales prices and continuous process excellence improvements • Improved management, control and governance of our sales price adjustment process • Established a detailed financial model, including cost of goods sold and governance
Fire, leading to human injury or loss of production We have high standards for fire protection in Hempel and personal safety is a basic consideration. However, fire is still a major risk as we handle flammable materials in our factories and warehouses.	• Potential for human injury • Potential loss of assets, production capacity or finished products	• Hempel standards (based on NFPA and other global standards) for fire protection part of our design manual for factories • Regular preventive maintenance of fire protection equipment • Regular training in fire safety • Upgrading of firefighting equipment as needed • Launched Fire Protection Awareness eLearning for relevant staff
Workplace accidents There is a risk that our employees will be involved in workplace accidents, particularly our services staff who often work at non-Hempel sites.	• Potential injuries to our people • Potential disruption to our operations and services	• Developing and deploying safety leadership training as well as specific training for our services staff • Performing safety audits in our services organisation • Performing safety walks and safety risk assessments across our organisation • Developed and implemented a Safety Excellence programme

Research & Development

Focusing on creating value for customers.

As a global organisation with 15 R&D centres in 12 countries, Hempel R&D works and collaborates with colleagues, customers and other external partners around the world. Our goal is to develop innovative and trusted solutions that protect our customers' assets and add value to their businesses. We do this by developing new solutions and cutting-edge technology, optimising existing solutions and supporting our customers with expert technical advice.

In Hempel R&D, we believe in working with the best. We hire the best talents in the industry and provide excellent development opportunities. We also believe that good innovation requires collaboration. We work closely with our customers, combining our strong technical skills with customer insight to develop solutions that make them more successful. We also collaborate with external research groups, academia and suppliers, tapping into their R&D muscle to co-create cutting-edge technologies and new innovative solutions.

A new Centre of Excellence for passive fire protection
We opened a new Centre of Excellence just outside Barcelona, Spain in November 2018 focused on the research and development of coatings within the field of PFP (passive fire protection). This is an important area of coatings and one in which we are determined to gain market share over the next few years. For the past seven years, we have grown our portfolio of PFP coatings and now offer customers a range of proven and competitive products. Launched at the end of 2018, Hempafire Pro 315 is the latest addition to our PFP range. It is engineered to deliver fire protection for up to 90 minutes in intumescent fires, and it improves productivity and reduces costs for applicators. So far, it has been well received by customers.

Launched in September 2013, Hempaguard is based on our patented Actiguard technology, which combines a smooth silicone surface with the consistent release of a small amount of biocides through a hydrogel layer. This combination has proven far superior to conventional self-polishing technology, even if a vessel experiences long idle periods in fouling-aggressive waters. This translates into average fuel savings of 6 per cent over the entire docking interval compared to best-in-class antifoulings and equivalent reductions in CO_2 emissions.

In 2018, we further strengthened our Hempaguard range with the launch of Nexus II. A specially developed tiecoat, Nexus II enables Hempaguard applications in temperatures as low as 0°C and makes it possible for ship owners to upgrade from a conventional self-polishing antifouling coating to Hempaguard (or other silicone-based Hempel coating) with just one intermediate link coat and without expensive abrasive blasting.

Innovating with customers: Hempatop Repel
We have been working with a leading oil & gas company to solve continuing maintenance challenges in the downstream offshore oil & gas sector. Protecting steel structures in demanding offshore environments is very difficult with conventional organic coatings, which means offshore structures often require extensive maintenance.

Working with a customer, we developed Hempatop Repel, a coating based on brand-new technology that actively repels water from the coated surface. When combined with our patented Avantguard activated zinc primer, this results in a coating system that is fast to apply and lasts much longer than any currently available conventional coating system – and so can significantly reduce both application and maintenance costs for customers. Hempatop Repel will be launched in the first quarter of 2019.

Growing in decorative
Our decorative R&D organisation was strengthened in 2018 with the addition of new teams in Germany and France as part of our acquisition of J.W. Ostendorf in October. We already provide full solutions to our decorative customers, including coatings for every part of a building or structure. The new teams will add to our expertise, with the aim of developing one strong R&D unit in the decorative arena.

Reducing product complexity
Since 2016, we have worked hard across customer segments, functions and geographies to clean up and carefully position our product range, in order to make it easy for our customers to find the best solution for their specific need. So far, this initiative has resulted in a significant decrease in the number of different products that we sell and produce. At the same time, average sales per product increased by 54 per cent in 2018 compared to 2016.

We will continue our efforts in this area as we see it as critical to being able to serve our customers better while also reducing our operating costs through reduced assortment complexity.

Corporate responsibility

At Hempel, we are committed to embedding and increasing sustainability in our business activities.

We continue to give our support to the UN Global Compact and our increased efforts have resulted in good progress in a number of initiatives related to human rights, labour, the environment and anti-corruption. In 2018, we established Sustainability Excellence as a key part of our Journey to Excellence strategy. We will continue to build on this commitment to corporate responsibility throughout the Group during 2019. In addition, we worked with a thirdparty auditor in 2018 to improve our data collection and validation process. This has allowed us to broaden the scope of our reporting and to include an independent assurance statement on our sustainability data as a part of this report. The following pages describe our progress in this important area and constitute our Communication on Progress as required by the UN Global Compact, as well as information as required by the Danish Financial Statements Act §99a and 99b.

Ethical behaviour

The Hempel business is built on trust – the trust of our customers, business partners and colleagues. We earn that trust by inspiring confidence through the way we do business.

Hempel is committed to conducting business ethically, respectfully and honestly. Our Code of Conduct does more than just codify rules of conduct; it is the very foundation of how we behave and go about our business each and every day.

Sustaining a strong ethical culture at Hempel
In 2018, we further strengthened our high ethical standards across the entire organisation through a number of initiatives and actions.

- As in 2017, all employees except production, warehouse and store staff completed our annual mandatory Code of Conduct eLearning. The eLearning was tailor-made for Hempel by Hempel and inspired by real-life challenging situations faced by some of our employees. In total, 3,743 employees took the eLearning, with a pass rate of 100 per cent.
- Our Hempel Ethics Hotline, introduced last year, is now available at nearly all Hempel locations. In 2018, we received 51 whistleblower reports from 20 countries. The relatively high amount of reports confirms that we have a sound 'speak up' culture and our employees trust us to act upon the reports we receive. To maintain our speak up culture, we launched a global Hempel Ethics Hotline awareness campaign. Our management teams continue to talk about the right ethical behaviour, openly and frequently, and business ethics are very much a part of our values and how we conduct business.
- The frequency in which international sanctions are introduced or amended by individual countries or groups of countries has increased notably in recent years. Therefore, we strengthened our sanctions and export control compliance by updating our procedures, guidelines and policies, and training key colleagues to ensure these are understood and followed.
- As mentioned in last year's annual report, Hempel self-reported a number of uncovered illegal sales practices found in Germany, other countries in Europe and in Asia to SØIK, the Danish State Prosecutor for Serious Economic and International Crime, in April 2017. The unlawful practices were stopped immediately and the people responsible were replaced. Hempel has now been fined for these illegal practices. Hempel has cooperated fully with and had complete confidence in the authorities throughout this process and we have made substantial investments internally and externally to prevent compliance issues from happening in the future.

Ensuring ethical behaviour beyond Hempel
In 2018, we took steps to ensure our high ethical standards reach beyond Hempel to our suppliers and other stakeholders.

- We launched a new Business Partner Code of Conduct that sets out what we expect of our suppliers, joint-venture partners, toll manufacturers, distributors, agents, consultants and other business partners. The Business Partner Code of Conduct takes into account the UN Global Compact's ten fundamental principles within the areas of human rights, labour rights, the environment and anti-corruption. We expect our business partners to implement and adhere to the standards in the Code and to set the same expectations for their own business partners.
- We joined forces with other multinational companies, non-governmental organisations and the Danish Ministry of Foreign Affairs in the Fight Against Facilitation Payments Initiative (FAFPI). One of the main objectives of FAFPI is to collect real-life data on facilitation payment requests. Data submitted through FAFPI is shared with the Danish Ministry of Foreign Affairs, which can use diplomatic channels to address the issue with its local counterparts in order to terminate the demands. Hempel is a founding member of FAFPI.

Health & safety

At Hempel, we care about safety and want us all to have a safe workplace, no matter where we work.

Our commitment to health and safety is embedded in our company values and Code of Conduct. In our Group Health, Safety and Environmental Policy, we define our promise to comply with all applicable legal and non-regulatory requirements, to continually improve and to work to prevent illness and injuries to our employees and the end-users of our products. This means continually reviewing our work practices to eliminate risk and ultimately ensure a healthy and safe work environment for all of our employees and business partners.

In 2018, we reduced our accident frequency rate by 24 per cent. This significant reduction is a direct result of our Safety Excellence programme.

Safety Excellence
Launched at the end of 2017, our Safety Excellence programme has helped us to achieve a strong improvement in our safety performance. The initiative gives us a framework of procedures, standards and training to help eliminate unsafe actions and conditions at work. Safety Excellence covers our production sites, R&D facilities and services organisation and it had been launched in all our regions by the end of 2018.

As part of the programme, we provide tools for our colleagues to report and evaluate all incidents, including near misses. We encourage our teams to share this information, which we use to help prevent future accidents and repeat occurrences.

Phasing out red raw materials
We are committed to providing sustainable solutions to our customers that minimise their impact on the environment and do not jeopardise the health and safety of their employees. Our Group Health, Safety and Environmental Policy sets out our commitment to seek out safer materials when developing new products and solutions. We also work to phase out materials that are potentially harmful to the environment and people's health. We prioritise raw materials based upon their potential hazard and are committed to reducing or phasing out the more hazardous substances – known as red raw materials. Our priority list centres on carcinogenic, mutagenic and reprotoxic (CMR) substances. In 2018, we also included substances that the EU has decided to phase out in the future.

By the end of 2018, we had completely stopped the manufacture and sale of all coal tar products. We had also made good progress on other red raw materials by changing our solvent blends and phasing out raw materials that contain alkylphenol ethoxylates. In total, we phased out 35 red raw materials. However, due to the extended scope of our definition, we did not manage to reduce our consumption of red raw materials in 2018. Our efforts will continue and we aim to reduce levels of red raw materials in 2019.

Introducing Safety Walks
Our Safety Excellence programme is about embedding a strong safety culture. To help achieve this, we introduced Safety Walks across our production sites in 2018. Safety Walks involve production leaders walking the shop floor and taking time out to engage and coach colleagues regarding safety. This initiative has had positive results, and our colleagues are now more eager and willing to flag safety issues and work together to solve them. In 2018, our Safety Walk pilot factory in Dallas in the US identified and addressed 1,997 unsafe conditions through effective implementation of Safety Walks.

Environment

At Hempel, we work to improve our environmental performance and mitigate our climate change impacts.

Our environmental commitment involves helping our customers to reduce their own environmental impact through the products, solutions and services we provide, as well as working to reduce energy consumption and waste across our own operations. This commitment is defined in our Group Health, Safety and Environmental Policy, which refers to environmental compliance, the prevention of pollution and continuous improvement.

Helping customers improve

We collaborate with our customers to find innovative solutions that address their environmental challenges. This is achieved through the products and services we offer – such as hull coatings for ocean-going vessels that reduce fuel consumption and emissions – as well as by working actively with customers to develop new solutions that further reduce their carbon impact.

Reducing energy consumption

In 2018, we focused on electricity savings, using power monitoring data to reduce consumption. More than 60 per cent of our energy consumption is from electricity. In 2018, all of our regions committed to energy saving plans that target electricity. These involve introducing out-of-hours shutdown procedures, replacing equipment with more energy-efficient equivalents and optimising systems and machinery. These efforts resulted in a 1 per cent decrease in kilowatt hours per litre of paint produced in 2018 – and we forecast higher savings in 2019.

Cutting waste across the Group

In 2018, our efforts in waste reduction focused on improving the quality and accuracy of the data we collect. As a result of this work, we are able to include this data in our verified assurance statement in our annual report for the first time this year. The data provides us with a sound baseline to work from and will help us drive improvement in the future.

We asked all our regions to create waste reduction plans in 2018, including quantified and timebound deliverables. Initiatives in these plans included optimising our use of raw materials, improving wastewater treatment and solvent recovery and working with suppliers to mitigate packaging waste.

Adopting the waste hierarchy

We are taking steps across Hempel to increase our work with the waste hierarchy. This involves looking at our waste management practices and finding ways to improve; we look for opportunities to reduce and reuse our waste materials, with the elimination of waste at source being the preferred option wherever possible.

Health, safety and environmental data

Accounting principles
Scope and consolidation
Unless otherwise stated, the sustainability data is reported based on the same principles as the financial statements. Thus, the sustainability data includes consolidated data from the parent company Hempel A/S and subsidiaries controlled by Hempel A/S. The environmental indicators cover all activities at locations where we have production. This includes 28 factories and 12 R&D facilities in 23 countries, which we refer to below as 'Hempel sites'. Data relating to lost time accidents is reported according to operational scope, which means that data is included with 100 per cent consolidation for operations where Hempel is responsible for safety, including the health and safety of external workers. Data from acquisitions and divestments is included/excluded from the date of acquisition/divestment. Changes made to historically reported data will only be commented on if material.

Business changes in 2018 impacting the Consolidated Sustainability Data Statement
• Acquisition of J.W. Ostendorf J.W. Ostendorf data is included in the sustainability data from 1 October 2018 except for the following three indicators: Code of Conduct training, compliance cases and employee engagement.

Percentage of employees with a Hempel email address completed and signed-off on Code of Conduct training
The percentage is calculated as the number of employees with a Hempel email address who have completed and signed off on the Code of Conduct eLearning in our learning management system out of the total number of employees with a Hempel email address during the year. Employees with management responsibility as well as employees in our Sales, Finance and Compliance functions receive Extended Code of Conduct eLearning. All other employees receive Basic Code of Conduct eLearning. The percentage includes employees who have completed either the Extended or Basic training.

Compliance cases reported
The number of compliance cases includes all cases recorded in the Hempel Ethics Hotline system, operated by Navex, which are handled in accordance with the guidelines for handling whistleblower reports, as approved by the Audit Committee. Compliance cases can be reported directly through the Hempel Ethics Hotline; by email to whistle-blower@hempel.com; by letter, telephone or email directly to management; or by internal finding.

Lost time accident frequency
Lost time accident frequency is calculated as the number of lost time accidents per one million working hours. Lost time accidents are defined as the occupational accidents recorded in our SharePoint system that have resulted in at least one day's absence following the day of the accident. Only accidents involving employees employed directly or supervised by Hempel are reported. Accidents occurring when commuting to or from work are not included. The number of working hours used to calculate the lost time accident frequency is based on the number of full-time employees working for Hempel, multiplied by the most recent OECD average for actual working hours of 1,759 hours per employee per year (2017).

Consumption of red raw materials
'Red raw materials' is a subset of raw materials used in our production, which is monitored and compiled in our ERP system. The consumption of red raw materials is calculated as tons of red raw materials registered in our ERP system per 1,000 litres of product produced. The volume of paint produced is calculated based on production data in our ERP system. A raw material is considered a red raw material if it carries any of the following hazard classifications according to the United Nations' Globally Harmonised System for Classification and Labelling:

- Carcinogen mutagen reprotoxic (CMR) category 1A or 1B
- Acute toxic category 1, 2 or 3

Or if the raw material has the following properties:

- Persistent, bioaccumulative and/or toxic chemicals (PBT) or very persistent, very bioaccumulative (vPvB)

Or is listed on the REACH Authorisation list (Annex XIV) from 1 January 2018.

Energy
Energy consumption is defined as the energy used at Hempel's production sites and includes the amount of electricity, fuel, district heating and gas consumption registered in our SharePoint system. All energy consumption at Hempel sites is consolidated based on invoices. Energy consumption (kWh/1,000L paint produced) is calculated as kWh per 1,000L paint produced. The volume of paint produced is calculated based on production data in our ERP system.

Waste generation
Waste generation is based on amounts of waste recorded from all Hempel sites with production, including factories, R&D facilities and warehousing, which are registered in Hempel's SharePoint system. Waste generation is measured based on invoices or supporting documentation, such as weighing documents. Waste generation (kg/1,000L paint produced) is calculated as kg waste per 1,000L paint produced. The volume of paint produced is calculated based on production data in our ERP system. Waste includes hazardous and non-hazardous streams, both solid and liquid waste.

Carbon footprint scope 1
Scope 1 covers direct emissions originating from Hempel sites. Scope 1 emissions are linked to the energy used in the form of fuel (fuel oils and natural gas) by Hempel, which is registered in our SharePoint system. The consumption of fuels is converted to CO_2 emissions by applying relevant Greenhouse Gas Conversion Factors for Company Reporting from the Department for Environment, Food & Rural Affairs (Defra) in the UK for the relevant year.

Carbon footprint scope 2
Scope 2 covers indirect emissions from purchased electricity and district heating at Hempel sites, which is registered in our SharePoint system. The consumption of electricity and district heating is converted to CO_2emissions by applying the location-based conversion factors from the International Energy Agency (2016 & 2017) and Defra (2017 and 2018 v1.01) database.

Carbon footprint scope 3
Scope 3 covers the following: waste, consumed raw materials used as ingredients and purchased packaging, and volatile organic compounds (VOCs) in products and toll manufacturing. These are outlined in more detail below.

Waste
We apply the same methods for waste in scope 3 as in Waste generation. Waste is converted to CO_2 equivalents using Defra (2018 v1.01) conversion factors.

Ingredients
The calculation of CO_2 from ingredients used in Hempel's production is based on the type and amount of raw materials consumed during the year, which is registered in our ERP system. For each type of raw material, a relevant conversion from ecoinvent 3.4 or IPCC (2013) characterisation factors is applied to the amount used.

Packaging
The calculation of CO_2 from packaging used in Hempel's production is based on volumes purchased by material type during the year, which are registered in our ERP system. For each type of packaging, a relevant conversion factor from Defra (2018 v1.01) is applied to the amount used.

Volatile organic compounds in products
The calculation of CO_2 from VOCs in products is based on the amount of VOCs in products sold (i.e. grams per litre of product sold). Data relating to products sold is registered in our ERP system and the VOC content of the ingredients used in our production is registered and managed in our EHS system, ChemMate. The VOC values used for sold products are equivalent to the ones presented on the product safety data sheet. All VOCs are converted to carbon dioxide equivalent emissions using xylene as a representative profile.

Toll manufacturing
The calculation of CO_2 from toll manufacturing is based on the amount of product that has been manufactured at external partners, which is registered in our ERP system, under the assumption that one ton of toll-produced goods requires the same energy and waste generation as for Hempel production (i.e. the impact of these third-party emissions is estimated using the Hempel average material, energy and waste impacts per ton of paint).

Employee Engagement - Response rate
Hempel conducts an employee engagement survey once a year. All employees are invited to participate. The response rate is calculated as the number of employees who responded to the full survey out of the total number of employees.

Employee Engagement - eNPS
The employee Net Promoter Score (eNPS) is calculated using the answer distribution from the statement: 'I would recommend others to seek employment at the Hempel Group'. We calculate the eNPS by taking the percentage of employees who answered 9-10 and subtract the percentage who answered 1-6 on the 10-point scale.

Employee Engagement - Statisfaction & Motivation and Learning & Development
These scores are based on a number of questions included in the employee engagement survey. Answers are given on a 10-point scale and are converted to index figures on a scale from 0 to 100.

Key Performance Indicator (A)

Ethical Behaviour	**2018**	**2017**
% of employees with a Hempel email address completed and signed off on Code of Conduct training	100%	100%
Compliance cases reported	51	51
Health & Safety		
Lost time accident frequency (number/1,000,000 working hours) (B)	1.72	2.27
Consumption of red raw materials (kg/1,000L paint produced) (D)	8.80	8.47
Environment		
Energy (kWh/1,000L paint produced)	276	274
Waste generation (kg/1,000L paint produced)	49	N/A
Carbon footprint scope 1 (tons CO2/1,000L paint produced	0.02	0.02
Carbon footprint scope 2 (tons CO2/1,000L paint produced)	0.09	0.10
Carbon footprint scope 3 (tons CO2/1,000L paint produced) (C)	4.05	N/A
Environment		
Employee Engagement - Response rate	93%	93%
Employee Engagement - eNPS	21	20
Employee Engagement - Satisfaction & Motivation	71	69
Employee Engagement - Learning & Development	80	78

(A) For the subsidiary Hempel A/S and its subsidiaries.
(B) 2017 data restated following a Group review of lost time injuries at site level in 2018.
(C) Scope 3 includes: consumption of raw materials, purchase of packaging material, CO2 from toll manufacturing, CO2 from waste treatment and VOC in products sold.
(D) Scope expanded compared to 2017 – see accounting principles. Due to the expanded scope, total consumption increased by 4 per cent. When comparing like-for-like, consumption reduced by 15 per cent.

Responsible supply chain management

We extend our commitment to the UN Global Compact and the UN Guiding Principles on Business and Human Rights to our business partners through our Responsible Procurement programme.

Our high standards are reflected in our Supplier Policy, in which we state what we expect from our suppliers regarding quality, environment, health and safety, human rights and business ethics. Our Responsible Procurement Committee ensures legal compliance and progress in this important area.

Our Responsible Procurement programme
The Hempel Responsible Procurement programme consists of:

- An independent annual evaluation of our suppliers, based on risk related to country and product category, conducted by EcoVadis
- Thorough screening of all new raw material suppliers worldwide
- Selected focus projects based on risk analysis
- Training of internal staff

One key focus area for us is ensuring good working conditions for the employees in our supply chain, and this is one of the things we evaluate our suppliers on as a part of our Responsible Procurement programme. During our annual evaluation of suppliers in 2018, six suppliers received a low score and were therefore identified for an onsite visit. These will be carried out in early 2019. If needed, we will request the supplier to commit to an improvement plan or we will find alternative suppliers.

Introducing our Business Partner Code of Conduct
In 2018, we introduced an updated Business Partner Code of Conduct clearly describing what we expect from our suppliers. Adherence to our Business Partner Code of Conduct is mandatory for all suppliers globally and is an integrated part of our newly introduced global e-sourcing system. Our procurement staff were trained in how to use the Business Partner Code of Conduct when in dialogue with suppliers in order to ensure their commitment to the Code.

Due diligence of forced labour
Our Human Rights Policy clearly states that we do not employ child labour or forced labour and that we extend this commitment to our business partners. The transport sector in general has been identified as a high-risk area for exploitation of forced labour. Therefore, due diligence of our transport suppliers was selected as a special focus project in 2018. As a consequence, inbound and outbound transporters were interviewed at two of our major sites in Europe. No signs of forced labour exploitation were found. We will continue to monitor this risk in 2019.

Conflict minerals
We do not use conflict minerals – such as tantalum, tin, gold or tungsten – or their derivatives in our products. This means we already comply with the requirements in future legislation in the EU Conflict Minerals Regulation, as well as the existing Dodd-Frank Act Section 1502 on due diligence of conflict minerals.

Our people

Our ambition is to provide a work environment in which every one of us can realise our full potential.
We are a truly global company, working in more than 80 countries and across every time zone. This gives us our most important asset – a diverse group of colleagues, with different backgrounds and experience. We want to be known as the best employer in the industry and we believe that one of the ways to do this is by creating a work environment where everyone can develop.

Employee Engagement Survey
Once again, 93 per cent of our people worldwide responded to our annual Employee Engagement Survey.

The transformation we are currently going through requires major changes in the way we operate globally and involves a significant cultural change for many of our people. This has been reflected in the results of our annual Employee Engagement Survey over the last three years. In 2018, Satisfaction and Motivation increased from 69 index points in 2017 to 71 index points, which is above the global benchmark of 70 index points but still below the best-in-class of 74+, which is where we aspire to be.

The survey showed that there is great variation across regions. Our global employee Net Promoter Score (eNPS) increased slightly, from 20 in 2017 to 21 in 2018. However, this was impacted by a decline in eNPS in Asia-Pacific, where major organisational and strategic changes negatively affected results. Our experience shows that to improve eNPS we must be committed and we must work visibly and directly with the individual manager and employees. We also know from our Employee Engagement Survey that our top leaders have a higher engagement score than our middle managers and other employees. We will work to close this gap by ensuring that information is cascaded from top management to the rest of the organisation. This is a key priority for us and 'Engaging the full team' was a key theme at this year's Hempel Leadership Summit.

As in the last two years, employee Loyalty remained at a very high level of 82 index points, indicating that most employees across the world are very committed to the company.

Developing our leaders
Our transformational journey can only succeed if we are all engaged and passionate about moving our company forward. We believe that this engagement needs to be cascaded through the organisation. This begins with our leaders. In 2018, we defined and introduced the 10 essential leadership competencies that all our leaders should know and take to heart. In 2019, we will build learning and development solutions to help our leaders across levels, functions and geographies to further develop these ten leadership competencies.

We aim to have internal succession for a minimum of two-thirds of all future management positions. As part of this, we are working to provide more focused development opportunities for high potential talents in all three areas of leadership: leading self, leading others and leading the business. When this work is complete in 2019, we will have programmes covering the full talent pipeline, from graduate through to executive level. These programmes include:

- Pioneer. A global graduate programme to attract high potential leadership talents at the beginning of their careers. (Launching in 2019.)
- Explorer. A talent programme for mid-level leaders, focusing on building leadership capabilities and accelerating personal development. (Revised in 2018.)
- Challenger. A talent programme for the most senior leaders in our organisation, with focus on strategy, execution and leadership for executives. (Launched in 2018.)

Diversity and equal opportunity through talent management
Our Diversity and Equal Opportunity Policy applies to all Hempel offices and ensures that all employment and career development decisions are based on merit and made to support business goals. In 2018, our talent management process was rolled out globally and we assessed 2,200 employees to identify development opportunities and leadership potential.

Our talent management process ensures that all our leaders are given equal opportunities for growth. However, we acknowledge that the number of women in management does not reflect the percentage of women in our organisation. Our target is for 25 per cent of our management positions to be filled by women by 2022, which is equal to the percentage of women in our organisation. At the end of 2018, the percentage of women in management positions was 21 per cent, up from 19 per cent at the end of 2017. To support our goal in this area, we introduced a new 12-month mentoring programme, in which female leaders are assigned a mentor to help them develop in their current role and prepare for future roles. So far, 18 female leaders have begun the programme. In the future, we expect 8-12 female talents to participate in this programme each year.

Learning and development through Let's Talk
Learning and development is a key priority across all functions and levels of our organisation. In 2017, we began the introduction of a new employee development tool called Let's Talk. In 2018, 85 per cent of all employees had a performance appraisal dialogue with their direct manager and created an individual development plan. The launch of Let's Talk has led to an increase in our Learning and Development score in our Employee Engagement Survey, up from 76 index points in 2016 and 78 index points in 2017 to 80 index points in 2018. This increase shows that our focus on creating an organisation where the individual can develop is having an effect.

As a pilot project, production and warehouse employees at our facilities in Portugal went through the Let's Talk process for the first time in 2018. Following the success of the pilot, Let's Talk will be rolled out to all our production and warehouse employees around the world in 2019.

Financial statements

Income statement

Note	In EUR thousands	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
2.1	Revenue	1,345,829	1,378,319	0	0
	Production costs	-832,406	-815,509	0	0
	Gross profit	**513,423**	**562,810**	**0**	**0**
	Sales and distribution costs	-323,839	-327,386	0	0
	Administrative costs	-109,182	-135,570	-399	-397
2.3	Other operating income	9,529	14,437	0	0
2.3	Other operating expenses	-206	-47	0	0
	Operating profit before special items	**89,725**	**114,244**	**-399**	**-397**
2.4	Special items	-13,000	0	0	0
	Operating profit	**76,725**	**114,244**	**-399**	**-397**
2.5	Income from investments in subsidiaries	0	0	42,678	40,746
	Profit before financial income and expenses	**76,725**	**114,244**	**42,279**	**40,349**
4.5	Net financials	3,797	-21,186	9,509	1,618
	Profit before tax	**80,522**	**93,058**	**51,788**	**41,967**
2.6	Income tax	-25,794	-37,027	-2,015	-261
	Profit after tax	**54,728**	**56,031**	**49,773**	**41,706**

Distribution of profit

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Proposed distribution of profit:				
Reserve for net revaluation under the equity method	0	0	42,744	40,812
Minority interests	4,955	14,325	0	0
Retained earnings	49,773	41,706	7,029	894
	54,728	**56,031**	**49,773**	**41,706**

Balance sheet as at 31 December – assets

Note	*In EUR thousands*	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
	Goodwill	75,918	74,257	-	-
	Software	2,907	4,551	-	-
	Software under development	5,668	3,041	-	-
	Customer relationships	56,924	44,967	-	-
	Other intangible assets	41,784	57,409	-	-
3.1	**Intangible assets**	**183,201**	**184,225**	**-**	**-**
	Land and buildings	184,489	139,715	12,607	-
	Assets under construction	29,305	21,555	1,080	-
	Plant and machinery	90,514	75,443	-	-
	Other fixed assets	20,913	21,669	-	-
3.2	**Property, plant and equipment**	**325,221**	**258,382**	**13,687**	**-**
5.5	Investments in subsidiaries			455,567	449,486
3.3	Other securities and investments	43,481	32,373	42,957	31,759
2.6	Deferred tax assets	50,758	51,688	-	-
3.7	Pension assets	10	-	-	-
	Deposits etc.	19,125	5,012	-	-
	Fixed asset investments	**113,374**	**89,073**	**498,524**	**481,245**
	Total non-current assets	**621,796**	**531,680**	**512,211**	**481,245**
	Raw materials and consumables	69,649	62,087	-	-
	Work in progress	6,284	5,619	-	-
	Finished goods	139,055	110,530	-	-
3.4	**Inventories**	**214,988**	**178,236**	**-**	**-**
3.6	Trade receivables	337,775	309,375	-	-
	Receivables from Group enterprises	-	-	21,004	47,482
2.6	Tax receivables	7,887	6,376	-	-
	Other receivables	81,010	39,230	81	-
3.5	Prepayments	10,182	7,359	-	-
3.6	**Receivables**	**436,854**	**362,340**	**21,085**	**47,482**
	Cash at bank and in hand	85,899	113,508	**633**	**2,904**
	Current assets	**737,741**	**654,084**	**21,718**	**50,386**
	Total assets	**1,359,537**	**1,185,764**	**533,929**	**531,631**

Balance sheet as at 31 December – equity and liabilities

Note	*In EUR thousands*	Group		Parent Company	
		2018	2017	2018	2017
	Share capital	15,450	15,450	15,450	15,450
	Reserve for net revaluation under				
	The equity method	-	-	239,273	232,541
	Retained earnings	476,440	515,876	277,199	283,335
	Proposed dividend for the year	-	-	-	-
4.1		**491,890**	**531,326**	**531,922**	**531,326**
	Minority interests	**60,794**	**51,518**		
	Total Equity	**552,684**	**582,844**		
2.6	Deferred tax liabilities	55,451	51,395	-	-
3.7	Pension obligations and similar obligations	20,744	21,569	-	-
3.8	Other provisions	83,831	68,697	-	-
	Provisions	**160,026**	**141,661**	**-**	**-**
4.2	Bank loans etc.	29,288	18,607	-	-
3.9	Other long term payables	40,031	-	-	-
	Long-term debt	**69,319**	**18,607**	**-**	**-**
	Overdraft facilities	56,846	49,437	-	-
4.2	Short-term part of bank loans etc.	22,217	11,789	-	-
3.9	Deferred income	7,144	5,755	-	-
	Trade payables	242,948	200,117	-	-
	Payables to Group enterprises	51,759	5,436	82	24
2.6	Tax liabilities	9,051	12,955	1,901	262
3.9	Other liabilities	187,543	157,163	24	19
	Total current liabilities	**577,508**	**442,652**	**2,007**	**305**
	Total liabilities	**646,827**	**461,259**	**2,007**	**305**
	Total equity and liabilities	**1,359,537**	**1,185,764**	**533,929**	**531,631**

Cash flow statement

Note	In EUR thousands	Group 2018	Group 2017
	Cash flows from operating activities		
	Operating profit	76,725	114,244
5.2	Adjustment for non-cash operating items	56,219	24,130
	Income tax paid	- 26,396	- 32,201
	Total cash flows from operating activities before changes in working capital	**106,548**	**106,173**
	Change in receivables	- 5,024	38,808
	Change in inventories	- 7,956	- 1,415
	Change in trade payables	1,802	28,885
	Total change in working capital	**- 11,178**	**66,278**
	Total cash flows from operating activities	**95,370**	**172,451**
	Cash flows from investing activities		
4.7	Acquisition of enterprises	- 18,595	-
3.2	Purchase of property, plant and equipment	- 46,409	- 35,203
3.1	Purchase of intangible assets	- 4,524	- 8,285
3.3	Investments in other securities and investments	- 2,947	- 29,916
	Sale of property, plant and equipment	3,298	18,695
	Change in deposits., net	- 12,659	-
	Sales of fixed asset investments	2,981	12,387
	Total cash flows from investing activities	**- 78,855**	**- 42,322**
	Free cash flow	**16,515**	**130,129**
	Cash flows from financing activities		
	Change in bank borrowings etc.	15,249	- 80,995
	Interest income and expenses, net	- 9,111	- 10,810
	Change in minority shares (dividend distributed etc.)	- 20,073	- 20,125
	Other financial assets	-	-
	Extraordinary dividend distributed to shareholders	- 40,175	-
	Capital losses and gains, net	3,878	3,562
	Total cash flows from financing activities	**- 50,232**	**- 108,368**
	Net Cash Flow	**- 33,717**	**21,761**
4.6	Cash and equivalents, net, beginning of year	64,071	48,491
	Exchange adjustment	- 1,301	- 6,181
4.6	**Cash and equivalents, net, end of year**	**29,053**	**64,071**

Statement of changes in equity as at 31 December

In EUR thousands

Note		Group						
		Share capital	Reserve for net revaluation	Retained earnings	Proposed dividend	Shareholders in Hempel Invest A/S' share of equity	Minority Interest	Total
	Equity							
	Equity at 1 January 2017	15,450	-	504,442	-	519,892	66,791	586,683
	Net profit for the year		-	41,706	-	41,706	14,325	56,031
	Exchange adjustment at year-end rate		-	- 29,853	-	- 29,853	- 9,086	- 38,939
	Remeasurements of defined benefit plans		-	- 419	-	- 419	- 386	- 805
	Dividend distributed		-	-	-	-	- 20,126	- 20,126
	Proposed Dividend		-	-				-
4.1	**Equity at 31 December 2017**	**15,450**	**-**	**515,876**	**-**	**531,326**	**51,518**	**582,844**
	Net profit for the year		-	49,773	-	49,773	4,955	54,728
	Exchange adjustment at year-end rate		-	- 8,732	-	- 8,732	2,624	- 6,108
	Remeasurements of defined benefit plans		-	- 270	-	- 270	-	- 270
	Dividend distributed		-	-	-	-	- 11,070	- 11,070
	Extraordinary dividend distributed		-	- 40,175	-	- 40,175	-	- 40,175
	Written put option, minorities		-	- 39,089	-	- 39,089	-	- 39,089
	Fair value adjustment, put option		-	- 943	-	- 943	-	- 943
	Additions		-	-	-	-	12,767	12,767
4.1	**Equity at 31 December 2018**	**15,450**	**-**	**476,440**	**-**	**491,890**	**60,794**	**552,684**

Note		Parent Company				
		Share capital	Reserve for net revaluation	Retained earnings	Proposed dividend	Total
	Equity					
	Equity at 1 January 2017	15,450	248,483	255,959	-	519,892
	Net profit for the year		40,812	894	-	41,706
	Dividend distributed		- 26,864	26,864	-	-
	Exchange adjustment at year-end rate		- 29,471	- 382	-	- 29,853
	Remeasurements of defined benefit plans		- 419	-	-	- 419
4.1	**Equity at 31 December 2017**	**15,450**	**232,541**	**283,335**	**-**	**531,326**
	Net profit for the year		42,744	7,029	-	49,773
	Dividend distributed		- 27,922	27,922	-	-
	Extraordinary dividend distributed		-	- 40,175	-	- 40,175
	Exchange adjustment at year-end rate		- 7,820	- 912	-	- 8,732
	Remeasurements of defined benefit plans		- 270	-	-	- 270
4.1	**Equity at 31 December 2018**	**15,450**	**239,273**	**277,199**	**-**	**531,922**

Section 1
Basis of preparation

1.1 General accounting policies
All entities in the Hempel Group follow the same Group accounting policies. This section gives a summary of the significant accounting policies.

General
The Annual Report of Hempel Invest A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) applying to large enterprises of reporting class C. The Annual Report for 2018 is presented in EUR thousands. The accounting policies applied remain unchanged from previous years.

In the Annual Report, the notes are grouped in sections and include the relevant accounting policies.

Recognition and measurement
Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that were previously recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Group and the value of the liability can be measured reliably. Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described in individual sections.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report that confirm or invalidate affairs and conditions existing at the balance sheet date.

Euro is used as the presentation currency. All other currencies are regarded as foreign currencies.

Basis of consolidation
The consolidated financial statements comprise the parent company, Hempel Invest A/S, and subsidiaries in which the parent company directly or indirectly holds more than 50 per cent of the votes or in which the parent company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20 per cent and 50 per cent of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The parent company's investments in the consolidated subsidiaries are set off against the parent company's share of the net asset value of subsidiaries stated at the time of consolidation.

Minority interests
On statement of Group results and Group equity, the shares of results and equity of subsidiaries attributable to minority interests are recognised as separate items in the distribution of profits and the equity. Minority interests are recognised on the basis of a re-measurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

The measurement is prorated according to the minority's share and goodwill related to minority interests is not recognised.

On subsequent changes to minority interests, the changed share is included in results as of the date of change.

Foreign currency translation
Functional and presentation currency
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 other currencies than the functional currency are considered transactions denominated in foreign currencies. The consolidated financial statements are presented in euro.

Translation of transactions and balances

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

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

Translation of Group companies

Financial statements of foreign subsidiaries and associates are translated into euros at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average exchange rates for income statement items, with the exception of exchange rate adjustments of investments in subsidiaries and associates arising from:

- the translation of foreign subsidiaries' and associates' net assets at the beginning of the year at the exchange rates at the end of the reporting period
- the translation of foreign subsidiaries' and associates' income statement from average exchange rates to exchange rates at the end of the reporting period
- the translation of intra-Group receivables that are considered to be an addition to net investments in subsidiaries

These specific exchange rate adjustments are recognised directly in equity.

Classification of operating expenses in the income statement

Production costs

Production costs comprise costs incurred to achieve revenue for the year. Costs comprise raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc., as well as 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. Also included are inventory write-downs.

Sales and distribution costs

Sales and distribution expenses comprise costs incurred to distribute sales and for sales campaigns, including costs for sales and distribution staff, advertising costs and depreciation of sales equipment.

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 and depreciation and write-downs for bad debt losses. Amortisation of goodwill, customer relationships and brands are recognised in administrative costs.

Cash flow statement

The cash flow statement is presented using the indirect method based on the operating profit (loss). The cash flow statement for the Group shows the cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as cash and cash equivalents for the Group at the beginning and end of the year. The cash flow statement cannot be immediately derived from the published financial records.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital, interest and tax paid and non-cash operating items, such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment, fixed asset investments as well as acquisitions of enterprises.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of principal long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less and are subject to an insignificant risk of change on value.

Separate presentation of special items

With reference to §11(3) of the Danish Financial Statements Act, the Hempel Group has departed from the presentation requirements in the Act. It is management's assessment that a separate presentation of certain costs provides a true and fair view of the financial statements. The Hempel Group has therefore presented costs related to identified and potential irregularities within Hempel's subsidiaries in certain countries as 'Special items' in the income statement. Costs include penalties, costs associated with investigations performed and severance payments. Management has found it necessary to present these costs separately as they are material to the Group, non-recurring and extraordinary in terms of Hempel's continuing global business. It is the view of management that a note disclosure only is not sufficient to ensure that the performance of the continuing business is understood correctly by the reader of the financial statements. Individual line items included in 'Operating profit' are impacted by a total of EUR 13 million (2017: EUR 0 million). However, the change in presentation does not impact operating profit after special items, profit after tax, total assets, total equity or cash flow.

Section 2
Results for the year

2.1 Revenue, segment information

Accounting policies

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Segments
Reporting of operating segments is based on internal reporting to regional and Group management.

Hempel operates in three geographical regions; EMEA (Europe including Russia, the Middle East and Africa), Asia-Pacific and Americas.
Sales are attributed to geographical regions according to the location of the customer. [1]

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
EMEA	822,946	797,731	-	-
Asia-Pacific	340,472	398,204	-	-
Americas	182,411	182,384	-	-
	1,345,829	1,378,319	-	-

[1] For competitive reasons, a breakdown of revenue on activities has been left out (in accordance with §96 of the Danish Financial Statements Act).

2.2 Employee costs

Accounting policies
Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the associated services are rendered by employees of Hempel. Where Hempel provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

In EUR thousands	Group		Parent Company	
Employee costs:	2018	2017	2018	2017
Board of Directors	457	448	141	138
Wages and salaries etc.	270,996	265,939	-	-
Wages and salaries etc. on special items	-	-		
Pension contributions	13,802	14,393	-	-
	285,255	280,780	141	138
Average number of employees	5,882	5,740	-	-
Staff expenses have been recognised in the income statement as follows:				
Production costs	85,007	70,157	-	-
Selling and distribution expenses	149,013	145,644	-	-
Administrative expenses	51,236	64,980	141	138
	285,255	280,780	141	138

With reference to §98b of the Danish Financial statement act the remuneration to the executive director is included in the line "Board of Directors", as Management in the parent company consists of one person only.

2.3 Other operating income and expenses

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

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Other operating income [1]	9,529	14,437	-	-
Other operating expenses	- 206	- 47	-	-
	9,323	14,390	-	-

[1] Other operating income comprises sale of land and insurance recoverable. (2017: Sale of buildings)

2.4 **Special items**

Accounting policies

Special items comprise costs related to penalties, costs associated with investigations performed and severance payments.

	Group		Parent Company	
	2018	2017	2018	2017
Administrative costs	- 13,000	-	-	-
Operating profit	**- 13,000**	-	-	-
Profit before tax	**- 13,000**	-	-	-
Income tax	-	-	-	-
Net profit for the year	**- 13,000**	**-**	**-**	**-**

2.5 **Income from investments in subsidiaries**

Accounting policies
The items 'Income from investments in subsidiaries' in the income statement include the proportionate share of the profit for the year less goodwill amortisation.

Income from investments in subsidiaries
In EUR thousands

	Group		Parent Company	
	2018	2017	2018	2017
Profit before tax	-	-	66,523	77,578
Tax for the year	-	-	- 23,779	- 36,766
Minority Interest	-	-	- 66	- 66
Profit after tax	-	-	**42,678**	**40,746**

2.6 **Income tax, tax assets and tax liabilities**

Income tax
Accounting policies
Income tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Hempel is subject to income taxes around the world. Significant judgement is required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provision for uncertain tax positions. Hempel recognises deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. management's has considered future taxable income when assessing whether deferred income tax assets should be recognised. In the course of conducting business globally, transfer pricing disputes with tax authorities may occur, and Management judgement is applied to assess the possible outcome of such disputes. Hempel believes that the provision made for uncertain tax positions not yet settled with local tax authorities is adequate. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Hempel Group:				
Profit before tax	80,522	93,058		
	80,522	**93,058**		
Income tax on profit for the year:				
Total tax	- 25,794	- 37,027	- 25,794	- 37,027
Tax in respect of subsidiaries	-	-	23,779	36,766
	- 25,794	**- 37,027**	**- 2,015**	**- 261**
Current tax for the year	- 23,750	- 28,757	- 2,015	- 261
Deferred tax for the year	1,704	8,567	-	-
Of which entered at Equity	-	-	-	-
Change in US tax rate	375	-	-	-
Adjustment in respect of previous years	- 4,123	- 16,837	-	-
Income tax	**- 25,794**	**- 37,027**	**- 2,015**	**- 261**

Deferred tax assets and liabilities

Accounting policies

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

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

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

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Deferred tax (net) :				
Deferred tax, beginning of year	293	13,560	-	-
Exchange adjustment at year-end rate	- 604	- 2,386	-	-
Acquisition of enterprises	- 1,306	-	-	-
Deferred tax for the year	1,706	8,361	-	-
Adjustment in respect of previous years	- 4,780	- 10,374	-	-
Change in tax rates	-	- 8,868		
	- 4,691	**293**	-	-

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Deferred tax (net) relates to the following items:				
Intangible assets	11,117	5,542	-	-
Property, plant and equipment	- 7,670	2,466	-	-
Fixed asset investments	- 130	58	-	-
Inventories	1,774	2,861	-	-
Trade receivables	4,985	3,152	-	-
Provisions and other payables	- 26,367	- 25,286	-	-
Tax losses	11,600	11,500	-	-
	- 4,691	**293**	-	-

At 31 December 2018, the Group has recognised a deferred tax asset comprising tax losses carried forward of EUR 12 million (2017: EUR 12 million). Management believes it is likely that the unutilised tax losses can be utilised within the next years.

The Group has non-recognised tax asset of EUR 14 million (2017: EUR 9 million).

In EUR thousands	Group		Parent Company	
The net value is recognised in the balance sheet as follows:	2018	2017	2018	2017
Deferred tax assets	50,759	51,688	-	-
Deferred tax liabilities	- 55,450	- 51,395	-	-
	- 4,691	**293**	-	-

Current tax receivables and liabilities

Accounting policies

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Extra payments and repayment under the on account taxation scheme are recognised in the income statement financial income and expenses.

In EUR thousands	Group		Parent Company	
The net value is recognised in the balance sheet as follows:	2018	2017	2018	2017
Current tax assets	7,887	6,376	-	-
Current tax liabilities	- 9,051	- 12,955	- 1,901	- 262
	- 1,164	**- 6,579**	**- 1,901**	**- 262**

Section 3
Operating assets and liabilities

3.1 Intangible assets

Accounting policies

Goodwill acquired is measured at cost less accumulated amortisations. Goodwill is amortised on a straight- line basis over its useful life on the basis of management experience within the individual areas. The amortisation period is 2-25 years, the longest period applicable to acquired enterprises with a strong market position and a long-term earnings profile.

Development projects concerning products, processes and software 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, are recognised as intangible assets. The costs comprise expenses, including salaries and amortisation, directly or indirectly attributable to these development projects.

Upon completion of the development project, costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 3-10 years.

Other development costs and costs relating to rights developed by the company are recognised in the income statement as costs in the year of acquisition.

Customer relations are measured at cost less accumulated amortisation and impairment losses. The period of amortisation is 2-17 years.

Other intangible assets 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 2-25 years.

Impairment of intangible assets

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation. If so, the asset is written down to its lower recoverable amount.

In EUR thousands	Group					
	Goodwill	Software	Software under development	Customer relationships	Other intangible assets	Total
Costs at 1 January 2018	144,174	35,237	3,041	112,043	92,300	386,795
Exchange adjustment at year-end rate	3,978	- 294	- 9	3,230	526	7,431
Acquisition of enterprises	11,032	249	-	17,107	1,953	30,341
Additions for the year	-	1,486	2,636	-	402	4,524
Disposals for the year	-	-	-	-	- 15,830	- 15,830
Costs at 31 December 2018	159,184	36,678	5,668	132,380	79,351	413,261
Accumulated amortisation at 1 January 2018	69,917	30,686	-	67,076	34,891	202,570
Exchange adjustment at year-end rate	2,357	- 295	-	2,386	- 25	4,423
Amortisation for the year	10,992	3,380	-	5,994	5,794	26,160
Reversal of amortisation of assets sold	-	-	-	-	- 3,093	- 3,093
Accumulated amortisation at 31 December 2018	83,266	33,771	-	75,456	37,567	230,060
Carrying amount at 31 December 2018	75,918	2,907	5,668	56,924	41,784	183,201

Other intangible assets mainly comprise brands and formulas.

Amortisation and impairment are specified as follows:

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Production costs	1,033	878	-	-
Sales and distribution costs	762	799	-	-
Administrative costs	24,365	25,827	-	-
	26,160	27,504	-	-

3.2 **Property, plant and equipment**

Accounting policies

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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

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

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

Leasehold improvements are included in other operating equipment and are recognised at cost and depreciated over the term of the lease; however, not exceeding 10 years.

The assets' residual values and useful lives are reviewed annually. If residual value exceeds the carrying amount, depreciation is discontinued. If the depreciation period or the residual values are changed, the depreciation effect is recognised prospectively as a change in accounting estimates.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount.

In EUR thousands	Group				
	Land and buildings	Plant and machinery	Other fixed assets	Assets under con-struction	Total
Costs at 1 January 2018	211,258	218,386	90,065	21,555	541,264
Exchange adjustment at year-end rate	324	- 405	492	171	582
Acquisition of enterprises	35,877	15,755	730	883	53,245
Additions for the year	17,419	15,528	5,578	7,903	46,428
Disposals for the year	- 2,304	- 5,270	- 5,026	- 1,207	- 13,807
Costs at 31 December 2018	**262,574**	**243,994**	**91,839**	**29,305**	**627,712**
Accumulated depreciations at 1 January 2018	71,543	142,943	68,396	-	282,882
Exchange adjustment at year-end rate	1,546	457	366	-	2,369
Acquisition of enterprises	-	-	-	-	-
Depreciation for the year	6,917	15,261	6,570	-	28,748
Reversal of depreciations of assets sold	- 1,921	- 5,181	- 4,406	-	- 11,508
Accumulated depreciation at 31 December 2018	**78,085**	**153,480**	**70,926**	**-**	**302,491**
Carrying amount at 31 December 2018	**184,489**	**90,514**	**20,913**	**29,305**	**325,221**
Including leased assets of	2,967	-	-	-	2,967
including interest expenses of	937	-	-	-	937

	Parent Company				
	Land and buildings	Plant and machinery	Other fixed assets	Assets under con-struction	Total
Costs at 1 January 2018	-	-	-	-	-
Exchange adjustment at year-end rate	-	-	-	-	-
Acquisition of enterprises	-	-	-	-	-
Additions for the year	12,607	-	-	1,080	13,687
Disposals for the year	-	-	-	-	-
Costs at 31 December 2018	**12,607**	**-**	**-**	**1,080**	**13,687**
Accumulated depreciations at 1 January 2018	-	-	-	-	-
Exchange adjustment at year-end rate	-	-	-	-	-
Acquisition of enterprises	-	-	-	-	-
Depreciation for the year	-	-	-	-	-
Reversal of depreciations of assets sold	-	-	-	-	-
Accumulated depreciation at 31 December 2018	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31 December 2018	**12,607**	**-**	**-**	**1,080**	**13,687**
Including leased assets of	-	-	-	-	-
including interest expenses of	-	-	-	-	-

In EUR thousands	Group	
Depreciation and impairment are specified as follows:	**2018**	**2017**
Production costs	18,300	17,912
Sales and distribution costs	7,016	5,660
Administrative costs	3,432	4,810
	28,748	**28,382**

3.3 **Other securities and investments**

Accounting policies
Other securities and capital investment, recognised under fixed assets, consist of listed bonds and shares measured at the fair value of the balance sheet date.

The fair value is calculated on the latest listed closing quote.

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Costs, beginning of year	31,260	751	30,666	751
Acquisition of enterprises	-	422	-	-
Additions for the year	2,947	29,916	2,947	29,916
Disposals for the year	- 85	173	-	-
Exchange adjustment at year-end rate	- 92	- 2	- 92	- 1
Costs, end of year	**34,030**	**31,260**	**33,521**	**30,666**
Net revaluations, beginning of year	1,113	-	1,093	-
Acquisition of enterprises	-	11	-	-
Net revaluations, for the year	8,341	1,102	8,346	1,093
Exchange adjustment at year-end rate	- 3	-	- 3	-
Net revaluations, end of year	**9,451**	**1,113**	**9,436**	**1,093**
Carrying amount, end of year	**43,481**	**32,373**	**42,957**	**31,759**

The net values are specified as follows:

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Shares	43,481	32,373	42,957	31,759
	43,481	**32,373**	**42,957**	**31,759**

3.4 **Inventories**

Accounting policies
Inventories are measured at cost in accordance with the FIFO principle.

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

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

Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value is calculated as the sales amount less costs of completion and costs necessary to make the sale.

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Raw materials and consumables	69,649	62,087	-	-
Work in progress	6,284	5,619	-	-
Finished goods	139,055	110,530	-	-
	214,988	**178,236**	**-**	**-**

3.5 **Prepayments**

Accounting policies
Prepayments comprise prepaid expenses mainly relating to rent, licenses and insurance premiums.

3.6 Receivables

Accounting policies
Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Receivables	436,854	362,340	21,085	47,482
of which due more than one year from balance sheet date	1,904	2,374	-	-

3.7 Pension and similar assets and obligations

Accounting policies
Hempel operates a number of defined contribution plans throughout the world. Hempel's contributions to the defined contribution plans are recognised in the income statement in the year to which they relate. In a few countries, Hempel also operates defined benefit plans. The costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the valuation dates and is based on actuarial assumptions primarily regarding discount rates used in determining the present value of benefits and projected rates of remuneration growth. Discount rates are based on the market yields of high-rated corporate bonds in the country concerned. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in equity in the period in which they arise. Past service costs are recognised immediately in the income statement. Pension assets are only recognised to the extent that Hempel is able to derive future economic benefits such as refunds from the plan or reductions of future contributions

The net obligation recognised in the Balance sheet is reported as non-current asset and liabilities.

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Pension and similar obligations comprise:				
Pension and similarobligations	52,274	58,501	-	-
Fair value of assets related to the plans	- 31,540	- 36,932	-	-
Pension obligations, (net)	**20,734**	**21,569**	-	-
Recognition in the balance sheet:				
Assets	10	-	-	-
Liabilities	20,744	21,569	-	-
Pension obligations recognised in the balance sheet, (net)	**20,754**	**21,569**	-	-
Defined benefit plans				
Specification of plan assets:				
Shares and properties	14%	14%	-	-
Fixed interest current asset investments	85%	78%	-	-
Cash at bank and in hand	1%	8%	-	-
Total	**100%**	**100%**	-	-
Weighted average assumptions:				
Discount rate	2.1%	2.0%	-	-
General wage inflation	2.2%	2.7%	-	-
General price inflation	1.6%	1.7%	-	-

3.8 Provisions

Accounting policies

Provisions are recognised when – in consequence of an event having occurred before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions comprising provisions for environmental, warranty and restructuring obligations as well as other obligations are recognised and measured based on a best estimate of the expenses necessary to fulfil the obligations at the balance sheet date. The costs required to settle the liability are discounted if the effect is material to the measurement of the liability.

Provisions for liabilities relating to environmental, warranty commitments and other provisions include factual, legal and estimated liabilities as a result of events occurring before the end of the financial year. Estimates are based on management's judgment.

In EUR thousands	Group				
	Environmental obligations	**Warranty commitments**	**Other provisions**	**2018 Total**	**2017 Total**
Total provisions, beginning of year	19,898	10,423	38,376	68,698	90,296
Exchange adjustment at year-end rate	-	-	-	-	-
Reclassification	94	111	354	559	- 2,562
Acquisition of enterprises	1,900	-	9,213	11,113	-
Additions for the year	-	125	13,234	13,359	503
Reversed	- 233	- 1,351	- 2,327	- 3,911	- 4,736
Consumed	- 1,482	-	- 4,504	- 5,986	- 14,804
Total provisions, end of year	**20,177**	**9,308**	**54,346**	**83,831**	**68,697**
Maturities are expected to be:					
Within 1 year	8,316	4,962	31,963	45,241	9,814
Between 1 and 5 years	1,792	4,346	9,383	15,521	23,267
after 5 years	10,069	-	13,000	23,069	35,616
	20,177	**9,308**	**54,346**	**83,831**	**68,697**

3.9 Deferred income

Accounting policies

Deferred income comprises prepayments from customers where the related revenue cannot be recognised in the income statement until the next financial year.

3.10 Other liabilities

Accounting policies

Other liabilities are measured at amortised cost, substantially corresponding to nominal value. Other liabilities comprise employee costs payable, VAT and duties payable, accruals, other payables and fair values of derivative financial instruments.

Section 4
Capital structure and financing items

4.1 Share capital, distribution to shareholders

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

The share capital amounts to DKK 115 million (EUR 15,450 thousands).

There have been no changes to the share capital in the past five years.

4.2 Bank loans, etc.

Accounting policies
Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Long-term bank borrowings etc. including short-term part:

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Due within 1 year	22,217	11,789	-	-
Due within 1 to 5 years	28,764	18,607	-	-
Due after 5 years	524	-	-	-
	51,505	30,396	-	-

4.3 Financial risks

Due to its operations, investments and financing, the Group is exposed to commercial risks as well as financial risks related to changes in exchange rates and interest rates. Hempel has centralised handling of these risks, except for commercial credit risk, which is managed by the operating units across the world. Further the Group has investments in securities which are subject to fair value adjustments. The risks are managed in accordance with the policies and guidelines laid out by the Board of Directors. It is the Group's policy not to speculate actively in financial risks.

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 current basis. Bank Acceptance Bills are used as a financial instrument to further limit the risk of credit losses.

To some extent, the Group's income and expenses in foreign currencies net out and creates a natural hedge of the Group's profitability margin. Hempel hedges the short-term transactional exposure in the major currencies using financial instruments. FX hedge contracts are predominantly entered into in order to mitigate accounting and settlement risks from internal transactions between subsidiaries and the parent company.

The Hempel Group currently has a low level of interest-bearing debt and is therefore not materially exposed to interest rate risks.

4.4 Derivative financial instruments

Accounting policies

Derivative financial instruments are initially recognised at fair value on the acquisition date and subsequently remeasured at their fair value at the reporting date. Positive and negative fair values of derivative financial instruments are recognised as 'Other receivables' and 'Other payables', respectively. Fair values of derivate financial instruments are computed on the basis of market data and generally accepted valuation methods. Changes in the fair values of derivative financial instruments are recognised in the income statement under financial items unless the derivative financial instrument is designated and qualifies as a cash flow hedge. Changes in the fair values of the cash flow hedges are recognised in equity.

Financial liabilities:

Liabilities concerning minorities' put options are initially recognised at fair value directly in equity of the consolidated Group. Fair value is measured at the present value of the exercise price of the option. Subsequent fair value adjustments are recognised directly in equity.

Currency risks:

Open foreign currency hedges at 31 December 2018 entered into in order to hedge future purchases and sales as well as receivables and payables in foreign currencies are specified as follows:

In EUR thousands	Contract amount based on exercise price1)	Fair value	Term to maturity (months)
AUD	-3.2	0.1	1
BRL	-0.9	0.0	1
CAD	0.7	0.0	1
CZK	2.5	0.0	1
GBP	-23.9	0.4	1
HKD	83.5	-0.4	1
IDR	-4.2	-0.1	1
KRW	2.3	0.0	1
NOK	0.5	0.0	1
NZD	-0.6	0.0	1
PLN	-15.8	0.0	1
SGD	0.5	0.0	1
USD	-23.6	0.3	1
ZAR	-3.5	0.1	1
		0.4	

[1)] Positive principal amounts equal a purchase of the currency in question and negative amounts equal a sale.

Bank borrowings of EUR 52 million comprise loans denominated in various currencies, mainly EUR 30 million, KWD 6 million (EUR 18 million) and other currencies amounting to EUR 4 million.

Interest rate risks:

The weighted average effective interest rates as at the balance sheet date were as follows:

	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
Bank borrowings etc.	2.7%	3.1%	-	-

4.5 Net financials

Accounting policies

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

In EUR thousands	Group		Parent Company	
	2018	**2017**	**2018**	**2017**
External interest income	1,282	775	-	20
Interest income from subsidiaries	-	-	651	478
External interest expenses	- 10,832	- 12,055	- 5	- 5
Interest paid to Group enterprises	- 139	- 74	-	-
Dividend	501	31	501	31
Realised and unrealised exchange gains/losses, net	12,985	- 9,863	8,362	1,094
	3,797	**- 21,186**	**9,509**	**1,618**

4.6 Cash and cash equivalents, net

Accounting policies
Cash and cash equivalents consist of cash at bank and in hand offset by overdraft facilities.

In EUR thousands	Group	
	2018	2017
Cash at bank and in hand, beginning of year	113,508	115,112
Overdraft facilities, beginning of year	- 49,437	- 66,621
	64,071	**48,491**
Cash, end of year	85,899	113,508
Overdraft facilities, end of year	- 56,846	- 49,437
	29,053	**64,071**

4.7 Acquisitions of enterprises

Accounting policies
Enterprises acquired during the year are recognised in the consolidated financial statements from the date of acquisition. The acquisition date is the date on which the parent company effectively obtains control of the acquired enterprise.

For acquisitions of new enterprises where control is obtained by the parent company, the acquisition method is used. The identifiable assets and liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The difference between the costs of the enterprise and the net asset value is recognised in the balance sheet as goodwill, which is amortised in the income statement on a straight-line basis over its estimated useful life.

The purchase consideration of an enterprise is the fair value of the agreed payment in the form of assets transferred, liabilities assumed and equity instruments issued to the seller. Contingent considerations depending on future events or the performance of contractual obligations are also recognised at fair value at the date of acquisition. Fair value changes in contingent considerations are recognised in the income statement when incurred.

Transaction costs are recognised in the income statement when incurred.

If uncertainty regarding the identification and measurement of acquired assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition is done based on preliminary values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments are recognised in the opening balance of equity and comparative figures are restated.

In EUR thousands	Group	
	2018	2017
Balance sheet items of acquired enterprises:		
Intangible assets	19,060	-
Property, plant and equipment	52,812	-
Inventories	30,440	-
Receivables	50,293	-
Cash and cash equivalents	11,315	-
Provisions	- 9,812	-
Deferred tax	- 1,306	
Bank loans etc.	- 53,058	-
Trade payables	- 32,626	
Other liabilties	- 30,958	-
Net assets acquired	**36,160**	-
Minorities 35%	- 12,656	-
Goodwill	11,032	-
Consideration	**34,536**	
Cash acquired	- 11,315	
Consideration payable	- 4,626	-
Cash consideration	**18,595**	-

Section 5
Other disclosures

5.1 Fee to the auditors appointed at the General Meeting

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Audit fee	1,121	1,198	20	19
Tax advice	592	1,118	3	2
Other fees	413	498	3	2
	2,126	2,814	26	23

5.2 Adjustments for non-cash items

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

In EUR thousands	Group	
	2018	2017
Amortisation, depreciation and impairment, including goodwill	54,906	55,886
Provisions	2,129	-18,207
Exchange rate adjustment, operating profit	1,507	841
Gains and losses on the sale of fixed assets	-2,323	-14,390
	56,219	24,130

5.3 Contingent liabilities and other financial obligations

The operating lease commitments are related to non-cancellable operating leases primarily related to premises, 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.

Other guarantees primarily relate to bid and performance bonds

In EUR thousands	Group		Parent Company	
	2018	2017	2018	2017
Rental and lease obligations:				
Due within 1 year from the balance sheet date	17,392	14,969	-	-
Due within 1 to 5 years from the balance sheet date	37,382	34,485	-	-
Due more than 5 years from the balance sheet date	9,334	12,784	-	-
	64,108	62,238	-	-
Guarantees:				
For local loans and bank credits to subsidiaries			-	-
Other guarantees	5,053	3,161	-	-
	5,053	3,161	-	-

Other contingent liabilities:
Following the compliance issues discovered in Germany in August 2016, followed by management's thorough internal investigations and full self-disclosure to the Danish State Prosecutor for Serious Economic and International Crime (SØIK) in April 2017, we completed the internal remediation within the subsidiary Hempel A/S during 2018. As mentioned in the section 2018 in review, the subsidiary Hempel A/S agreed at the beginning of 2019 to settle the case with a fine. Based on this settlement, the provision was increased
by EUR 13 million in 2018, amounting to EUR 31 million by the end of 2018, whereby management considers the matter closed. Hempel Invest 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

Hempel Invest A/S has committed a total investment in other securities of EUR 6.7 million. As of December 31 2018 the remaining commitment is EUR 4.7 million (2017: EUR 4.6 million)

5.4 Events after the reporting period

No events have occurred after the balance sheet date that could have a material impact on the company's financial result or equity, except for the resolution obtained in the beginning of 2019 of the compliance case reported to SØIK in April 2017. The financial implications have been fully recognised and disclosed in the Annual Report 2018

5.5 Related parties and ownership

	Basis
Controlling influence:	
Hempel Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Ultimate parent company

Members of the Executive Board and Board of Directors of Hempel A/S as well as the Board of Trustees of the Hempel Foundation and Hempel Invest A/S are also regarded as related parties. The members of the Boards of Trustees of the Hempel Foundation and Hempel Holding coincide.

Other related parties:	
Hempel's Employee Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel's Cultural Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel's Employee Foundation of 2017, Lundtoftegårdsvej 91, 2800 Kgs. Lyngby	Related party

Transactions:
All related-party transactions were carried out at arm's length.

5.6 Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method. This implies that 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 equity method is applied as a method of measurement.

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 dividend distributed to the parent company and adjusted for other equity movements in subsidiaries.

With reference to the accounting treatment of liabilities concerning minorities' put options described in section 4.4, these are recognised directly in equity of the consolidated Group. As this liability lies within a subsidiary, the liability is not presented in the parent company and hence not presented as such nor directly recognised against the equity of the parent company. The value of the liability will cause a difference between the Group's share of equity and the equity of the parent company. Once the put option has been settled, this difference will cease.

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 enterprise is recognised in receivables from subsidiaries.

In EUR thousands	Parent Company	
	2018	2017
Investments in subsidiaries		
Costs, beginning of year	216,945	217,251
Exchange adjustment at year-end rate	- 651	- 306
Costs, end of year	**216,294**	**216,945**
Net revaluations, beginning of year	232,541	248,483
Exchange adjustment at year-end rate	- 7,820	- 29,471
Hedging of future transactions	-	-
Other adjustments	- 270	- 419
Profit	66,523	77,578
Tax for the year	- 23,779	- 36,766
Dividend received	- 27,922	- 26,864
Net revaluations, end of year	**239,273**	**232,541**
Carrying amount, end of year	**455,567**	**449,486**

5.7 The Hempel Group including foreign branches

Country	Name	Currency	Share capital	Ownership
Denmark	Hempel A/S	DKK	115,000,000	100%
Argentina	Hempel Argentina S.R.L.	ARS	338,774,200	100%
Australia	Hempel (Australia) Pty. Ltd.	AUD	700,000	100%
Austria	Ostendorf GmbH	EUR	18,168	65%
Austria	Eurolor Brand GmbH	EUR	50,000	65%
Bahrain	Dahna Paint Middle East Holding B.S.C. (closed)	BHD	5,000,000	51%
Bahrain	Hempel Paints (Bahrain) S.P.C.	BHD	300,000	51%
Brazil	Hempel Tintas do Brasil Ltda	BRL	31,211,487	100%
Canada	Hempel (Canada) Inc.	CAD	1,776,005	100%
Chile	Pinturas Hempel Chile SpA	CLP	1,651,829	100%
China	Hempel (China) Limited	HKD	106,000,000	100%
China	Hempel (China) Management Co., Ltd.	CNY	50,000,000	100%
China	Hempel (Kunshan) Coatings Ltd.	CNY	110,035,054	100%
China	Hempel (Yantai) Coatings Ltd.	CNY	42,656,510	100%
China	Hempel (Guangzhou) Coatings Ltd.	CNY	185,327,620	100%
China	Hempel Coatings (Zhangjiagang) Ltd.	USD	0	100%
Croatia	Hempel Coatings (Croatia) Ltd.	HRK	31,019,200	100%
Cyprus	Hempel Coatings (Cyprus) Limited	EUR	1,000.00	100%
Czech Republic	Hempel (Czech Republic) s.r.o.	CZK	30,000,000	100%
Denmark	Hempel Invest A/S	DKK	-	-
Denmark	Hempel A/S	DKK	115,000,000	100%
Denmark	Brænderupvænge ApS	DKK	130,000	100%
Denmark	Keldskov ApS	DKK	175,000	100%
Denmark	HSA (Danmark) A/S	DKK	10,000,000	100%
Denmark	Hempel Decorative Paints A/S	DKK	1,000,000	100%
Denmark	Brifa Maling A/S	DKK	11,200,000	65%
Ecuador	Hempel (Ecuador) S.A.	USD	100,000	100%
Egypt	Hempel Coatings Egypt LLC	EGP	3,000,000	100%
Egypt	Hempel Egypt L.L.C.	EGP	200,000	100%
Egypt	Hempel Paints Egypt LLC	EGP	250,000	99%
Finland	OY Hempel (Finland) AB	EUR	63,000	100%
France	Hempel (France) S.A.	EUR	1,220,000	100%
France	BB Participations SAS	EUR	4,000,000	65%
France	BB Holding SAS	EUR	1,448,266	65%
France	BB Fabrications SAS	EUR	1,000,000	65%
France	Bontemps-Bonnarme SAS	EUR	75,000	65%
France	Renaulac Bearn SARL	EUR	8,000	65%
France	Renaulac Gironde SARL	EUR	10,000	65%
France	L.A.R.Y Peintures SARL	EUR	8,000	49%
Germany	Hempel (Germany) GmbH	EUR	1,533,876	100%
Germany	Hempel Beteiligungsgesellschaft mbH	EUR	25,000	100%
Germany	J.W. Ostendorf GmbH & Co. KG	EUR	520,000	65%
Germany	Ostendorf-Beteiligungs-GmbH	EUR	32,000	65%
Germany	FLT Handel & Service GmbH	EUR	25,565	65%
Germany	Brand.IQ GmbH	EUR	500,000	65%
Germany	Ostendorf Frankreich Holding GmbH	EUR	25,000	65%
Germany	Rottkamp Immoblilien GmbH & Co. KG	EUR	2,500	65%
Germany	Rottkamp Immobilien Verwaltung GmbH	EUR	25,000	65%
Greece	Hempel Coatings (Hellas) S.A.	EUR	6,300,000	100%
Hungary	Ostendorf Hungária Kft.	HUF	15,000,000	65%
India	Hempel Paints (India) Private Limited	INR	690,000,000	100%
Indonesia	P.T. Hempel Indonesia	IDR	830,000,000	100%
Iraq	Hempel (Iraq) Ltd	USD	8,300	31%
Ireland	Crown Paints Ireland Limited	EUR	127	100%
Italy	Hempel (Italy) S.r.l.	EUR	50,000	100%
Kenya	Hempel Paints Kenya Company Limited	KES	10,000,000	100%
Korea	Hempel Korea Co. Ltd.	KRW	1,450,000,000	100%
Kuwait	Hempel Paints (Kuwait) K.S.C.C.	KWD	600,000	51%
Malaysia	Hempel (Malaysia) Sdn. Bhd	MYR	5,000,000	100%
Malaysia	Hempel Manufacturing (Malaysia) Sdn. Bhd.	MYR	9,500,000	100%
Mexico	Pinturas Hempel de Mexico S.A. de C.V.	MXN	3,750,000	100%
Morocco	Hempel Maroc SARL	MAD	2,500,000	100%
New Zealand	Hempel (New Zealand) Ltd.	NZD	300,000	100%
Norway	Hempel (Norway) AS	NOK	4,981,428	100%
Oman	Hempel (Oman) L.L.C	OMR	500,000	20%
Peru	Hempel Pinturas Del Perú S.A.C.	PEN	4,900,000	100%
Poland	Hempel Paints (Poland) S.p. z o.o.	PLN	60,500,000	100%
Portugal	Hempel (Portugal) S.A.	EUR	1,246,995	100%
Qatar	Hempel Paints (Qatar) W.L.L.	QAR	4,000,000	29%
Russia	JSC Hempel	RUB	95,000	100%
Saudi Arabia	Hempel Paints (Saudi Arabia) W.L.L.	SAR	24,500,000	51%
Saudi Arabia	Painting Materials and Equipment Centre Co. LTD	SAR	1,000,000	26%
Singapore	Hempel (Singapore) Pte. Ltd.	SGD	2,700,000	100%
South Africa	Hempel Paints South Africa (Pty) Ltd.	ZAR	9,500,000	100%

Country	Name	Currency	Share capital	Ownership
Spain	Pinturas Hempel SAU	EUR	1,202,000	100%
Sweden	Hempel (Sweden) AB	SEK	2,500,000	100%
Switzerland	Hempel Schweiz AG	CHF	100,000	100%
Switzerland	J.W. Ostendorf (Schweiz) AG	CHF	100,000	65%
Syria	Hempel Paints (Syria) W.L.L.	SYP	121,600,000	49%
Taiwan	Hempel (Taiwan) Co., Ltd.	TWD	20,000,000	100%
Thailand	Hempel (Thailand) Ltd.	THB	3,000,000	100%
The Netherlands	Hempel (The Netherlands) B.V.	EUR	500,000	100%
The Netherlands	Hempel Industrial B.V.	EUR	306,450	100%
Turkey	Hempel Coatings San. ve Tic. Ltd. Sti.	TRY	2,789,300	100%
UK	Crown Brands Limited	GBP	1,000	100%
UK	Crown Paints Limited	GBP	1,000	100%
UK	Crown Paints Group Limited	GBP	100,000	100%
UK	Crown Paints Holdings Limited	GBP	100,000	100%
UK	Hempel Decorative Paints Limited	GBP	2,000	100%
UK	Hempel UK Ltd.	GBP	4,100,000	100%
UK	Reebor Limited	GBP	100	1%
UK	Ostendorf U.K. Ltd.	GBP	0	65%
Ukraine	Hempel Ukraine LLC	UAH	656,291	100%
United Arab Emirates	Hempel Paints (Abu Dhabi) L.L.C.	AED	150,000	23%
United Arab Emirates	Hempel Paints (Emirates) L.L.C.	AED	4,000,000	29%
USA	Hempel (USA), Inc.	USD	87,922,373	100%
USA	Jones-Blair Company, LLC	USD	0	100%
Vietnam	Hempel Vietnam Company Limited	VND	116,498,272,000	100%

Foreign branches

Country	Name
Austria	Hempel (Germany) GmbH Branch office
Hungary	Hempel (Czech Republic) s.r.o., Magyarorszagi
Japan	Hempel (Singapore) Pte Ltd Japan Branch Office, Tokyo
Slovakia	Hempel (Czech Republic) s.r.o., org. zlozka Slovensko

5.8 Financial definitions

Financial ratios have been calculated as follows:

$$\text{Gross margin} = \frac{\text{Gross profit x 100}}{\text{Revenue}}$$

$$\text{EBITDA margin} = \frac{\text{EBITDA x 100}}{\text{Revenue}}$$

EBITDA = Operating profit (and loss) before amortisations and depreciations

$$\text{Return on assets} = \frac{\text{Operating profit x 100}}{\text{Average assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year-end x 100}}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$