Hempel Invest A/S

CVR-nr. 32 05 82 05

Annual report for 2020

Årsrapporten er fremlagt og godkendt på
selskabets ordinære generalforsamling
den / 2021

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 Andreas Glud, elected by the employees Henrik Bach Falkenberg, 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 millions

	2020	2019	2018	2017	2016
Income statement					
Revenue	1.542	1.534	1.346	1.379	1.424
EBITDA	151	156	132	170	151
Amortisation, depreciation and impairment	62	65	55	56	58
Operating profit	89	91	77	114	93
Share of net profit of associates	-	-	-	-	2
Net financials	-24	-	4	-21	-19
Profit before tax	65	91	81	93	77
Net profit for the year	47	59	55	56	46
Balance					
Total assets	1.531	1.390	1.353	1.186	1.274
Shareholders' equity	581	566	492	531	520
Investment in tangible assets	100	42	48	25	36
Cash Flows					
Operating activities	185	76	95	172	234
Investing activities	-95	-31	-79	-42	-8
Financing activities	70	4	-50	-108	-223
Change in cash and cash equivalents	160	49	-34	22	4
Employees					
Average number of employees	6.099	6.219	5.882	5.740	5.787
Ratios (%)					
Gross margin	39,2	39,0	38,1	40,9	43,7
EBITDA margin	9,8	10,2	9,8	12,3	10,6
Return on assets	6,1	6,7	6,1	9,3	6,9
Solvency ratio	37,9	40,7	36,4	44,8	40,8
Return on equity	8,2	11,2	10,7	10,7	9,0

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 2020.

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 2020 of the company and the Group and of the results of the company’s and Group’s operations and consolidated cash flows for 2020.

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, 29 April 2021

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
Andreas Glud Elected by the employees	Henrik Bach Falkenberg 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 2020, 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 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company financial statements of Hempel A/S for the financial year 1 January - 31 December 2020, 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.

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 in Management's Review.

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 misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional 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, 29 April 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Anders Stig Lauritsen	Kristian Pedersen
State Authorised Public Accountant mne32800	State Authorised Public Accountant mne35412

2020 in review

Main activity
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
2020 turned out to be nothing like expected. In late January, the COVID-19 pandemic broke out impacting our Asia Pacific region in terms of both supply chain and demand. From there, the pandemic spread to the rest of the world, causing challenging conditions for our whole organisation. In these difficult market conditions, we are proud to end 2020 with organic growth of 3.2 per cent, on top of a strong 2019, an EBITDA margin of 9.8 per cent and a positive free cash flow of EUR 90 million.

These positive results were driven by high demand in our Decorative segment, especially for our Do-It-Yourself products. Likewise, 2020 was a good year for our Marine segment, which contributed to an excellent result, especially in our Asia Pacific region. At the other end of the scale, our EMEA (Europe, the Middle East and Africa) and Americas regions were severely hit by the restrictions and lockdowns imposed by various authorities in response to the COVID-19 pandemic, which negatively affected sales and earnings in these regions. Despite the many challenges, our colleagues around the world managed to take us through the rough seas, resulting in a satisfactory 2020.

The positive results were the outcome of a great team effort and we showed our agility by altering our business and way of working to account for changes in the business environment and world around us.

At the start of the COVID-19 pandemic, we quickly acted to minimise our expenses, saving or delaying expenses and investments that were not business critical in order to protect our cash and earnings. This helped preserve our sound financial position, which is the foundation for our further growth. In 2020, we decided to exit from certain non-core markets in the Americas and EMEA, which are not part of our future core strategic priorities. This resulted in one-off costs of EUR 5 million. We will still be present in these countries via distributors.

2020 was also the year in which our Journey to Excellence strategy concluded. It has given us a solid foundation for our new Double Impact strategy, in which we aim to double our top line by 2025 – an ambitious strategy, which we are now ready to embark upon. We spent time in 2020 forming our new strategy and making it tangible and actionable, and we are now ready to execute on the strategic initiatives it contains.

The parent company's net profit was EUR 45 million in 2020 compared to EUR 59 million in 2019. Excluding income from the Hempel A/S Group, the net profit was EUR 4 million compared to EUR 10 million in 2019. The results excluding the Hempel A/S Group relates to financial investments as well as investments in forestry and innovation companies. The development can be explained by a decreased return from financial investments.

Looking ahead
2021 is the year in which we embark on our new Double Impact strategy. During 2020, we invested time and energy in developing, refining and formalising our new strategy, constantly challenging ourselves and each other to raise the bar. The resulting strategy is bold and ambitious, but also realistic, with initiatives that will propel our company forward in the next years and see us double our revenue by 2025. We are excited and ready for this new chapter in our journey. In 2021, we expect growth above the market. We still expect COVID-19 to adversely impact our business in multiple markets. The pandemic and resulting spill-over effects into the general economy significantly lower our visibility into the future and make forecasting a challenge. In addition, we aim to welcome new family members to the Hempel Group, which will further support our ambition of doubling Hempel by 2025.

We are financially sound and are ready to invest in our new strategy and in our supply chain in China, which will impact our earnings in the short-term. We still expect to see continued organic growth, a stable EBITDA margin, and EBITDA in the range of EUR 150-160 million, excluding potential acquisitions.

As a key principle in our new strategy, we are also proud to be presenting our new sustainability goals in 2021. The framework we have developed considers the areas where we can have the biggest impact and where we can add the most value to our customers. It encompasses our value chain and includes both environmental and social aspects, such as CO2 neutrality in our own operations, reducing our customers' collective CO2 emissions by at least 7.5 million tonnes per year by 2025, sustainable product development, reducing red raw materials, and increasing diversity and inclusion regarding gender, age, culture, ethnicity, physical abilities, religious beliefs and sexual orientation. We want to lead the sustainability agenda in the coatings industry. As a company, we are well positioned to continue investing in our future to ensure we consolidate our position as a leader in innovation and sustainability, with a long-term view on value creation and return on investment.

Risks

Effective risk management is a key component of our day-to-day operations as well as in the execution of our

With operations on all continents and in multiple industries, the Hempel Group is exposed to a wide variety of risks. Across our organisation, we work continuously to identify and evaluate the risks we face and to assess the acceptable level of risk. This enables us to create value for our customers and owner without jeopardising the safety of our employees, damaging our brand or financial strength, or eroding the trust of our customers.

During 2020, several events influenced the risk that Hempel is exposed to. First and foremost among these events was the COVID-19 pandemic. However, continued uncertainty around Brexit, as well as political and financial instability in certain countries and regions, also impacted our operations and associated risks. At the same time, Hempel updated its strategy. Combined, these events led us to review and update our processes on risk management with the aim of further strengthening our ability to identify and assess risks, and follow up on mitigating actions. The update of processes resulted in a stronger focus on risk management in our regional and group management teams and stronger governance around the Enterprise Risk Management process.

Governance and process

The Board of Directors has overall responsibility for risk management, risk tolerance levels and key mitigating activities. The Board of Directors, monitors the effectiveness of the risk management process and governance.

The ongoing mitigation of operational and event risks is driven by regional and local management teams, often in collaboration with Group functions. A significant part of the risk faced by Hempel is connected to our global footprint and supply chain. We are continuously working to mitigate risks by ensuring flexibility in our global supply chain. This enables us to act and mitigate both short and long-term disruptions, whether due to raw material shortages, loss of production capacity or sudden changes in demand.

A comprehensive risk assessment is carried out each year, in which all regions and Group functions identify, quantify and report risks, and outline the actions taken to mitigate these risks. The reported risks are consolidated and subsequently reviewed and approved by the Risk Committee and Executive Management Board. When mitigating actions are considered insufficient to bring risk exposure to an acceptable level, additional actions are defined. Approximately six months after the comprehensive risk assessment is completed, the reported risks and status on mitigating actions are revisited.

The consolidated risk picture contains event risks that can impact daily operations, as well as more long-term strategic risks that may impact Hempel's ability to meet its strategic objectives.

Covid-19

Having operations in China, we recognised early that COVID-19 represented a major risk to the health and safety of our employees worldwide, as well as our global operations. The Crisis Committee was activated early and a COVID-19 Taskforce was established, which met daily at the beginning of the crisis. This approach was instrumental in coordinating the initiatives taken and ensuring that many good practices learned by our Chinese colleagues were shared with the rest of the organisation. This was especially useful in the early stages of the pandemic, when local authorities were yet to define their response plans.

As well as following national guidelines, Hempel took wider initiatives to keep our employees and customers unharmed. These initiatives included establishing separate production teams, identifying key staff, temporarily closing offices/factories/stores and securing critical raw materials and IT infrastructure. Our continued operations confirmed the robustness and flexibility of our global supply chain, which minimised the disruptions caused by COVID-19. In order to remain financially sound and robust, we immediately implemented a cash protection plan, cancelling or postponing investments and avoidable costs. Due to these actions, Hempel is still in good financial health to invest in our new ambitious strategy. COVID-19 remains a risk on the short-term horizon, and this is integrated when assessing our specific risks.

Key risks and changes

The key risks presented here are considered to be the most critical to Hempel. However, the overview does not in any way represent an exhaustive list of risks and the actions presented are only a select sample of a much wider catalogue.

While many risks are similar to 2019, the increased risk implication of political and economic instability pushed this risk into our top five risks. In addition, the fast pace at which health, safety and environmental (HSE) regulation is changing saw this risk move into our top five risks.

- Supply chain disruption
- Political and economical instability
- Cyperattack
- Raw material prices and market trends
- Increasing complexity in HSE regulation

Key Risks

Discription of risk	Potential impact	Actions taken
Supply chain disruption Fire, natural disaster, political unrest, delays in ongoing construction of new facilities or other events similar to and including COVID-19 may lead to full or partial loss of production facilities.	• Inability to supply markets and customers	**Ongoing** • To mitigate short-term risks, we produce products at some of our other factories or use toll manufacturers when necessary • Investing in new and modern factories in China and Saudi **In 2020** • Upgraded fire protection in key facilities
Political and economic instability Uncertainties in the geopolitical landscape (e.g. Brexit, conflicts in the Middle East, the US-China trade war and impact from COVID-19) can lead to changes in regulatory requirements, difficulties in sourcing raw materials, political sanctions, etc.	• Increased price volatility impacting sales and production costs • Reduced employee safety • Potential fines and disruption in the supply chain	**Ongoing** • Monitoring of markets and regions • Dual sourcing • Training and awareness campaigns targeting key employees **In 2020** • Increased sanctions and export control screening
Cyberattack Hempel may be subject to large-scale ransomware attack or similar.	• Limited access to our critical business • Loss of our ability to run the business as usual during the time it will take	**Ongoing** • Use of IT security control programmes and processes • Mandatory and frequent eLearning and tests • Crisis management team and exercises **In 2020** • Detailed information security road map • Used road map to launch various initiatives to further increase security
Raw material prices and market trends The coatings industry may face significant changes due to disruptive technologies and an increasing demand for more sustainable solutions. In addition, fluctuating raw material prices can materially increase costs.	• Reduced profitability • Loss of market share • Failure to meet customer demand	**Ongoing** • Mitigation of our raw material exposure, through process excellence improvements • Monitoring of technology trends in our end markets and strengthening our innovation process • Product innovation through partnerships with customers and universities **In 2020** • Revamp of portfolio to adress regional assortment gaps
Increasing complexity in HSE There is a risk that Hempel will not be able to adapt to these changes with the necessary speed and agility.	• Loss of market share • Loss of customers • Potential fines or other penalties	**Ongoing** • Monitoring development of HSE standards and regulations **In 2020** • Strengthening of processes around evaluation and communication of changes in laws and regulations

Corporate responsibility

In 2020, we embedded sustainability into our company purpose: To shape a brighter future with sustainable coating solutions. We placed sustainability at the heart of our new business strategy and strengthened our commitment to help our customers reach their sustainability targets.

Hempel Invest A/S is a holding company and most of the activies are included in the wholly owned subsidiary Hempel A/S. In Hempel A/S we are continuously working to make our world a better place through our operations and products. We follow the UN Guiding Principles on Business and Human Rights and support the principles in the UN Global Compact. Our efforts in these areas have resulted in good progress in a number of initiatives related to human rights, labour, the environment and anti-corruption.

In 2020, our efforts were focused on embedding sustainability in our new business strategy. With the Future Fit assessment conducted in 2019 as a baseline, we worked systematically with our global organisation to identify the right areas to focus on in order to create a holistic sustainability framework and a solid foundation for our pursuit of sustainability leadership. We set goals to take us forward and analysed the potential of each one to impact our own operations and our customers' environmental performance. As partnership is key to achieving our sustainability goals, we also worked closely with a number of key customers and suppliers to assess how we can collaborate on sustainability more effectively in the future. This work resulted in a range of new initiatives and strategic partnerships that we believe will drive us towards more sustainability and circularity. These include beginning the development of an environmental sustainability screening model for suppliers that will enable us to better assess the sustainability impact of the goods we procure, as well as a sustainability product scorecard that will show customers how our products and services can impact their sustainability performance.

We continued to work towards our existing goals and key performance indicators, making satisfactory progress despite disruptions caused by the COVID-19 pandemic. You can read about our progress with these goals in this report. The following pages also constitute our Communication on Progress (COP) as required by the UN Global Compact and information required by the Danish Financial Statements Act §99a and 99b

Health & safety

We continued to improve our health and safety processes across the board.

Our commitment to health and safety is embedded in our company values and employee Code of Conduct. Our Group Health, Safety and Environmental Policy defines our promise to comply with all applicable legal and non-regulatory requirements, to continually improve and to work to prevent illness or injuries to our employees and the end-users of our products.

The transition to ISO 45001
By March 2021, companies with OHSAS 18001 accreditation must transition to ISO 45001, which focuses on identifying and controlling risks rather than hazards, and requires the incorporation of health and safety aspects into the overall management system in order to drive top management to take a stronger leadership role in respect to occupational health and safety. Hempel made this transition in 2020, which will enable us to put even more focus on identifying risks and designing the right actions within health and safety.

In addition, we implemented a new global document management system that covers all governance documents, policies and standard operating procedures. Combined with our global management system, this structured approach ensures we can better implement, manage and monitor policies and standard operating procedures on a global scale.

Limiting the spread of COVID-19
At Hempel, the health and safety of our employees, customers, partners and others we come into contact with is our top priority. The biggest risk in 2020 for health and safety was COVID-19. Therefore, we worked diligently from the beginning of the COVID-19 pandemic to keep people safe and limit the spread of the virus as much as possible. In February, we set up a global COVID-19 Taskforce, made up of senior leaders and specialists from various areas. The Taskforce met daily to assess the situation and make global recommendations that our regional teams implemented locally, adjusting as necessary to suit local requirements. These included home working, social distancing, increased cleaning and working in split shifts, as well as awareness and reminder campaigns.

Thanks to these actions, we only experienced a very limited number of serious outbreaks of COVID-19 within Hempel during 2020. Many sites introduced additional safety measures, such as employee temperature scans, to prevent the virus from spreading, and only a few confirmed cases of COVID-19 were due to infection at a Hempel workplace. If an outbreak was identified, we were quick to perform a root cause analysis to identify any possible cross-contaminations at the site. The employees at the site were tested and asked to self-isolate if necessary, the cross-contaminated areas were thoroughly disinfected and cleaned, and learnings were used to improve our processes at other sites.

Focus on reducing accidents
We continued to focus on improving our safety culture and procedures during the year. In order to better learn from accidents and near misses, we launched two new initiatives:

- Global Incident Learning/Sharing Sessions involve gathering relevant staff to review any incidents that occurred in the past month. After each session, the participants are required to analyse each incident and recommend mitigating actions, with the intention of avoiding similar incidents happening again.
- Incident alerts now require the immediate involvement of a line manager. We have created a simple-to-use template with a series of questions to elicit clear information on what happened during the incident. Within 24 hours of reporting, this information is distributed on a cross-functional global scale to ensure that all relevant employees are informed, from managers to shop floor workers.

We use 'lost time accidents' as a key measure of workplace safety. A lost time accident is defined as an occupational accident that results in at least one day's absence following the day of the accident. In 2020, we saw a decrease in lost time accidents, falling from 2.68 per 1,000,000 working hours in 2019 to 1.61 per 1,000,000 in 2020. We believe that any accident is one too many. Our goal is to operate with zero lost time accidents and we will continue to focus on this in the future.

Phasing out red raw materials
Some of our products contain substances that are potentially harmful to the environment and people's health. Our Group Health, Safety and Environmental Policy sets out our commitment to seek out safer materials where possible.

We prioritise raw materials based on their potential hazard and are committed to reducing or phasing out hazardous substances – known as red raw materials. Our priority list centres on carcinogenic, mutagenic and reprotoxic (CMR) substances and substances that potentially have a long-term detrimental effect on the environment. In 2020, we phased out 13 red raw materials, and reduced the overall use of red raw materials per litre of coating produced by 1.7 per cent, from 8.04 kg per 1,000 litres of paint produced to 7.9 kg per 1,000 litres of paint produced.

Our People

At Hempel, our social commitment is deeply ingrained in our behaviours and the way we do business. It is by living these behaviours every day that we continue to thrive as individuals, and collectively as one Hempel.

As with all other activities, our people projects were disrupted by COVID-19 in 2020. Despite the challenges, the situation enabled us to develop and test new ways of engaging with each other, developing employees, and recruiting and onboarding in a virtual work environment.

Caring for our people

Our people are our greatest assets and our number one priority is to keep them safe. In many cases and areas of the world, this required that our people worked from home for much of 2020. As a result, we saw a need to engage our people in different ways to ensure that they stayed both physically and mentally well while working from home. Therefore, we launched a number of activities, including online physical exercise sessions, and gave our leaders advice and tools that they could use to keep their teams engaged and connected.

We also maintained focus on personal development for all. Many of our learning activities were converted to online learning solutions, including both trainer-led learning, such as our sales training, and self-paced learning. This gave colleagues a chance to continue to develop their skills and knowledge, and also provided a forum for them to maintain contact and connect with each other.

Employee engagement

Each year, we conduct a global employee engagement survey for all employees. However, due to the unusual work environment, we decided instead to conduct a short pulse survey for employees with a Hempel email address in 2020. We saw an outstanding participation rate, with 95 per cent of those invited to participate giving feedback. Despite the difficult working conditions, the pulse survey showed that our employees are still highly satisfied and motivated. In fact, Satisfaction & Motivation increased from 75 points in 2019 for our colleagues with a Hempel email address to 77 in 2020. This places us comfortably among the top quartile of global companies.

Our global employee Net Promoter Score (eNPS) came in at 38, maintaining last year's high score among this employee group. While we of course strive to improve even further, working with our leaders and employees on concrete actions to improve, we are pleased to see that so many of our colleagues would recommend Hempel as a great place to work.

Equal opportunities for development

We want to make sure everyone has the chance to develop and perform to the best of their potential. 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 addition, we have comprehensive personal development programmes in place. Central to this work are Let's Talk, our people development conversation method, and our annual talent review process. These processes were completed by 2,955 and 2,120 employees respectively in 2020.

We provide development programmes for high potential talents, running from graduate through to executive level. Our Challenger and Pioneer programmes, for leaders and graduates respectively, were challenged in 2020 as participants were not able to travel or meet in person for training and idea sharing, which is a key component of the programmes. However, we introduced online modules to ensure momentum and we will prolong the Pioneer programme to allow time for participants to complete their work placement abroad.

To ensure our commercial leaders can develop their leadership abilities and better help their sales teams improve, we launched a Sales Leadership Initiative in 2020, a 12-month programme with 11 individual coaching sessions. Anonymised data collected during the programme indicates that the initiative was a success, with significant progress made on all critical subjects. We will prepare a final report on the impact of the initiative on our commercial organisation in early 2021.

An inclusive culture

At Hempel, we nurture an inclusive culture in which we treat all our colleagues with dignity and respect. We do not tolerate discrimination, harassment or bullying of any kind, in any circumstances. We all have a responsibility for creating and nurturing this culture. In 2020, we increased our efforts to stand against any form of discrimination or harassment. This involved a number of initiatives, including a global survey launched in December for employees with a Hempel email address. The outcome of the survey will inform relevant actions in 2021. To ensure we capture feedback from all our employees, we will survey employees without a Hempel email address during 2021.

Ensuring a more balanced workforce is an important part of our strategy. Currently, 25 per cent of our employees are women. However, only 21 per cent of management positions are held by women. This is a slight improvement from 2019, but we acknowledge that we need to be better at ensuring we have a diverse pool of candidates for all leadership positions. As part of our people sustainability approach, which addresses our most significant risks from a social and human rights perspective, our ambition is for 25 per cent of leadership positions to be held by women by the end of 2022, increasing to 30 per cent by 2025. At the same time, we want to understand what is required to develop a culture where everyone feels listened to and acknowledged for their contribution. Therefore, we asked a group of diverse senior leaders across geographies and functions to investigate and provide recommendations for increasing diversity and inclusion globally within Hempel. As a part of this work, we launched a global diversity and inclusion study to understand how and where we can improve. The study, as well as learnings from other companies, will form the basis of actions in 2021.

The Board of Directors has set targets for gender representation for members elected at the annual general meeting. Since April 2018 the declared target has been achieved in that minimum two of the Board members appointed by the Hempel Foundation now are female members.

We launched our People Promise in 2019 in order to attract future employees and we have increased our focus on employer branding in general. In 2020, we introduced a new global onboarding programme that will ensure we have an aligned approach to welcoming new colleagues. The onboarding programme includes multiple engagement points over the first nine months of employment and is available in several languages; as many as 10 languages will be available by the beginning of 2021.

Hempel Leadership Summit

The Hempel Leadership Summit is our annual leadership conference and part of our annual management cycle. This year the summit was held online on 18-20 November, with over 150 of our top leaders and selected talents joining virtually from across the Hempel globe. The summit saw the launch of our new strategy and, over three intensive afternoons, the participants learned how to implement it on a regional, functional and segment level.

Environment

Building partnerships to reduce environmental impact across the value chain.

In addition to establishing new strategic ambitions for our climate and environment work, we continued our work to reduce our environmental impact in 2020. We saw meaningful reductions in our energy use and waste throughout the year, despite disruptions caused by the COVID-19 pandemic. We also created the foundation for future improvements across our value chain and continued to play an important role in helping our customers reduce their environmental impact.

Creating a solid base for partnerships

Our products and services bring tangible environmental benefits to our customers. These include hull coatings that increase vessel hydrodynamics to help marine customers reduce fuel consumption and CO2 emissions; waterborne solutions that lower VOC emissions during application; and products that cure in low heat to reduce energy use in drying halls. Developing these products requires close customer partnerships that enable us to fully understand our customers' environmental and business challenges.

An essential part of creating a new business strategy was to identify where we see the biggest environmental risks and opportunities moving forward. Reducing our impact on the environment and climate throughout our value chain and forming effective partnerships with both customers and suppliers is central to our strengthened sustainability approach. To establish a firm foundation, we worked with a consultancy firm in 2020 to comprehensively map the carbon footprint of the goods and services we choose, and how we in turn impact our customers' carbon footprint. This groundwork will allow us to direct our efforts most effectively when driving improvements across our value chain. In addition, we piloted a supplier environmental sustainability screening model during the year. The model is based on a number of criteria, and helps us evaluate our suppliers' environmental sustainability efforts, as well as engage in dialogue with them to address areas that could be improved. We worked closely with selected suppliers to develop the model during the initial pilot stage, and integrated their feedback and recommendations. The model will be expanded to more suppliers in the next few years.

Shifting towards renewable energy use

In 2020, we initiated the transition to renewable electricity supply for all of our production units. As part of this initiative, we asked independent auditors to validate these supplies and ensure they live up to industry best practice, as well as our own standards for electricity sourcing. In addition to assessing how we source power, mitigating power consumption remains a top priority. During the year, we reduced our relative energy consumption by 13 per cent, which was above our 2020 target.

Reducing waste at source

Our 2020 waste target was to reduce landfill by 5 per cent. This was surpassed, thanks to an increased strategic focus on the area, which resulted in a significant collective reduction in landfill waste of 58 per cent. Minimising waste at source is still our primary focus and so we expanded our 'smart scales' automated waste tracking system in 2020. Using radio frequency identification technology, smart scales allow us to centrally monitor and track the different waste types generated at a factory in real-time.

We introduced smart scales in the UK in 2019 and the system was scheduled for global roll-out during 2020. However, the schedule was adjusted due to the global COVID-19 pandemic. In 2020, smart scales installation began at four more Hempel sites around the world, covering North Asia, the Middle East, Europe and Africa, and South & East Asia. We expect these systems to be fully up and running during 2021. The consequent improvement in data collection will strengthen our waste management approach and allow for data-driven decision-making in the future.

Responsible supply chain management

Working with suppliers and other business partners to create a more sustainable supply chain.

We are committed to the UN Global Compact and the UN Guiding Principles on Business and Human Rights and we extend this commitment to our suppliers and other business partners. Our high standards are reflected in our Supplier Policy and Business Partner Code of Conduct, where we state what we expect of our suppliers and business partners in terms of quality, the environment, health and safety, human rights and business ethics.

Our Responsible Procurement Committee focuses on progress in this important area. It is also responsible for legal compliance and overseeing our Responsible Procurement Programme, which consists of:

- An independent annual evaluation of selected suppliers, based on a risk assessment addressing environmental, social, human rights and anti-corruption issues, conducted by EcoVadis
- Thorough screening of all new raw material suppliers worldwide
- Selected focus projects based on a risk analysis
- Training of internal staff

Our Business Partner Code of Conduct

All our suppliers must adhere to our Business Partner Code of Conduct, which clearly describes what we expect from them. The Business Partner Code of Conduct is an integrated part of our global e-sourcing system and both our direct and indirect procurement staff are trained in how to use it when in dialogue with suppliers to ensure commitment and progress.

Supplier evaluations

We evaluate a number of suppliers each year. If a supplier does not meet our standards, we request an improvement plan. If our recommendations are not followed, we will ultimately terminate the relationship. In 2020, 26 suppliers were evaluated. Of these, none received a low evaluation and no suppliers were therefore identified for an onsite visit.

Sustainability screening

In 2020, we developed and tested a new internal Sustainability Screening Questionnaire. The questionnaire will form the basis of our sustainability evaluation of suppliers and a supplier's sustainability score will be a key consideration in the tendering process in future.

Focus on due diligence of forced labour

Our Human Rights Policy clearly states that we do not employ child labour or forced labour. This commitment is extended to our business partners, as clearly stated in our Business Partner Code of Conduct.

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.

Ethical behaviour

Our goal is to be the most trusted global coatings supplier in the world. We work to earn this trust every day.
From how we deal with each other through to the products and services we provide, we are committed to conducting business ethically, respectfully and honestly at all times. Conducting business ethically is not always the easiest option, especially when operating in a variety of countries and regions, with different rules, standards and norms. It requires constant focus, strong commitment from our management teams and buy-in from every colleague. It also requires continual investment in our teams and digital capabilities.

Committed to comply
In 2020, we further strengthened our compliance work through a number of initiatives and actions. Our compliance initiatives are prioritised. First, we assess where our risks lie and how they compare to each other. We then plan our mitigating actions to address our compliance risks on a ‘first things first’ basis. Our bribery, sanctions and antitrust risk assessments are updated annually.

Each year, all Hempel PC users must complete mandatory annual employee Code of Conduct eLearning. The eLearning is tailormade and inspired by real-life situations faced by some of our employees. All employees in the target group – approximately 4,000 in total – took the eLearning, with a pass rate of 100 per cent.

Our compliance eLearning programmes are now delivered on an adaptive learning platform, which adjusts to suit the trainee’s understanding. Should a colleague answer a question incorrectly, for example, the theme will return again during the training until the employee understands the concept. The platform also provides valuable feedback on our employees’ understanding of key ethical principles, and we use this information to further target training and communication activities.

Our Hempel Ethics Hotline is available globally and open to employees and any other stakeholders Hosted by an independent third party, the Hempel Ethics Hotline allows for anonymous reporting. Anyone can use it to report potential breaches or concerns relating to our Business Ethics Policy or Code of Conduct. Such reports are quickly followed-up with an objective and independent Hempel internal investigation.

In 2020, we received 30 whistleblower reports from 17 countries. The number of cases received was 13 per cent lower than in 2019. This confirms that we continue to move towards a higher level of maturity regarding compliance and that we maintain a sound ‘speak up’ culture.

The pace at which trade barriers are raised, economic sanctions introduced and countersanctions published continues to increase. Therefore, we introduced a number of automated digital solutions that help Hempel to stay on top of trade sanctions and restrictions. We also welcomed additional team members so we can provide precise and timely advice to our business units.

Our commitment beyond Hempel
We continue to ensure our high ethical standards reach beyond Hempel to our suppliers, joint venture partners, toll manufacturers, distributors, agents, consultants and other business partners. The Hempel Business Partner Code of Conduct sets out our expectations for these stakeholders.

In 2020, many of our standard processes were disrupted by the COVID-19 pandemic. In some situations, we had to rely more on business partners to produce and deliver the products and services that our customers needed. As we have previously established what we expect from our business partners and how we monitor compliance, we could engage them in this way with confidence. This enabled us to remain agile and flexible in unpredictable business circumstances, while maintaining the high standards that we have set for ourselves and our business partners.

Community engagement

As a global company, we have an opportunity to make a difference to many local communities around the world.
Every company has a responsibility to the society in which it operates. At Hempel, this responsibility is part of our company's core values and we see it as an opportunity to make a difference to people around the world. We give back in a number of ways – both through our owner, the Hempel Foundation, and through initiatives organised by our employees on a local or corporate level.

Volunteering at a Hempel Foundation project in Guatemala
The Hempel Foundation supports numerous projects around the world that empower children living in poverty to learn. We want our employees to contribute to and experience this work, so we arrange volunteering trips to different Foundation projects around the world. Hempel pays the employees' travel costs and expenses; the employees donate their time.

In February 2020, eight Hempel employees volunteered at a Hempel Foundation project in Rabinal, Guatemala. In Rabinal, many local children grow up speaking Achi, but schooling is delivered in the country's official language of Spanish. This makes learning difficult for Achi-speaking children. In partnership with Oxfam IBIS, the Hempel Foundation is empowering around 4,000 children to learn by introducing a new bilingual educational model that encompasses both languages. The project also includes teacher training and working with the local community and Ministry of Education to spread the method to other schools.

During the eight-day trip, the Hempel volunteers helped out at the schools, leading activities with the children and introducing them to the world outside their local communities.

The local response to COVID-19
In 2020, many local communities around the world were badly affected by the health, social and economic consequences of the COVID-19 pandemic. Across the Hempel organisation, our people stepped up to help in various ways, assisting at projects and organising donations of money, food, medical supplies and other items for people and communities that needed them.

Health, safety and environmental data

Accounting principles

Scope and consolidation

Unless otherwise stated, the Sustainability Data are reported based on the same principles as the financial statements. Thus, the Sustainability Data include 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 Hempel has production. This includes 28 factories and 12 R&D facilities in 23 countries, referred to below as 'Hempel sites'.

Data relating to lost time accidents are reported according to operational scope, which means that data are included with 100 per cent consolidation for operations where Hempel A/S is responsible for safety, including the health and safety of external workers.

Data from acquisitions and divestments are included/excluded from the date of acquisition/divestment. Changes made to historically reported data will only be commented on if material.

Percentage of employees who completed and signed off on Code of Conduct 2020 refresher training

The percentage is calculated as the number of employees who have completed and signed off on the Code of Conduct Refresher eLearning in Hempel's Learning Management System out of the total target group, consisting of approximately 4,000 employees. The target group consists of employees who:

- joined the company before September 2020 (newer employees are assigned a longer course on Code of Conduct fundamentals, as part of their onboarding process)
- were Hempel PC users as of the day of the rollout in October
- were not on long-term leave, and not expected to depart Hempel by January 2021

Compliance cases reported

The number of compliance cases includes all cases that are recorded in our Hempel Ethics Hotline system, operated by NAVEX Global, and handled in accordance with the guidelines for handling of 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 (number/1,000,000 working hours)

Lost time accident frequency is calculated as the number of lost time accidents per one million working hours. Lost time accidents are defined as occupational accidents recorded in our SharePoint system that resulted in at least one day's absence following the day of the accident. The lost time accident frequency is calculated as the number of lost time accidents per one million working hours. 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 1,726 hours per employee per year (2019).

Consumption of red raw materials (kg/1,000 L paint produced)

Red raw materials is a subset of raw materials used in Hempel's production, which is monitored and compiled in our ERP system. The consumption of red raw materials is calculated as tonnes 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 UN Globally Harmonised System of Classification and Labelling of Chemicals:

- 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 (kWh/1,000 L paint produced)

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/1,000 L paint produced) is calculated as kWh per 1,000 L paint produced. The volume of paint produced is calculated based on production data in our ERP system.

Energy (kWh/1,000 L paint produced)

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

Waste generation (kg/1,000 L paint produced)

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

Carbon footprint scope 1 (tonnes CO_2/1,000 L paint produced)
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) as well as refrigerants (top up) used by and invoiced to Hempel, which is registered in our SharePoint system. The consumption of fuels and refrigerants 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 (tonnes CO_2/1,000 L paint produced)
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_2 emissions by applying the location-based conversion factors from the International Energy Agency (2016 & 2017) and Defra (2020 v1.0) database.

Carbon footprint scope 3 (tonnes CO_2/1,000 L paint produced)
Scope 3 covers the following: indirect energy, 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 as follows.

Indirect energy
Indirect energy is calculated based on the direct energy consumption from Hempel's own sites, and is converted to indirect energy using Defra (2020 v1.0) database.

Waste
The calculation of CO_2 from waste generation is based on amounts of waste recorded from all Hempel sites with production, including factories, R&D facilities and warehousing, which is registered in Hempel's SharePoint system. Waste generation is measured based on invoices or supporting documentation, such as weighing documents. Waste includes hazardous and non-hazardous streams, both solid and liquid waste, which is converted to CO_2 equivalents using Defra (2020 v1.0) 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 is registered in our ERP system. For each type of packaging, a relevant conversion factor from Defra (2020 v1.0) is applied to the amount used.

Volatile Organic Compounds (VOCs) 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 Environment, Health & Safety 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, refrigerants 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 conducted a pulse survey for all employees with a Hempel email address in 2020. The response rate was calculated as the number of employees who responded to the full survey out of the total number of employees invited to participate.

Employee Engagement - eNPS
The employee Net Promoter Score (eNPS) is calculated by using the answer distribution from the statement: 'I would recommend others to seek employment at the Hempel Group'. To calculate the eNPS, we take 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
The employee Satisfaction & Motivation and Learning & Development scores are based on a number of questions included in the employee engagement survey. Answers are given on a scale from 1 to 10 and are subsequently converted to index figures on a scale from 0 to 100.

Key Performance Indicator

Ethical Behaviour	2020	2019	2018
% of employees with a Hempel email address completed and signed off on Code of Conduct training	100%	100%	100%
Compliance cases reported	30	34	51
Health & Safety			
Lost time accident frequency (number/1,000,000 working hours)	1,61	2,68	1,72
Consumption of red raw materials (kg/1,000L paint produced)	7,90	8,04	8.80*
Environment			
Energy (kWh/1,000L paint produced)	227	259	277
Waste generation (kg/1,000L paint produced)	53	56	49
Waste to landfill (kg/1,000L paint produced)	4	10	12
Carbon footprint scope 1 (tons CO2/1,000L paint produced	0,02	0,02	0,02
Carbon footprint scope 2 (tons CO2/1,000L paint produced)	0,07	0,08	0,09
Carbon footprint scope 3 (tons CO2/1,000L paint produced)*	4,08	3,22	4,05
Our people**			
Employee Engagement - Response rate	95%	90%	93%
Employee Engagement - eNPS	38	35	21
Employee Engagement - Satisfaction & Motivation	77	74	71
Employee Engagement - Learning & Development	N/A	81	80

* Scope 3 includes: indirect energy use, consumption of raw materials, purchase of packaging material, CO2 from toll manufacturing, CO2 from waste treatment, CO2 from refrigerants, Volatile Organic Compounds in products sold.

** Employee engagement in 2020 was, due to COVID-19, only conducted among PC users. The data for 2020 is therefore not directly comparable to the previous years.

Financial statements

Primary statements

Section 1 Basis of preparation

Section 2 Results for the year

Section 3 Operating assets and liabilities

Section 4 Capital structure and financing items

Section 5 Other disclosures

Income statement

Note	*In EUR millions*	Group		Parent Company	
		2020	**2019**	**2020**	**2019**
2.1	Revenue	1.542	1.534	-	-
	Production costs	-937	-936	-	-
	Gross profit	**605**	**598**	-	-
	Sales and distribution costs	-397	-394	-	-
	Administrative costs	-120	-114	-	-
2.3	Other operating income and expenses, net	1	1	-	-
	Operating profit	**89**	**91**	**-**	**-**
2,4	Income from investments in subsidiaries	-	-	41	49
	Profit before financial income and expenses	**89**	**91**	**41**	**49**
4.5	Net financials	-24	-	1	13
	Profit before tax	**65**	**91**	**42**	**62**
2,5	Income tax	-18	-32	3	-3
	Profit after tax	**47**	**59**	**45**	**59**

Balance sheet as at 31 December – assets

Note	*In EUR millions*	Group		Parent Company	
		2020	2019	2020	2019
	Goodwill	56	68	-	-
	Software	4	6	-	-
	Software under development	11	6	-	-
	Customer relationships	41	50	-	-
	Other intangible assets	31	38	-	-
	Development projects	1	-	-	-
3.1	**Intangible assets**	**144**	**168**		
	Land and buildings	173	188	13	13
	Assets under construction	107	45	33	10
	Plant and machinery	81	92	-	-
	Other fixed assets	29	19	-	-
3.2	**Property, plant and equipment**	**390**	**344**	**46**	**23**
5.6	Investments in subsidiaries	-	-	461	478
3.3	Other securities and investments	63	57	63	57
2.5	Deferred tax assets	47	47	-	-
	Deposits etc.	4	4	-	-
	Other non-current assets	**114**	**108**	**524**	**535**
	Total non-current assets	**648**	**620**	**570**	**558**
	Raw materials and consumables	62	73	-	-
	Work in progress	5	7	-	-
	Finished goods	153	153	-	-
3.4	**Inventories**	**220**	**233**	**-**	**-**
3.6	Trade receivables	335	360	-	-
	Receivables from Group enterprises	-	-	48	34
2.5	Tax receivables	3	8	-	1
	Other receivables	43	46	1	-
3.5	Prepayments	15	20	-	-
3.6	**Receivables**	**396**	**434**	**49**	**35**
	Cash at bank and in hand	**267**	**102**	**1**	**-**
	Current assets	**883**	**769**	**50**	**35**
	Total assets	**1.531**	**1.389**	**620**	**593**

Balance sheet as at 31 December
– equity and liabilities

Note	*In EUR millions*	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
	Share capital	15	15	15	15
	Translation reserve	- 33	-	-	-
	Reserve for net revaluation for the Equity Method	-	-	243	261
	Retained earnings	599	551	332	317
	Proposed dividend for the year	-	-	-	-
4.1	**Shareholders in Hempel Invest A/S' share of equity**	**581**	**566**	**590**	**593**
	Minority interests	**43**	**49**		
	Total Equity	**624**	**615**	**590**	**593**
2.5	Deferred tax liabilities	48	52	-	-
3.7	Pension obligations and similar obligations	23	23	-	-
3.8	Other provisions	50	40	-	-
	Provisions	**121**	**115**	**-**	**-**
4.2	Bank loans etc.	190	20	-	-
4.4	Other long term payables	2	21	-	-
4.7	Convertible loans	30	-	30	-
	Long-term debt	**222**	**41**	**30**	**-**
	Overdraft facilities	40	26	-	-
4.2	Short-term part of bank loans etc.	9	14	-	-
3.9	Deferred income	6	6	-	-
	Trade payables	262	261	-	-
	Payables to Group enterprises	-	93	-	-
2.5	Tax liabilities	9	10	-	-
3.10	Other liabilities	238	208	-	-
	Total current liabilities	**564**	**618**	**-**	**-**
	Total liabilities	**907**	**774**	**30**	**-**
	Total equity and liabilities	**1.531**	**1.389**	**620**	**593**

Statement of changes in equity as at 31 December

Note	*In EUR millions*	Group					
		Share capital	Translation reserve	Retained earnings	Shareholders in Hempel Invest A/S' share of equity	Minority Interest	Total
	Equity						
	Equity at 1 January 2019	15	-	477	492	61	553
	Net profit for the year	-	-	58	58	1	59
	Exchange adjustment at year-end rate	-	-	6	6	-	6
	Remeasurements of defined benefit plans	-	-	- 3	- 3	-	- 3
	Dividend distributed	-	-	-	-	- 8	- 8
	Fair value adjustment, put option	-	-	19	19	-	19
	Transactions with minorities	-	-	- 6	- 6	- 3	- 9
	Acquisition of enterprises	-	-	-	-	- 2	- 2
4.1	**Equity at 31 December 2019**	**15**	**-**	**551**	**566**	**49**	**615**
	Net profit for the year	-	-	45	45	2	47
	Exchange adjustment at year-end rate	-	- 33	-	- 33	- 5	- 38
	Tax on equity	-	-	1	1	-	1
	Remeasurements of defined benefit plans	-	-	- 2	- 2	-	- 2
	Dividend distributed	-	-	- 13	- 13	- 3	- 16
	Fair value adjustment, put option	-	-	17	17	-	17
4.1	**Equity at 31 December 2020**	**15**	**- 33**	**599**	**581**	**43**	**624**

Note		Parent Company			
		Share capital	Reserve for for net revaluation for Equity Method	Retained earnings	Total
	Equity				
	Equity at 1 January 2019	15	239	278	532
	Net profit for the year	-	49	10	59
	Dividend recevied from subsidiaries	-	- 30	30	-
	Exchange adjustment at year-end rate	-	6	- 1	5
	Remeasurements of defined benefit plans	-	- 3	-	- 3
4.1	**Equity at 31 December 2019**	**15**	**261**	**317**	**593**
	Net profit for the year	-	41	4	45
	Extraordinary dividend distributed during the year	-	-	- 13	- 13
	Exchange adjustment at year-end rate	-	- 33	- 1	- 34
	Dividend recevied from subsidiaries	-	- 25	25	-
	Tax on equity	-	1	-	1
	Remeasurements of defined benefit plans	-	- 2	-	- 2
4.1	**Equity at 31 December 2020**	**15**	**243**	**332**	**590**

Cash flow statement

Note	*In EUR millions*	Group	
		2020	2019
	Cash flows from operating activities		
	Operating profit	89	91
5.2	Adjustment for non-cash operating items	69	10
	Income tax paid	- 20	- 29
	Total cash flows from operating activities before changes in working capital	**138**	**72**
	Change in receivables	-	- 26
	Change in inventories	-	- 16
	Change in trade payables	36	46
	Total change in working capital	**36**	**4**
	Total cash flows from operating activities	**174**	**76**
	Cash flows from investing activities		
	Acquisition of enterprises	-	- 2
3.2	Purchase of property, plant and equipment	- 86	- 53
3.1	Purchase of intangible assets	- 6	- 7
3.3	Investments in other securities and investments	- 6	- 2
	Sale of property, plant and equipment	3	3
	Change in deposits, net	-	15
	Sale of intangible assets	-	15
	Total cash flows from investing activities	**- 95**	**- 31**
	Free cash flow	**79**	**45**
	Cash flows from financing activities		
	Change in bank borrowings etc.	103	24
	Interest income and expenses, net	- 11	- 11
	Change in minority shares (dividend distributed etc.)	- 3	- 8
	Extraordinary dividend distributed to shareholders	- 13	-
	Capital losses and gains, net	- 6	- 1
	Total cash flows from financing activities	**70**	**4**
	Net Cash Flow	**149**	**49**
4.6	Cash and equivalents, net, beginning of year	76	29
	Exchange adjustment	- 9	- 2
4.6	**Cash and equivalents, net, end of year**	**216**	**76**

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 2020 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 2020 is presented in EUR millions. 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

For foreign subsidiaries with a functional currency other than EUR, the income statements are translated into EUR at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average monthly exchange rates for income statement items in so far these do not deviate materially from the actual exchange rates at the transaction date. All exchange differences are recognised in the income statement for the year, except for exchange rate adjustment of investments in subsidiaries arising from:

- foreign exchange adjustments arising from translation of the opening balance of equity of foreign subsidiaries at the exchange rates on the balance sheet date
- the translation of foreign subsidiaries' income statement from monthly average exchange rates to exchange rates at the end of the reporting period
- the translation of intra-Group receivables which are considered part of the total net investments in subsidiaries

These specific exchange rate adjustments are recognised directly in equity under the translation reserve. If the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the minority interest.

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 bank overdraft facilities that are payable on demand and form an integral part of Hempel Group cash management.

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.

Geographical Segments

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.

In EUR millions	Group	
	2020	**2019**
EMEA	995	990
Asia-Pacific	397	351
Americas	150	193
	1.542	**1.534**

Customer Segments
Customer segment information is based on the internal management reporting and is presented in accordance with the Group accounting policy.
The other category includes other business areas that are not directly associated with the four customer segments.

In EUR millions	Group	
	2020	**2019**
Decorative	512	472
Marine	413	377
Infrastructure	177	199
Energy	247	277
Other	193	209
	1.542	**1.534**

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 millions	Group		Parent Company	
Employee costs:	**2020**	**2019**	**2020**	**2019**
Wages and salaries etc.	321	320	-	-
Pension contributions	14	14	-	-
	335	**334**	**-**	**-**
Average number of employees	6.099	6.219	1	1
Staff expenses have been recognised in the income statement as follows:				
Production costs	103	102	-	-
Selling and distribution expenses	173	178	-	-
Administrative expenses	59	55	-	-
	335	**335**	**-**	**-**

With reference to §98b of the Danish Financial statement act the remuneration to the executive director is not disclosed separately, as Management in the parent company consists of one person only. Total remuneration for the board of directors and the executive director amounted to EUR 261 thousands (2019: EUR 190 thousands)

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 millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Other operating income	2	1	-	-
Other operating expenses	- 1	-	-	-
	1	**1**	**-**	**-**

2,4 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 millions	Parent Company	
	2020	2019
Profit before tax	62	76
Tax for the year	- 21	- 27
Profit after tax	**41**	**49**

2,5 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 millions	Group		Parent Company	
	2020	2019	2020	2019
Hempel Group:				
Profit before tax	65	91		
Income tax on profit for the year:				
Total tax	- 18	- 32	- 18	- 30
Total tax at equity	1	-	-	-
Tax in respect of subsidiaries	-	-	21	27
	- 17	**- 32**	**3**	**- 3**
Current tax for the year	- 25	- 28	-	- 3
Deferred tax for the year	1	- 6	-	-
Tax on equity	1	-	-	-
Adjustment in respect of previous years	6	2	3	-
Income tax	**- 17**	**- 32**	**3**	**- 3**

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 millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Deferred tax (net) :				
Deferred tax, beginning of year	- 5	- 5	-	-
Exchange adjustment at year-end rate	1	1	-	-
Acquisition of enterprises	-	2	-	-
Deferred tax for the year	1	- 6	-	-
Adjustment in respect of previous years	2	3	-	-
	- 1	**- 5**	**-**	**-**

In EUR millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Deferred tax (net) relates to the following items:				
Intangible assets	4	1	-	-
Property, plant and equipment	-	1	-	-
Fixed asset investments	-	-	-	-
Inventories	2	3	-	-
Trade receivables	7	2	-	-
Provisions and other payables	- 26	- 27	-	-
Tax losses	12	15	-	-
	- 1	**- 5**	-	-

At 31 December 2020, the Group had recognised a deferred tax asset comprising tax losses carried forward of EUR 12 million (2019: EUR 15 million). Management believes it is likely that the unutilised tax losses can be utilised within the next years.

The Group has non-recognized deferred tax assets of EUR 36 million (2019: EUR 27 million). Management believes that the non-recognised deferred tax assets are not likely to be utilised in the future taxable income within the next years.

In EUR millions	Group		Parent Company	
The net value is recognised in the balance sheet as follows:	**2020**	**2019**	**2020**	**2019**
Deferred tax assets	47	47	-	-
Deferred tax liabilities	- 48	- 52	-	-
	- 1	**- 5**	**-**	**-**

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 as financial income and expenses.

In EUR millions	Group		Parent Company	
The net value is recognised in the balance sheet as follows:	**2020**	**2019**	**2020**	**2019**
Current tax assets	3	8	-	1
Current tax liabilities	- 9	- 10	-	-
	- 6	**- 2**	**-**	**1**

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 2-20 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 direct wages, salaries, materials and other costs directly attributable to the development project.

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 2-20 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 millions	Group						
	Goodwill	**Software**	**Software under development**	**Customer relationships**	**Other intangible assets**	**Develop-ment projects**	**Total**
Costs at 1 January 2020	165	43	6	136	82	-	432
Exchange adjustment at year-end rate	- 13	- 2	-	- 7	- 1	-	- 23
Additions for the year	-	-	6	-	-	1	7
Transfer between categories	-	1	- 1	-	-	-	-
Disposals for the year	-	- 1	-	-	-	-	- 1
Costs at 31 December 2020	**152**	**41**	**11**	**129**	**81**	**1**	**415**
Accumulated amortisation at 1 January 2020	96	37	-	86	45	-	264
Exchange adjustment at year-end rate	- 9	- 2	-	- 6	- 1	-	- 18
Amortisation for the year	9	3	-	8	6	-	26
Reversal of amortisation of assets sold	-	- 1	-	-	-	-	- 1
Accumulated amortisation at 31 December 2020	**96**	**37**	**-**	**88**	**50**	**-**	**271**
Carrying amount at 31 December 2020	**56**	**4**	**11**	**41**	**31**	**1**	**144**

Other intangible assets comprise brands, formulas, non-compete agreements and lease rights.

Amortisation and impairment are specified as follows:

In EUR millions	Group	
	2020	**2019**
Production costs	1	1
Sales and distribution costs	1	1
Administrative costs	24	26
	26	**28**

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 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.

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 millions

	Group				
	Land and buildings	**Plant and machinery**	**Other fixed assets**	**Assets under con-struction**	**Total**
Costs at 1 January 2020	276	266	98	45	685
Exchange adjustment at year-end rate	- 15	- 16	- 6	- 2	- 39
Additions for the year	2	6	2	90	100
Transfer between categories	1	9	16	- 26	-
Disposals for the year	- 7	- 14	- 12	-	- 33
Costs at 31 December 2020	**257**	**251**	**98**	**107**	**713**
Accumulated depreciations at 1 January 2020	88	174	79	-	341
Exchange adjustment at year-end rate	- 6	- 11	- 5	-	- 22
Depreciation for the year	9	20	7	-	36
Reversal of depreciations of assets sold	- 7	- 13	- 12	-	- 32
Accumulated depreciation at 31 December 2020	**84**	**170**	**69**	**-**	**323**
Carrying amount at 31 December 2020	**173**	**81**	**29**	**107**	**390**
Including leased assets of	**2**	-	1	-	**3**
including interest expenses of	**-**	**-**	**-**	**-**	**-**

	Parent Company				
	Land and buildings	**Plant and machinery**	**Other fixed assets**	**Assets under con-struction**	**Total**
Costs at 1 January 2020	13	-	-	10	23
Exchange adjustment at year-end rate	-	-	-	-	-
Additions for the year	-	-	-	23	23
Costs at 31 December 2020	**13**	**-**	**-**	**33**	**46**
Accumulated depreciation at 31 December 2020	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31 December 2020	**13**	**-**	**-**	**33**	**46**

In EUR millions

	Group	
Depreciation and impairment are specified as follows:	**2020**	**2019**
Production costs	24	23
Sales and distribution costs	9	9
Administrative costs	3	5
	36	**37**

3.3 Other securities and investments

Accounting policies

Other securities and capital investment, recognised under non-current assets, consists of shares in listed and non-listed companies and are measured at fair value. Other securities and capital investments that are publicly traded are measured using the closing quote at the balance sheet date. Other securities and capital investments that are not publicly traded, but where information from recent trades are available are measured using the value of the latest trade. Other securities and capital investments that are not publicly traded, but consist of investments in portfolio companies, where all material underlying assets and liabilities are measured at fair value are measured at Hempel Invest's share of equity.

In EUR millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Costs, beginning of year	36	34	36	34
Additions for the year	7	2	7	2
Disposals for the year	- 1	-	- 1	-
Costs, end of year	**42**	**36**	**42**	**36**
Net revaluations, beginning of year	21	9	21	9
Net revaluations, for the year	-	12	-	12
Net revaluations, end of year	**21**	**21**	**21**	**21**
Carrying amount, end of year	**63**	**57**	**63**	**57**

The net values are specified as follows:

In EUR millions	Group	
	Fair Value as of 31 december 2020	**Net revaluation recognised through profit and loss**
Type of investment		
Other securities and investments		
Shares (Listed) - Fair Value Hierarchy Level 1	55	-
Other Investments (Non-listed) - Fair Value Hierarchy Level 3	8	-
Carrying amount, end of year	**63**	**-**
Derivatives from note 4.4		
Derivative financial instruments (Fair Value Hierarchy Level 2)	- 1	- 1
Carrying amount, end of year	**- 1**	**- 1**

	Parent	
	Fair Value as of 31 december 2020	**Net revaluation recognised through profit and loss**
Type of investment		
Shares (Listed) - Fair Value Hierarchy Level 1	55	-
Other Investments (Non-listed) - Fair Value Hierarchy Level 3	8	-
	63	**-**

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 millions	Group	
	2020	**2019**
Raw materials and consumables	62	73
Work in progress	5	7
Finished goods	153	153
	220	**233**

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.

In EUR millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Receivables	396	434	49	35
of which due more than one year from balance sheet date	1	1	-	-

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 Group's net obligation is calculated using the projected unit credit method. Pension costs for the year are calculated based on financial expectations at the beginning of the year and 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. Service costs are recognised in the income statement and net interest is recognised in financial expenses. 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 millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Pension and similar obligations comprise:				
Pension and similarobligations	58	56	-	-
Fair value of assets related to the plans	- 35	- 34	-	-
Pension obligations, (net)	**23**	**22**	-	-
Recognition in the balance sheet:				
Assets	-	-	-	-
Liabilities	23	23	-	-
Pension obligations recognised in the balance sheet, (net)	**23**	**23**	-	-
Defined benefit plans				
Specification of plan assets:				
Shares and properties	14%	13%	-	-
Fixed interest current asset investments	86%	84%	-	-
Cash at bank and in hand	0%	3%	-	-
Total	**100%**	**100%**	-	-
Weighted average assumptions:				
Discount rate	1,0%	1,3%	-	-
General wage inflation	2,4%	2,1%	-	-
General price inflation	1,4%	1,4%	-	-

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 economic benefits which will be required to settle the obligation.

Provisions for environmental, warranty and restructuring obligations as well as other obligations are recognised and measured based on management's 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.

Decommission and restoration obligations are measures at the present value of the future liability in respect of decommissioning as expected at the balance sheet date. The present value of the provision and changes in estimate are recognised as part of the cost of property, plant and equipment and depreciated together with the associated asset. Interests on provisions are recognised in the income statement under financial expenses.

In EUR millions	Group				
	Environmental obligations	**Warranty commitments**	**Other provisions**	**2020 Total**	**2019 Total**
Total provisions, beginning of year	15	13	12	40	84
Exchange adjustment at year-end rate	-	-	- 1	- 1	-
Acquisition of enterprises	-	-	-	-	6
Additions for the year	2	12	-	14	12
Reversed	-	-	- 1	- 1	- 6
Consumed	- 1	- 1	-	- 2	- 56
Total provisions, end of year	**16**	**24**	**10**	**50**	**40**
Maturities are expected to be:					
Within 1 year	1	4	1	6	12
Between 1 and 5 years	9	20	7	36	19
after 5 years	6	-	2	8	9
	16	**24**	**10**	**50**	**40**

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.

	Group		Parent Company	
Distribution of profit	**2020**	**2019**	**2020**	**2019**
Extraordinary dividend distributed during the year	13	-	13	-
Reserve for net revaluation under the equity method	-	-	41	49
Minority interests	2	1	-	-
Retained earnings	32	58	-9	10
	47	**59**	**45**	**59**

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 millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Due within 1 year	9	14	-	-
Due within 1 to 5 years	189	19	-	-
Due after 5 years	1	1	-	-
	199	**34**	**-**	**-**

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.

Currency risks:
Open foreign currency hedges at 31 December 2020 entered into in order to hedge receivables and payables in foreign currencies are specified as follows:

Bank borrowings of EUR 199 million comprising loans denominated in various currencies, EUR 99 million, USD 108 million (EUR 88 million), SAR 29 million (EUR 6 million), DKK 30 million (EUR 4 million) and other currencies amounting to EUR 2 million.

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

	Group			
	2020	2019	2020	2019
Bank borrowings etc.	0,6%	3,5%	-	-

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.

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.

Derivative financial instruments are recognised as other receivables amounting to EUR 5 million and as other payables amounting to EUR 6 million in the Group.

In EUR millions	Contract amount based on exercise price1)	Fair value	Term to maturity (months)
AUD	-1,4	-	1
BRL	-2,3	0,0	3
CAD	3,6	0,0	1
CLP	-2,5	-0,1	3
CZK	4,5	0,0	1
EUR	63,0	0,0	1
GBP	-5,5	-0,2	1
HKD	11,5	-0,9	1
HRK	2,0	0,0	1
IDR	-0,5	0,0	3
KRW	-5,0	0,0	3
NOK	1,8	0,0	1
NZD	-0,8	0,0	1
PLN	-16,8	0,4	1
SAR	-2,0	0,0	1
SEK	-0,4	0,0	1
SGD	-7,5	0,2	1
USD	39,9	0,0	1
		-0,6	

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

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 and capital gains/losses on investments measured at fair value.

In EUR millions	Group		Parent Company	
	2020	2019	2020	2019
External interest income	-	1	-	-
External interest expenses	- 11	- 11	-	-
Interest paid to Group enterprises	-	- 1	-	-
Dividend	-	1	-	1
Realised and unrealised capital/exchange gains/losses, net	- 13	10	1	12
	- 24	**-**	**1**	**13**

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 millions	Group	
	2020	**2019**
Cash at bank and in hand, beginning of year	102	86
Overdraft facilities, beginning of year	- 26	- 57
	76	**29**
Cash, end of year	267	102
Overdraft facilities, end of year	- 40	- 26
	227	**76**

4.7 Convertible loans

Hempel Invest A/S has during the year raised a loan against the issuance of a convertible bond with an outstanding payable as of 31 December 2020 of EUR 30 million. The loan, which is exempt from repayment in installments, falls due and payable on 9 December 2030. The lender is at any time in the period up to the due date entitled to convert the loan (partly or in full) into shares in Hempel Invest A/S at a conversion rate of 5.000 per share at nominal value of DKK 25,000 corresponding to DKK 1,250,000 per share.

Section 5
Other disclosures

5.1 Fee to the auditors appointed at the General Meeting

In EUR millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Audit fee	1	1	-	-
Tax advice	1	1	-	-
Other fees	1	-	-	-
	3	**2**	-	-

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 millions	Group	
	2020	**2019**
Amortisation, depreciation and impairment, including goodwill	62	65
Provisions	10	-52
Exchange rate adjustment, operating profit	-2	-2
Gains and losses on the sale of fixed assets	- 1	-1
	69	**10**

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 millions	Group		Parent Company	
	2020	**2019**	**2020**	**2019**
Rental and lease obligations:				
Due within 1 year from the balance sheet date	20	17	-	-
Due within 1 to 5 years from the balance sheet date	48	39	-	-
Due more than 5 years from the balance sheet date	18	13	-	-
	86	**69**	-	-
Guarantees:				
For local loans and bank credits to subsidiaries	-	-	-	-
Other guarantees	5	6	-	-
	5	**6**	-	-

Other contingent liabilities:
Hempel is, through its ongoing business, involved in product liability claims and disputes in connection with the Group's operational activities. Provisions have been made to cover the expected outcome of disputes in cases where negative outcomes are likely and reliable estimates can be made. In assessing the size of the provisions, expected insurance coverage is considered separately. Hempel acknowledges the uncertainty of the disputes, but believes the cases will be resolved without significant impact on the Group's financial position.

The Hempel Invest A/S has committed a total investment in other securities of EUR 27.2 million. As of December 31 2020 the remaining commitment is EUR 19.9 million.

5.4 Events after the reporting period

Subsequent to the balance sheet date Hempel Invest's subsidiary Hempel A/S purchased Wattyl, one of Australia and New Zealand's leading manufacturers and distributors of paint primarily within the Decorative segment from the Sherwin Williams Company. The business model of the acquired activities includes development, manufacturing and distribution of innovative and technologically advanced branded products. The business includes two manufacturing facilities, five distribution centres and nearly 100 companyowned paint stores, with approximately 750 employees in total. In 2020, the acquired activities generated revenue of approximately EUR 150 million. No other events have occurred after the balance sheet date that could significantly affect the financial position of the Hempel Invest A/S.

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 Invest A/S 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 millions	Parent Company	
	2020	**2019**
Investments in subsidiaries		
Costs, beginning of year	217	216
Exchange adjustment at year-end rate	-	-
Additions for the year	1	1
Costs, end of year	**218**	**217**
Net revaluations, beginning of year	261	239
Exchange adjustment at year-end rate	- 33	6
Tax on equity	1	-
Remeasurement of defined benefit plans	- 2	- 3
Profit	62	76
Tax for the year	- 21	- 27
Dividend received	- 25	- 30
Net revaluations, end of year	**243**	**261**
Carrying amount, end of year	**461**	**478**

5.7 The Hempel Group

Country	Name	Ownership
Argentina	Hempel Argentina S.R.L.	100%
Australia	Hempel (Australia) Pty. Ltd.	100%
Austria	Ostendorf GmbH	65%
Bahrain	Dahna Paint Middle East Holding B.S.C. (closed)	51%
Bahrain	Hempel Paints (Bahrain) S.P.C.	51%
Brazil	Hempel Tintas do Brasil Ltda	100%
Canada	Hempel (Canada) Inc.	100%
Chile	Pinturas Hempel Chile SpA	100%
China	Hempel (Hong Kong) Limited	100%
China	Hempel (China) Limited	100%
China	Hempel (China) Management Co., Ltd.	100%
China	Hempel (Kunshan) Coatings Ltd.	100%
China	Hempel (Yantai) Coatings Ltd.	100%
China	Hempel (Guangzhou) Coatings Ltd.	100%
China	Hempel Coatings (Zhangjiagang) Ltd.	100%
Croatia	Hempel Coatings (Croatia) Ltd.	100%
Cyprus	Hempel Coatings (Cyprus) Limited	100%
Czech Republic	Hempel (Czech Republic) s.r.o.	100%
Denmark	Hempel Invest A/S	100%
Denmark	Hempel A/S	100%
Denmark	HSA (Danmark) A/S	100%
Denmark	Hempel Decorative Paints A/S	100%
Denmark	Brifa Maling A/S	65%
Denmark	Brænderupvænge ApS	100%
Denmark	Keldskov ApS	100%
Denmark	Frontier Innovation ApS	100%
Denmark	S E Innovation ApS	100%
Ecuador	Hempel (Ecuador) S.A.	100%
Egypt	Hempel Coatings Egypt LLC	100%
Egypt	Hempel Egypt L.L.C.	100%
Egypt	Hempel Paints Egypt LLC	99%
Finland	OY Hempel (Finland) AB	100%
France	Hempel (France) S.A.	100%
France	BB Participations SAS	65%
France	BB Fabrications SAS	65%
France	Bontemps-Bonnarme SAS	65%
Germany	Hempel (Germany) GmbH	100%
Germany	Hempel Beteiligungsgesellschaft mbH	100%
Germany	J.W. Ostendorf GmbH & Co. KG	65%
Germany	Ostendorf-Beteiligungs-GmbH	65%
Germany	FLT Handel & Service GmbH	65%
Germany	Brand.IQ GmbH	65%
Germany	Rottkamp Immoblilien GmbH & Co. KG	65%
Germany	Rottkamp Immobilien Verwaltung GmbH	65%
Greece	Hempel Coatings (Hellas) S.A.	100%
India	Hempel Paints (India) Private Limited	100%
Indonesia	P.T. Hempel Indonesia	100%
Iraq	Hempel (Iraq) Ltd	31%
Ireland	Crown Paints Ireland Limited	100%
Italy	Hempel (Italy) S.r.l.	100%
Kenya	Hempel Paints Kenya Company Limited	100%
Korea	Hempel Korea Co. Ltd.	100%
Kuwait	Hempel Paints (Kuwait) K.S.C.C.	51%
Malaysia	Hempel (Malaysia) Sdn. Bhd	100%
Malaysia	Hempel Manufacturing (Malaysia) Sdn. Bhd.	100%
Mexico	Pinturas Hempel de Mexico S.A. de C.V.	100%
Morocco	Hempel Maroc SARL	100%
New Zealand	Hempel (New Zealand) Ltd.	100%
Norway	Hempel (Norway) AS	100%
Oman	Hempel (Oman) L.L.C	25%
Peru	Hempel Pinturas Del Perú S.A.C.	100%
Poland	Hempel Paints (Poland) S.p. z o.o.	100%
Portugal	Hempel (Portugal) S.A.	100%

Country	Name	Ownership
Qatar	Hempel Paints (Qatar) W.L.L.	28%
Russia	JSC Hempel	100%
Saudi Arabia	Hempel Paints (Saudi Arabia) W.L.L.	51%
Saudi Arabia	Painting Materials and Equipment Centre Co. LTD	26%
Singapore	Hempel (Singapore) Pte. Ltd.	100%
South Africa	Hempel Paints South Africa (Pty) Ltd.	100%
Spain	Pinturas Hempel SAU	100%
Sweden	Hempel (Sweden) AB	100%
Switzerland	Hempel Schweiz AG	100%
Switzerland	J.W. Ostendorf (Schweiz) AG	65%
Syria	Hempel Paints (Syria) W.L.L.	49%
Taiwan	Hempel (Taiwan) Co., Ltd.	100%
Thailand	Hempel (Thailand) Ltd.	100%
The Netherlands	Hempel (The Netherlands) B.V.	100%
The Netherlands	Hempel Industrial B.V.	100%
Turkey	Hempel Coatings San. ve Tic. Ltd. Sti.	100%
UK	Crown Brands Limited	100%
UK	Crown Paints Limited	100%
UK	Crown Paints Group Limited	100%
UK	Crown Paints Holdings Limited	100%
UK	Hempel Decorative Paints Limited	100%
UK	Hempel UK Ltd.	100%
UK	Reebor Limited	1%
UK	Ostendorf U.K. Ltd.	65%
Ukraine	Hempel Ukraine LLC	100%
UAE	Hempel Paints (Abu Dhabi) L.L.C.	39%
UAE	Hempel Paints (Emirates) L.L.C.	49%
USA	Hempel (USA), Inc.	100%
USA	Jones-Blair Company, LLC	100%
Vietnam	Hempel Vietnam Company Limited	100%

5.8 Financial definitions

Financial ratios have been calculated as follows:

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

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

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

$$\text{Return on assets} = \frac{\text{Operating profit (and loss)}}{\text{Average total assets}}$$

$$\text{Solvency ratio} = \frac{\text{Equity}}{\text{Equity and liabilities}}$$

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