Hempel Invest A/S

CVR-nr. 32 05 82 05

Annual report for 2019

Årsrapporten er fremlagt og godkendt på
selskabets ordinære generalforsamling
den 2/4 2020.
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

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Key figures

In EUR thousands

	2019	2018	2017	2016	2015
Income statement					
Revenue	1,533,958	1,345,829	1,378,319	1,424,414	1,563,442
EBITDA	155,914	131,633	170,130	151,453	219,342
Amortisation, depreciation and impairment	64,607	54,908	55,886	58,256	61,380
Operating profit	91,307	76,725	114,244	93,197	157,962
Share of net profit of associates	-	-	-	2,360	1,958
Net financials	130	3,797	-21,186	-18,582	-21,551
Profit before tax	91,437	80,522	93,058	76,975	138,369
Net profit for the year	59,302	54,728	56,031	45,986	108,368
Balance					
Balance sheet total	1,389,923	1,352,537	1,185,764	1,273,881	1,437,697
Equity	565,979	491,890	531,326	519,892	502,083
Cash Flows					
Operating activities	76,381	95,370	172,451	234,264	120,903
Investing activities	-31,311	-78,855	-42,322	-7,815	-178,200
- hereof net investments in property, plant and equipment and intangible assets	-42,189	-47,635	-24,793	-35,679	-46,972
Financing activities	3,472	-50,232	-108,368	-222,518	46,323
Change in cash and cash equivalents	48,542	-33,717	21,761	3,931	-10,974
Employees					
Average number of employees	6,219	5,882	5,740	5,787	5,661
Ratios (%)					
Gross margin	39.0	38.1	40.9	43.7	41.7
EBITDA margin	10.2	9.8	12.3	10.6	14.0
Return on assets	6.7	6.1	9.3	6.9	12.0
Solvency ratio	40.7	36.4	44.8	40.8	34.9
Return on equity	11.2	10.7	10.7	9.0	22.4

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 2019.

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 2019 of the company and the Group and of the results of the company's and Group's operations and consolidated cash flows for 2019.

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, 2 April 2020

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 2019, and of the results of the Group's and the parent company's operations as well as the consolidated cash flows for the finan cial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial State-ments of Hempel Invest A/S for the financial year 1 January - 31 December 2019, which comprise in-come 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 consolidated statement of cash flows ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the addi-tional requirements applicable in Denmark. Our responsibilities under those standards and re-quirements 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 Interna-tional 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 ethi-cal 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 Manage ment'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 com pany 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

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, 2 April 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Mads Melgaard
State Authorised Public Accountant
mne34354

Anders Stig Lauritsen
State Authorised Public Accountant
mne32800

2019 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
Hempel saw a strong performance in 2019, especially in the second half of the year. We are growing again after spending significant time and effort building a foundation for future success. Organic growth was 2.5 per cent in 2019. Compared to last year, we grew 14 per cent in absolute terms; based on the 2.5 per cent organic growth and because 2019 was the first full year with J.W. Ostendorf as an integrated part of the Hempel family. We secured a satisfactory EBITDA of EUR 156 million and a net profit of EUR 59 million. The Hempel A/S Group contributed with a net profit EUR 50 million and other investments in Hempel Invest A/S contributed with EUR 9 million from financial investments as well as investments in forestry and innovation companies. The Company's consolidated balance sheet at 31 December 2019 constitutes EUR 1,390 million and equity of EUR 566 million.

Our long-term aspiration is to double Hempel. Although we did not engage in any new acquisitions in 2019, we are ready when we find the right fit. We have both the financial capabilities to acquire, in the form of a credit facility agreement with our core banks of EUR 1 billion, and we have a competent and streamlined organisation, ready to reap potential synergies from inviting new members into the Hempel Group – as demonstrated by the successful integration of J.W. Ostendorf, and the corresponding financial and cultural synergies that we are now benefitting from.

The strong result in 2019 also shows that we are now harvesting the benefits of the excellence projects in our Journey to Excellence strategy, begun four years ago. The strategy has given us a solid platform from which we are now growing – and we will continue to grow into the future.

We do see challenging conditions in multiple markets, many of which had an impact on our 2019 result. The ongoing uncertainty around Brexit impact has affected our Decorative business in UK and Ireland; geopolitical uncertainty and the economic slowdown in the Middle East affected our Europe, Middle East and Africa (EMEA) region; while the potential state bankruptcy of Argentina and the trade war between the US and China increased uncertainty in our Americas and Asia-Pacific regions. In addition, in April the Chinese authorities temporarily closed more than 1,000 factories in Kunshan, including our factory in the region, which remained closed until 15 November.

We experienced material one-off costs in 2019. We reacted quickly to the Kunshan factory shutdown in China to ensure timely deliveries of high-quality coatings to our customers – however, this came at an additional cost. In 2019, we also decided to consolidate our two organisations in the Middle East into one, to create the best possible foundation for further growth in the region. This integration, along with the costs of integrating J.W. Ostendorf with our EMEA region, resulted in extraordinary one-off costs in 2019. Despite these challenges, we delivered a solid performance with an EBITDA of EUR 156 million.

The parent company's net profit was EUR 59 million in 2019 compared to EUR 50 million in 2018. Excluding income from the Hempel A/S Group, the net profit was EUR 9 million compared to EUR 7 million in 2018. 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 an increased return from financial investments. During 2019 construction of land and buildings resulted in additions of EUR 9 million.

Outlook for 2020 and beyond
Our ambitious and realistic aspiration is to double Hempel. We see 2020 as a great opportunity to continue this journey. Despite increasingly volatile market conditions, as well as a potential slowdown in the world economy, we still expect to grow organically in 2020, in line with or better than the market. We also aim to welcome new family members to the Hempel Group, which will further support our growth ambitions. Furthermore, we will dedicate significant investments in 2020 to strengthen our Chinese supply chain. With that, we will establish a solid platform for further profitable growth in our Asia-Pacific region. The underlying performance of our business is expected to further improve in 2020, although earnings will be impacted short term by the supply chain investments. We therefore expect reported earnings margin to be slightly lower in 2020 compared to 2019. In 2020, we will introduce a new strategy, aiming at taking Hempel beyond and above the positive position that our current Journey to Excellence strategy has created. With our unique ownership structure, Hempel is well positioned to continue investing in the company to ensure we become a leader in innovation and sustainability, with a long-term perspective on value creation and return on investments.

However, subsequent to the approval of the annual report for Hempel A/S, COVID-19 has changed the outlook for 2020, as the outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, is expected to negatively affect the outlook. Refer to disclosures about events after the reporting date in note 5.4.

We are currently not able to reliably estimate the effect of COVID-19 on the expected revenue and net profit of the Company. Therefore, we are unable to reliably disclose any impact from COVID-19 on the outlook for 2020 in accordance with section 12 of the Danish Financial Statements Act, consequently the outlook stated above is before COVID-19 impact.

Risks

We continually collaborate across the Group to evaluate and mitigate risk.

As a global company working in many industry segments and with a wide range of operational activities, the Hempel Group is exposed to a variety of risks and opportunities. Risks are therefore a natural part of our business and a precondition for being able to create value. Across our organisation, we work continuously to evaluate the risks we face and to assess the level of acceptable risk within the business. This is done through a process and governance structure with clear roles and responsibilities for identifying and reviewing risks as well as following up on mitigating actions.

Risk Governance

The Board of Directors has final responsibility for risk management and is the final approver of risk tolerance and risk mitigation activities. The Audit Committee of Hempel A/S monitors key risks, as well as the risk management process and governance structure. The Group Risk Committee has overall responsibility for running the risk management process and governance structure within the day-to-day business. It also evaluates consolidated risks and the status of mitigating actions at Group level.

The risk management process

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

The key risks described here are risks that we have assessed to be the most material to Hempel. This implies that the list is not exhaustive – there may be other risks that at a later point could develop into material risks. We monitor these risks and work continuously to mitigate the risk in the best possible way. In 2019, we saw increasing complexity in laws and regulations and this is reflected in our risk register. The risk of cyber-attack also has a more significant impact on our overall risk picture. Internally, we continue to see the positive effects of our comprehensive compliance programme as well as our efforts to lower the risk of fire.

Key Risks

The most important risks are identified based on their potential impact and likelihood. The most important risks as identified at the end of 2019 are:

- Supply chain, China
- Cyperattacks
- Increasing complexity in laws and regulation
- Fluctuating raw material prices
- Changing market trends

Main Risks

Discription of risk	Potential impact	Actions taken
Supply chain, China In 2019, one of our factories was temporarily closed by the authorities due to circumstances outside of our control.	• Loss of service to customers if not managed carefully	**Ongoing** • To mitigate short-term risk, we produce products at some of our other factories or use toll manufacturers when necessary • Investing in new and modern factories in China **In 2019** • Products produced at our other factories and by toll manufacturers to temporarily supply to customers in the region. We have managed to deliver high quality products to our customers, despite the temporary factory closure
Cyberattack There is a risk that the availability of critical business systems could be held to ransom by a malicious actor.	• Loss of the ability to run the business as usual • Loss of business-critical data • Potential impact of resources required to recover critical systems	**Ongoing** • Use of IT security control programmes and mechanisms • Mandatory IT security e-learning • Regular phishing test **In 2019** • Crisis Management Team established, including exercises

Description of risk	Potential impact	Actions taken
Increasing complexity in laws and regulation Hempel has a wide global footprint. Although this is an advantage to us and our customers, the increasing complexity in laws and regulations can create an exposure.	• Loss of customers or business • Potential regulatory fines	**Ongoing** • Monitoring of legal frameworks and review of policies in place • Mandatory e-learning in all relevant areas of compliance • Further training of compliance manager **In 2019** • Extension of e-learning and training programme
Fluctuating raw material prices Raw materials account for a large share of our costs, and cost are volatile.	• Potentially significant impact on Hempel's profit and cash flow	**Ongoing** • Mitigating of our raw material exposure mainly takes place through adjustment of the sales process and continuous process excellence improvements • Management control and governance of our sales price adjustment process • Use of a detailed financial model, including cost of goods sold and governance
Changing market trends There is a risk that the coating industry will face large changes due to disruptive technologies. The likelihood of this happening is high, but it is not likely to happen in the short term (3-5 years).	• Loss of profits on existing products • Reduction in size of the coatings market • Weakening of Hempel's competitive position • Potentially significant impact on Hempel's sales earnings • Changing market trends also create an opportunity for Hempel in terms of innovation of new products	**Ongoing** • Monitoring of technology trends in Hempel's end markets • Targeted product innovation through partnerships with customers and universities **In 2019** • Pilot technology road mapping introduced • Overhaul of our innovation process

Corporate responsibility

We continued our journey to embed sustainability in all our business activities.

Hempel Invest A/S is a holding company and all 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 2019, we continued our journey towards embedding sustainability as a strategic element in our business. This included using the Future-Fit benchmark, a comprehensive tool that enables companies to plan a path towards a sustainable and responsible business in line with the UN Sustainable Development Goals. We used Future-Fit to define where our company has the biggest impact on the environment and society, and to establish how we can make most progress on the Sustainable Development Goals. Based on this work, we will continue to implement activities that have a positive impact on society and the environment, and ensure we enable our customers to reach their sustainability goals.

We work with a third-party auditor to improve our data collection and validation process, and we are pleased that this report again includes a limited independent assurance statement on our sustainability data with no qualifications in the conclusion. The following pages constitute our Communi cation on Progress (COP) as required by the UN Global Compact as well as information required by the Danish Financial Statements Act §99a and 99b.

Health & safety

Ensuring our products are safe and our employees have a safe place to work.

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 and injuries to our employees and the end-users of our products. This commitment to health and safety is embedded in our company values and employee Code of Conduct – and it requires that we continually review our work practices to eliminate risk and ultimately ensure a healthy and safe work environment for all of our employees.

Focus on reducing accidents

In 2019, we saw an increase in the number, although not severity, of lost time accidents (occupational accidents resulting in at least one day's absence following the day of the accident). We believe that a proactive safety culture will bring that number down. Therefore, in 2019, we focused on spotting and reporting potential unsafe work environments and situations, and we were pleased to see that there was a steep documented increase in reported near misses. We continue to work to investigate these accidents further through our ratio measurement of lost time accidents and near misses. In addition, we launched safety leadership training, a full day's safety training for supply chain leaders. The concept will be rolled out across our organisation in 2020.

Phasing out red raw materials

We are committed to providing sustainable solutions to our customers that minimise their impact on the environment and do not jeopardise the health and safety of their employees. However, 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 2019, we phased out 25 red raw materials, and reduced the overall use of red raw materials per litre of coating produced by 8.6 per cent.

Safe Use Mixture Information for end-users

In 2019, we were one of the first coatings companies to roll out Safe Use Mixture Information (SUMI) on all of our products in the EU. SUMI improves safety information to our customers, which enables them to make better risk assessments and plan the safest process when applying our products.

Our People

All people are different. At Hempel, we value different perspectives and constantly challenge each other to become better at what we do.

Our people are our greatest asset. We want to be the employer of choice and believe that one of the ways to do this is by creating a work environment where everyone can develop.

Making everyone feel part of the family
In 2019, we welcomed 665 new colleagues to Hempel. All new colleagues must be introduced to our organisation and processes, and we want them to quickly feel part of the family. To take our new colleagues more smoothly from 'beginning' to 'belonging', we launched a new global onboarding programme in 2019. The programme structures our onboarding procedures to ensure we offer all new colleagues a great initial experience. This, in turn, should ensure a stronger commitment and a higher sense of loyalty to Hempel, which will have a positive effect on retention, reduce time-to- performance and limit costs arising from unsuccessful onboarding.

Employee Engagement Survey
We are very pleased that 90 per cent of our people worldwide responded to our annual Employee Engagement Survey, which was again carried out across all countries and functions. We saw an impressive increase in overall satisfaction and motivation of 3 points, from 71 in 2018 to 74 in 2019, and we are now among the top quartile of global companies. Since we began the annual survey three years ago, we have seen a steady increase in satisfaction and motivation across the Group. Our North Asia region in particular has made great progress by increasing focus on employee engagement at all levels of the organisation and improving its initiatives around working conditions, job content and leadership.

In 2019, our global employee Net Promoter Score (eNPS) was 35, an increase of 14 points compared to 2018, showing even more employees would recommend Hempel as a place of work to others. We can see that the gap in eNPS between leaders and managers and other employees has shrunk, which indicates that our efforts to cascade engagement throughout the organisation is paying dividends. Employee loyalty also increased significantly in 2019, rising from 82 points in 2018 to 85 points. This places Hempel above the top quartile global benchmark of 83 points, and shows that the majority of our employees are very committed to the company. To maintain these good results, we must continue to focus on leadership, employee involvement and communication, both internally and externally, in the years to come.

Investing in our leadership pipeline
Our transformational journey can only succeed if we are all engaged and passionate about moving our company forward. This journey begins with our leaders. In 2018, we introduced 10 Leadership Competencies, which explain what it takes to be a Hempel leader in terms of Leading Self, Leading Others and Leading the Business. In 2019, we launched 10 Learning Journeys to help employees in leadership positions develop these competencies. The 10 Learning Journeys are delivered through a combination of podcasts, videos, business cases and other activities, enabling our leaders to pick and choose those most relevant to their development needs and learning style.

We also introduced a suite of nine personal development training programmes for all employees across the organisation. The programmes cover a range of areas – from Personal Efficiency and Basic Finance to Cross-Cultural Management and Unconscious Bias & Decision Making – and give our employees a chance to develop their skills and abilities through online training.

To continually strengthen our organisation, we support targeted development of high potential talents throughout their careers. In 2019, we launched Pioneer, a global graduate programme to attract high potential leadership talents early in their careers. 22 new or recent graduates began the 18-month programme during the year. With the launch of Pioneer, we now offer three development programmes for high potential talents, running from graduate through to executive level.

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

The people promise
In 2019, we introduced the People Promise, new employer branding that will help ensure we attract and retain the best colleagues in the business. The People Promise is based on interviews and surveys with over 800 colleagues – including over 700 that joined Hempel within the last two years – to find out what makes Hempel a special place to work. The research identified four key pillars that together make Hempel stand out from other employers: employee empowerment, familyoriented, global and our unique ownership model. The People Promise was launched on our new website in November 2019 and also forms the basis of our LinkedIn Life profile. In 2020, we will launch a new recruitment toolkit based on the People Promise to help hiring managers and HR staff identify and attract the right candidates for our company.

Hempel Leadership Summit
The Hempel Leadership Summit is our annual leadership conference. This year our 150 top leaders and selected talents gathered in Copenhagen, Denmark on 21-22 November. The theme of this year's summit was 'Winning together' and it focused on executing our strategy by being very explicit about our priorities and engaging our global workforce in getting these priorities done. The Hempel Leadership Summit is part of our Annual Management Cycle.

Giving everyone an opportunity to develop
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. Through our talent management process, we asses more than 2,100 employees annually in order to identify leadership potential and development opportunities. This process ensures that all our leaders are given equal opportunities for growth.

We acknowledge that the number of women in management positions at Hempel does not reflect the number of women in our organisation. Therefore, we have set a target. Our goal is for 25 per cent of management positions to be held by women in 2022, which would mirror the percentage of women in our organisation. Currently, 20 per cent of management positions are held by women. We acknowledge that we need to work even harder to reach our target. We have established a team of Challenger participants who will work on strengthening our approach to diversity and inclusion going forward. In 2019, we strengthened our female mentoring programme, which uses mentors to help female leaders develop in their current roles and prepare for future roles. By the end of the year, 18 female leaders had gone through or were going through the 12-month programme. In addition, we worked to improve our employer branding and to ensure it attracts candidates of both genders.

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.

Learning and development improved through Let's Talk
Learning and development are key priorities across all functions and levels of our organisation. In 2017, we introduced an employee development tool called Let's Talk.

In 2019, Let's Talk was rolled out to employees in our factories and warehouses to make sure managers and employees across all levels and locations have regular dialogues on how they can develop in their jobs. In total, 89 per cent of all employees had a Let's Talk dialogue with their direct manager, resulting in development plans for the individual.

Our focus on employee development has seen a steady increase in our learning and development score in our Employee Engagement Survey over the last three years. In 2019, learning and development increased to 81, up from 80 in 2018 and 78 in 2017. In the years to come, we will continue to focus on creating an organisation in which everyone can develop.

Enabling our sales organisation to reach our ambitious targets
Our company has ambitious growth targets. To help achieve those targets, we rolled out a training programme for sales staff across the Hempel Group to lift capabilities and ensure we focus on customer needs consistently. Last year, more than 789 of our sales colleagues underwent the training.

Responsible supply chain management

We demand high standards from our suppliers and other business partners.

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

Our Responsible Procurement Committee focuses on legal compliance and progress in this important area and oversees our Responsible Procurement Programme, which consists of:

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

Our Business Partner Code of Conduct
Our Business Partner Code of Conduct clearly describes what we expect from our suppliers. Adherence to our Business Partner Code of Conduct is mandatory for all suppliers globally and is an integrated part of our global e-sourcing system. Both our direct and indirect procurement staff are trained in how to use the Business Partner Code of Conduct when in a dialogue with suppliers to ensure commitment and progress from suppliers.

Supplier evaluations
Each year, we conduct an evaluation of a number of suppliers. If the suppliers do not live up to our standards, we ask for improvement plans. If our recommendations are not followed, we will ultimately terminate the relationship. In 2019, 52 suppliers were evaluated. Of these, five suppliers received a low evaluation score and were therefore identified for an on-site visit. If needed an improvement plan will be requested to make sure the supplier meets our standards. In 2019, we stopped working with one supplier who was not willing to engage and improve according to our requirements.

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.

Environment

We believe that we all have a role to play in improving our environmental performance and that together we can be a force

We work to help our customers reduce their environmental impact and are committed to reducing energy consumption and waste across our own operations. Our environmental commitment is outlined in our Group Health, Safety and Environmental Policy, which refers to environmental compliance, the prevention of pollution and continuous improvement.

Helping customers to reduce environmental impact
Many of our products, services and solutions help customers achieve their environmental targets by reducing energy use or emissions. Our hull coatings for ocean-going vessels, for example, improve vessel hydrodynamics to reduce fuel consumption and associated emissions, while we offer many waterborne products that reduce VOC emissions compared to solvent-borne alternatives. We also work closely with customers to develop new solutions that further reduce their impact on the environment.

Reducing energy use
'Power to change' is a key theme in our internal communications around energy savings. Our focus on energy use in 2019 resulted in a reduction in our relative energy consumption of 6.5 per cent, which is in line with our 2019 target. Many of these savings were achieved by optimising our operations and sharing best practices between regions.

Our waste hierarchy
Since 2018, we have worked to reduce waste in all our regions through the use of a waste hierarchy model. This work involves analysing our waste management practices to find ways to improve, and looking for opportunities to reduce and reuse our waste materials, with the elimination of waste at source being the preferred option wherever possible.

Our waste key performance indicator for 2019 was to reduce landfill waste by 5 per cent. This was achieved through an extensive waste mapping exercise across all our applicable production sites, increased data control, improved reporting processes and locally designed waste reduction plans. In 2019, we also trialled the use of 'smart scales' at our production facility in Hull, UK. Smart scales allow us to track and report on our waste data automatically, and will improve our waste management and data-driven decisionmaking. We will roll smart scales out across the group in 2020.

Ethical behaviour

Our business is built on trust. We earn trust and inspire confidence through the way we do business.
Hempel is committed to conducting business ethically, respectfully and honestly at all times. To help ensure this happens, our employee Code of Conduct lays out how our employees are expected to behave and conduct business.

A strong ethical culture
In 2019, we further strengthened our compliance work through a number of initiatives and actions.

As in previous years, all employees except production, warehouse and store staff completed our annual mandatory employee Code of Conduct eLearning. The eLearning is tailor-made for Hempel by Hempel and inspired by real-life challenging situations faced by some of our employees. In total, over 4,000 employees took the eLearning, with a pass rate of 100 per cent.

Our Hempel Ethics Hotline is available in nearly all countries where we have offices. In 2019, we received 34 whistleblower reports from 20 countries. The number of cases reported has decreased in comparison to previous years but we continue to receive a healthy number of reports, indicating that we have a sound 'speak up' culture and are trusted by our employees to act upon the reports received. To maintain this speak up culture, our management teams continue to talk about ethical behaviour openly and frequently, and business ethics is very much a part of our values and how we conduct business.

Over the past years, we have seen an increased complexity in international laws and regulations. In 2019, we extended our e-learning programmes to include Sanctions and Export Control for relevant employees. We will continue to train our employees globally in sanctions and export control compliance to ensure that they understand the complexity of these issues and follow our policies.

Ensuring ethical behaviour beyond Hempel
We continue to ensure our high ethical standards reach beyond Hempel to our suppliers and other stakeholders.

Our Business Partner Code of Conduct sets out what we expect of our suppliers, joint-venture partners, toll manufacturers, distributors, agents, consultants and other business partners. The Business Partner Code of Conduct takes into account the UN Global Compact's ten fundamental principles within the areas of human rights, labour rights, the environment and anti-corruption. As a part of our procurement process we require mandatory adherence to our Business Partner Code of Conduct before we can engage in a business relationship. This means that we ask our business partners to confirm adherence to the standards in the Code and to commit to setting the same expectations for their own business partners. We acknowledge the need for a joint effort in the fight against facilitation payments. Therefore, we work with other multinational companies, non-governmental organisations and the Danish Ministry of Foreign Affairs in the Fight Against Facilitation Payments Initiative (FAFPI). One of the main objectives of FAFPI is to collect real-life data on facilitation payment requests. Data submitted through FAFPI will be shared with the Danish Ministry of Foreign Affairs, which can use diplomatic channels to address the issue with its local counterparts in order to address the demands. Hempel is a founding member of FAFPI.

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 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 with a Hempel e-mail address completed and signed-off on Code of Conduct 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 over 4,000 employees. The target group consists of employees who:

- joined the company before October 2019 (newer employees are assigned a longer course on Code of Conduct fundamentals, as part of their onboarding process)
- had an active email address as of the day of the rollout in November
- were not on long-term leave, and not expected to depart Hempel before year-end

Compliance cases reported

The number of compliance cases include all cases recorded in our Hempel Ethics Hotline system, operated by Navex, and are 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 the occupational accidents recorded in our SharePoint system that has 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 1,734 hours per employee per year (2018).

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

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

Or if the raw material has the following properties:

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

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

Energy (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.

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 are 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 are converted to CO_2 emissions by applying relevant Greenhouse Gas Conversion Factors for Company Reporting from the Department for the 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 (2017, and 2018 v1.01) database.

Carbon footprint scope 3 (tonnes CO_2/1,000 L paint produced)
Scope 3 covers the following: waste, consumed raw materials used as ingredients and purchased packaging, and volatile organic compounds (VOCs) in products and toll manu facturing. These are outlined in more detail below.

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 (2018 v1.01) conversion factors.

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

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

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

Toll manufacturing
The calculation of CO_2 from toll manufacturing is based on the amount of product that has been manufactured at external partners, which is registered in our ERP system, under the assumption that one ton of toll-produced goods requires the same energy, 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 conducts a comprehensive employee engagement survey once a year and all employees are invited to participate. The response rate is calculated as the number of employees who have responded to the full survey out of the total number of employees.

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	2019	2018	2017
% of employees with a Hempel email address completed and signed off on Code of Conduct training	100%	100%	100%
Compliance cases reported	34	51	51
Health & Safety			
Lost time accident frequency (number/1,000,000 working hours)	2.68	1.72	2.27
Consumption of red raw materials (kg/1,000L paint produced)	8.04	8.80*	8.47
Environment			
Energy (kWh/1,000L paint produced)	259	277	274
Waste generation (kg/1,000L paint produced)	56	49	N/A
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)	0.08	0.09	0.10
Carbon footprint scope 3 (tons CO2/1,000L paint produced)**	3.22	4.05	N/A
Our people			
Employee Engagement - Response rate	90%	93%	93%
Employee Engagement - eNPS	35	21	20
Employee Engagement - Satisfaction & Motivation	74	71	69
Employee Engagement - Learning & Development	81	80	78

* Scope expanded compared to 2017, see accounting principles.

** Scope 3 includes: 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.

Financial statements

Income statement

Note	In EUR thousands	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
2.1	Revenue	1,533,958	1,345,829	-	-
	Production costs	-935,912	-832,406	-	-
	Gross profit	**598,046**	**513,423**	-	-
	Sales and distribution costs	-393,842	-323,839	-	-
	Administrative costs	-113,779	-109,182	-452	-399
2.3	Other operating income	930	9,529	-	-
2.3	Other operating expenses	-48	-206	-	-
	Operating profit before special items	**91,307**	**89,725**	**-452**	**-399**
2.4	Special items	-	-13,000	-	-
	Operating profit	**91,307**	**76,725**	**-452**	**-399**
2.5	Income from investments in subsidiaries	-	-	49,156	42,678
	Profit before financial income and expenses	**91,307**	**76,725**	**48,704**	**42,279**
4.5	Net financials	130	3,797	12,759	9,509
	Profit before tax	**91,437**	**80,522**	**61,463**	**51,788**
2.6	Income tax	-32,135	-25,794	- 2,897	-2,015
	Profit after tax	**59,302**	**54,728**	**58,566**	**49,773**

Distribution of profit

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Proposed distribution of profit:				
Reserve for net revaluation under the equity method	-	-	49,222	42,744
Minority interests	736	4,955	-	-
Retained earnings	58,566	49,773	9,344	7,029
	59,302	**54,728**	**58,566**	**49,773**

Balance sheet as at 31 December – assets

Note	*In EUR thousands*	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
	Goodwill	68,413	75,918	-	-
	Software	5,649	2,907	-	-
	Software under development	6,378	5,668	-	-
	Customer relationships	50,252	56,924	-	-
	Other intangible assets	37,680	41,784	-	-
3.1	**Intangible assets**	**168,372**	**183,201**	**-**	**-**
	Land and buildings	187,950	184,489	12,596	12,607
	Assets under construction	44,891	29,305	10,441	1,080
	Plant and machinery	92,330	90,514	-	-
	Other fixed assets	19,402	20,913	-	-
3.2	**Property, plant and equipment**	**344,573**	**325,221**	**23,037**	**13,687**
5.6	Investments in subsidiaries	-	-	478,011	455,567
3.3	Other securities and investments	57,608	43,481	57,164	42,957
2.6	Deferred tax assets	47,084	50,758	-	-
3.7	Pension assets	2	10	-	-
	Deposits etc.	3,996	19,125	-	-
	Fixed asset investments	**108,690**	**113,374**	**535,175**	**498,524**
	Total non-current assets	**621,635**	**621,796**	**558,212**	**512,211**
	Raw materials and consumables	73,083	69,649	-	-
	Work in progress	6,709	6,284	-	-
	Finished goods	153,554	139,055	-	-
3.4	**Inventories**	**233,346**	**214,988**	**-**	**-**
3.6	Trade receivables	359,556	337,775	-	-
	Receivables from Group enterprises	-	-	34,331	21,004
2.6	Tax receivables	8,396	7,887	521	-
	Other receivables	45,465	67,010	266	81
3.5	Prepayments	19,601	17,182	-	-
3.6	**Receivables**	**433,018**	**429,854**	**35,118**	**21,085**
	Cash at bank and in hand	101,924	85,899	**270**	**633**
	Current assets	**768,288**	**730,741**	**35,388**	**21,718**
	Total assets	**1,389,923**	**1,352,537**	**593,600**	**533,929**

Balance sheet as at 31 December – equity and liabilities

Note	*In EUR thousands*	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
	Share capital	15,450	15,450	15,450	15,450
	Reserve for net revaluation under The equity method	-	-	261,340	239,273
	Retained earnings	550,529	476,440	316,343	277,199
	Proposed dividend for the year	-	-	-	-
4.1		**565,979**	**491,890**	**593,133**	**531,922**
	Minority interests	**49,066**	**60,794**		
	Total Equity	**615,045**	**552,684**		
2.6	Deferred tax liabilities	52,275	55,460	9	9
3.7	Pension obligations and similar obligations	22,529	20,744	-	-
3.8	Other provisions	39,601	83,831	-	-
	Provisions	**114,405**	**160,035**	**9**	**9**
4.2	Bank loans etc.	20,109	29,288	-	-
4.4	Other long term payables	21,364	40,031	-	-
	Long-term debt	**41,473**	**69,319**	**-**	**-**
	Overdraft facilities	25,629	56,846	-	-
4.2	Short-term part of bank loans etc.	13,503	22,217	-	-
3.9	Deferred income	6,184	14,288	-	-
	Trade payables	261,021	242,948	-	-
	Payables to Group enterprises	93,373	51,759	178	82
2.6	Tax liabilities	10,461	9,042	-	1,892
3.10	Other liabilities	208,829	173,399	280	24
	Total current liabilities	**619,000**	**570,499**	**458**	**1,998**
	Total liabilities	**774,878**	**799,853**	**467**	**2,007**
	Total equity and liabilities	**1,389,923**	**1,352,537**	**593,600**	**533,929**

Cash flow statement

Note	*In EUR thousands*	Group 2019	Group 2018
	Cash flows from operating activities		
	Operating profit	91,307	76,725
5.2	Adjustment for non-cash operating items	10,040	56,219
	Income tax paid	- 28,547	- 26,396
	Total cash flows from operating activities before changes in working capital	**72,800**	**106,548**
	Change in receivables	- 26,473	- 5,024
	Change in inventories	- 16,144	- 7,956
	Change in trade payables	46,198	1,802
	Total change in working capital	**3,581**	**- 11,178**
	Total cash flows from operating activities	**76,381**	**95,370**
	Cash flows from investing activities		
4.7	Acquisition of enterprises	- 2,066	- 18,595
3.2	Purchase of property, plant and equipment	- 52,688	- 46,409
3.1	Purchase of intangible assets	- 6,992	- 4,524
3.3	Investments in other securities and investments	- 2,413	- 2,947
	Sale of property, plant and equipment	2,860	3,298
	Change in deposits, net	15,129	- 12,659
3.3	Sales of fixed asset investments	228	2,981
	Sale of intangible assets	14,631	-
	Total cash flows from investing activities	**- 31,311**	**- 78,855**
	Free cash flow	**45,070**	**16,515**
	Cash flows from financing activities		
	Change in bank borrowings etc.	23,660	15,249
	Interest income and expenses, net	- 10,916	- 9,111
	Change in minority shares (dividend distributed etc.)	- 8,368	- 20,073
	Extraordinary dividend distributed to shareholders	-	- 40,175
	Capital losses and gains, net	- 904	3,878
	Total cash flows from financing activities	**3,472**	**- 50,232**
	Net Cash Flow	**48,542**	**- 33,717**
4.6	Cash and equivalents, net, beginning of year	29,053	64,071
	Exchange adjustment	- 1,300	- 1,301
4.6	**Cash and equivalents, net, end of year**	**76,295**	**29,053**

Statement of changes in equity as at 31 December

Note	*In EUR thousands*	Group					
		Share capital	Reserve for net revaluation	Retained earnings	Shareholders in Hempel Invest A/S' share of equity	Minority Interest	Total
	Equity						
	Equity at 1 January 2018	15,450	-	515,876	531,326	51,518	582,844
	Net profit for the year	-	-	49,773	49,773	4,955	54,728
	Exchange adjustment at year-end rate	-	-	- 8,732	- 8,732	2,624	- 6,108
	Remeasurements of defined benefit plans	-	-	- 270	- 270	-	- 270
	Dividend distributed	-	-	-	-	- 11,070	- 11,070
	Extraordinary dividend distributed	-	-	- 40,175	- 40,175	-	- 40,175
	Written put option, minorities	-	-	- 39,089	- 39,089	-	- 39,089
	Fair value adjustment, put option	-	-	- 943	- 943	-	- 943
	Transactions with minorities	-	-	-	-	12,767	12,767
4.1	**Equity at 31 December 2018**	**15,450**	**-**	**476,440**	**491,890**	**60,794**	**552,684**
	Net profit for the year	-	-	58,566	58,566	736	59,302
	Exchange adjustment at year-end rate	-	-	5,571	5,571	820	6,391
	Tax on equity	-	-	- 416	- 416	-	- 416
	Remeasurements of defined benefit plans	-	-	- 2,519	- 2,519	-	- 2,519
	Dividend distributed	-	-	-	-	- 8,368	- 8,368
	Fair value adjustment, put option	-	-	19,300	19,300	-	19,300
	Transactions with minorities	-	-	- 6,413	- 6,413	- 2,850	- 9,263
	Acquisition of enterprises	-	-	-	-	- 2,066	- 2,066
4.1	**Equity at 31 December 2019**	**15,450**	**-**	**550,529**	**565,979**	**49,066**	**615,045**

Note		Parent Company			
		Share capital	Reserve for net revaluation	Retained earnings	Total
	Equity				
	Equity at 1 January 2018	15,450	232,541	283,335	531,326
	Net profit for the year	-	42,744	7,029	49,773
	Dividend distributed	-	- 27,922	27,922	-
	Extraordinary dividend distributed	-		- 40,175	- 40,175
	Exchange adjustment at year-end rate	-	- 7,820	- 912	- 8,732
	Remeasurements of defined benefit plans	-	- 270	-	- 270
4.1	**Equity at 31 December 2018**	**15,450**	**239,273**	**277,199**	**531,922**
	Net profit for the year	-	49,222	9,344	58,566
	Dividend distributed	-	- 29,975	29,975	-
	Exchange adjustment at year-end rate	-	5,755	- 175	5,580
	Tax on equity	-	- 416	-	- 416
	Remeasurements of defined benefit plans	-	- 2,519	-	- 2,519
4.1	**Equity at 31 December 2019**	**15,450**	**261,340**	**316,343**	**593,133**

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 2019 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 2019 is presented in EUR thousands. The accounting policies applied remain unchanged from previous years.

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

Recognition and measurement

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

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

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

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

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report that confirm or invalidate affairs and conditions existing at the balance sheet date. 2018 total assets and total liabilities have been restated, and minor variances to the 2018 Annual Report occur.

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

Basis of consolidation

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

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

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

Minority interests

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

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

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

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of Hempel's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies. The consolidated financial statements are presented in euro.

Translation of transactions and balances

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

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

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

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

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

These specific exchange rate adjustments are recognised directly in equity.

Classification of operating expenses in the income statement
Production costs
Production costs comprise costs incurred to achieve revenue for the year. Costs comprise raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc., as well as operation, administration and management of factories.

Production costs also include research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Also included are inventory write-downs.

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

Administrative costs
Administrative costs comprise costs incurred for management and administration of the Group, including costs for administrative staff and management as well as office costs and depreciation and write-downs for bad debt losses. Amortisation of goodwill, customer relationships and brands are recognised in administrative costs.

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

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

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

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

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

Separate presentation of special items
With reference to §11(3) of the Danish Financial Statements Act, the Hempel Group has departed from the presentation requirements in the Act. It is management's assessment that a separate presentation of certain costs provides a true and fair view of the financial statements. The Hempel Group has therefore presented costs related to identified and potential irregularities within Hempel's subsidiaries in certain countries as 'Special items' in the income statement. Costs include penalties, costs associated with investigations performed and severance payments. Management has found it necessary to present these costs separately as they are material to the Group, non-recurring and extraordinary in terms of Hempel's continuing global business. It is the view of management that a note disclosure only is not sufficient to ensure that the performance of the continuing business is understood correctly by the reader of the financial statements. Individual line items included in 'Operating profit' are impacted by a total of EUR 0 million (2018: EUR 13 million). However, the change in presentation does not impact operating profit after special items, profit after tax, total assets, total equity or cash flow.

Section 2
Results for the year

2.1 Revenue, segment information

Accounting policies

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

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

Segments

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

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

In EUR thousands	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
EMEA	989,897	822,946	-	-
Asia-Pacific	350,883	340,472	-	-
Americas	193,178	182,411	-	-
	1,533,958	**1,345,829**	**-**	**-**

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

2.2 Employee costs

Accounting policies

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

In EUR thousands	Group		Parent Company	
Employee costs:	**2019**	**2018**	**2019**	**2018**
Board of Directors	511	504	190	188
Wages and salaries etc.	319,727	270,996	-	-
Wages and salaries etc. on special items	-	-		
Pension contributions	14,493	13,802	-	-
	334,731	**285,302**	**190**	**188**
Average number of employees	6,219	5,882	-	-
Staff expenses have been recognised in the income statement as follows:				
Production costs	101,806	85,007	-	-
Selling and distribution expenses	177,878	149,013	-	-
Administrative expenses	55,047	51,283	190	188
	334,731	**285,302**	**190**	**188**

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

2.3 Other operating income and expenses

Accounting policies

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

In EUR thousands	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Other operating income [1)]	930	9,529	-	-
Other operating expenses	- 48	- 206	-	-
	882	**9,323**	**-**	**-**

[1)] 2018: Other operating income comprises sale of land and insurance recoverable

2.4 Special items

Accounting policies

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

	Group		Parent Company	
	2019	2018	2019	2018
Administrative costs	-	- 13,000	-	-
Operating profit	-	**- 13,000**	-	-
Profit before tax	-	**- 13,000**	-	-
Income tax	-	-	-	-
Net profit for the year	-	**- 13,000**	-	-

2.5 Income from investments in subsidiaries

Accounting policies

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

Income from investments in subsidiaries

In EUR thousands

	Group		Parent Company	
	2019	2018	2019	2018
Profit before tax	-	-	76,578	66,523
Tax for the year	-	-	- 27,356	- 23,779
Minority Interest	-	-	- 66	- 66
Profit after tax	-	-	**49,156**	**42,678**

2.6 Income tax, tax assets and tax liabilities

Income tax

Accounting policies

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

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

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Hempel Group:				
Profit before tax	91,437	80,522		
Income tax on profit for the year:				
Total tax	- 32,135	- 25,794	- 30,253	- 25,794
Tax in respect of subsidiaries	-	-	27,356	23,779
	- 32,135	**- 25,794**	**- 2,897**	**- 2,015**
Current tax for the year	- 28,085	- 23,750	- 2,915	- 2,015
Deferred tax for the year	- 6,029	1,704	-	-
Tax on equity	- 416	375	-	-
Adjustment in respect of previous years	2,395	- 4,123	18	-
Income tax	**- 32,135**	**- 25,794**	**- 2,897**	**- 2,015**

Deferred tax assets and liabilities

Accounting policies

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

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

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

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax (net) :				
Deferred tax, beginning of year	- 4,700	291	- 9	-
Exchange adjustment at year-end rate	1,389	- 602	-	-
Acquisition of enterprises	1,679	- 1,306	-	-
Deferred tax for the year	- 6,029	1,704	-	- 2
Adjustment in respect of previous years	2,470	- 4,787	-	- 7
Change in tax rates	-	-		
	- 5,191	**- 4,700**	**- 9**	**- 9**

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax (net) relates to the following items:				
Intangible assets	725	11,117	-	-
Property, plant and equipment	1,418	- 7,679	- 9	- 9
Fixed asset investments	-	- 130	-	-
Inventories	2,563	1,774	-	-
Trade receivables	2,311	4,985	-	-
Provisions and other payables	- 33,249	- 26,367	-	-
Tax losses	21,041	11,600	-	-
	- 5,191	**- 4,700**	- 9	- 9

At 31 December 2019, the Group has recognised a deferred tax asset comprising tax losses carried forward of EUR 21 million (2018: EUR 12 million). Management believes it is likely that the unutilised tax losses can be utilised within the next years.

The Group has non-recognised tax losses of EUR 20 million (2018: EUR 18 million). Management believes that the unutilised tax losses are not likely to be utilised in the future taxable income within the next years.

In EUR thousands	Group		Parent Company	
The net value is recognised in the balance sheet as follows:	2019	2018	2019	2018
Deferred tax assets	47,084	50,759	-	-
Deferred tax liabilities	- 52,275	- 55,459	- 9	- 9
	- 5,191	**- 4,700**	**- 9**	**- 9**

Current tax receivables and liabilities

Accounting policies

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

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

In EUR thousands	Group		Parent Company	
The net value is recognised in the balance sheet as follows:	2019	2018	2019	2018
Current tax assets	8,396	7,887	521	-
Current tax liabilities	- 10,461	- 9,042	-	- 1,892
	- 2,065	**- 1,155**	**521**	**- 1,892**

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 expenses, including salaries and amortisation, directly or indirectly attributable to these development projects.

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

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

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

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The amortisation period is 2-20 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 thousands	Group					
	Goodwill	**Software**	**Software under development**	**Customer relationships**	**Other intangible assets**	**Total**
Costs at 1 January 2019	159,184	36,678	5,668	132,380	79,351	413,261
Exchange adjustment at year-end rate	4,413	427	- 3	3,570	2,201	10,608
Acquisition of enterprises	1,106	-	-	-	-	1,106
Additions for the year	-	5,480	713	-	799	6,992
Disposals for the year	-	- 148	-	-	-	- 148
Costs at 31 December 2019	**164,703**	**42,437**	**6,378**	**135,950**	**82,351**	**431,819**
Accumulated amortisation at 1 January 2019	83,266	33,771	-	75,456	37,567	230,060
Exchange adjustment at year-end rate	2,318	389	-	2,218	1,107	6,032
Amortisation for the year	10,706	2,776	-	8,024	5,997	27,503
Reversal of amortisation of assets sold	-	- 148	-	-	-	- 148
Accumulated amortisation at 31 December 2019	**96,290**	**36,788**	**-**	**85,698**	**44,671**	**263,447**
Carrying amount at 31 December 2019	**68,413**	**5,649**	**6,378**	**50,252**	**37,680**	**168,372**

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

Amortisation and impairment are specified as follows:

In EUR thousands	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Production costs	622	1,033	-	-
Sales and distribution costs	1,301	762	-	-
Administrative costs	25,580	24,365	-	-
	27,503	**26,160**	**-**	**-**

3.2 Property, plant and equipment

Accounting policies

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

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

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

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

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

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

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

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

Impairment of fixed assets

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

In EUR thousands	Group				
	Land and buildings	**Plant and machinery**	**Other fixed assets**	**Assets under con-struction**	**Total**
Costs at 1 January 2019	262,574	243,994	91,839	29,305	627,712
Exchange adjustment at year-end rate	4,725	6,179	2,606	360	13,870
Additions for the year	5,370	15,174	5,969	26,175	52,688
Transfers	3,508	5,553	-	- 9,061	-
Disposals for the year	- 146	- 4,460	- 3,015	- 1,888	- 9,509
Costs at 31 December 2019	**276,031**	**266,440**	**97,399**	**44,891**	**684,761**
Accumulated depreciations at 1 January 2019	78,085	153,480	70,926	-	302,491
Exchange adjustment at year-end rate	1,214	3,859	2,104	-	7,177
Acquisition of enterprises	-	-	-	-	-
Depreciation for the year	8,636	20,777	7,691	-	37,104
Reversal of depreciations of assets sold	146	- 4,006	- 2,724	-	- 6,584
Accumulated depreciation at 31 December 2019	**88,081**	**174,110**	**77,997**	**-**	**340,188**
Carrying amount at 31 December 2019	**187,950**	**92,330**	**19,402**	**44,891**	**344,573**
Including leased assets of	**2,747**	-	-	-	**2,747**
including interest expenses of	**1,039**	**-**	**-**	**-**	**1,039**

	Parent Company				
	Land and buildings	**Plant and machinery**	**Other fixed assets**	**Assets under con-struction**	**Total**
Costs at 1 January 2019	12,607	-	-	1,080	13,687
Exchange adjustment at year-end rate	- 11	-	-	-	- 11
Additions for the year	-	-	-	9,361	9,361
Costs at 31 December 2019	**12,596**	**-**	**-**	**10,441**	**23,037**
Accumulated depreciations at 1 January 2019	-	-	-	-	-
Exchange adjustment at year-end rate	-	-	-	-	-
Acquisition of enterprises	-	-	-	-	-
Accumulated depreciation at 31 December 2019	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31 December 2019	**12,596**	**-**	**-**	**10,441**	**23,037**
including leased assets of	-	-	-	-	-
including interest expenses of	-	-	-	-	-

In EUR thousands	Group	
Depreciation and impairment are specified as follows:	**2019**	**2018**
Production costs	22,878	18,300
Sales and distribution costs	9,011	7,016
Administrative costs	5,215	3,432
	37,104	**28,748**

3.3 Other securities and investments

Accounting policies

Other securities and capital investment, recognised under fixed 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 thousands	Group		Parent Company	
	2019	2018	2019	2018
Costs, beginning of year	34,030	31,260	33,521	30,666
Acquisition of enterprises	-	-	-	-
Additions for the year	2,413	2,947	2,413	2,947
Disposals for the year	- 228	- 85	- 150	-
Exchange adjustment at year-end rate	- 19	- 92	- 19	- 92
Costs, end of year	**36,196**	**34,030**	**35,765**	**33,521**
Net revaluations, beginning of year	9,451	1,113	9,436	1,093
Net revaluations, for the year	11,966	8,341	11,968	8,346
Exchange adjustment at year-end rate	- 5	- 3	- 5	- 3
Net revaluations, end of year	**21,412**	**9,451**	**21,399**	**9,436**
Carrying amount, end of year	**57,608**	**43,481**	**57,164**	**42,957**

The net values are specified as follows:

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Shares	57,608	43,481	57,164	42,957
	57,608	**43,481**	**57,164**	**42,957**

3.4 Inventories

Accounting policies

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

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

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

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

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Raw materials and consumables	73,083	69,649	-	-
Work in progress	6,709	6,284	-	-
Finished goods	153,554	139,055	-	-
	233,346	**214,988**	**-**	**-**

3.5 Prepayments

Accounting policies

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

3.6 **Receivables**

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

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

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Receivables	433,018	429,854	35,118	21,085
of which due more than one year from balance sheet date	560	1,904	-	-

3.7 **Pension and similar assets and obligations**

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

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

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Pension and similar obligations comprise:				
Pension and similarobligations	56,688	52,274	-	-
Fair value of assets related to the plans	- 34,161	- 31,540	-	-
Pension obligations, (net)	**22,527**	**20,734**	-	-
Recognition in the balance sheet:				
Assets	2	10	-	-
Liabilities	22,529	20,744	-	-
Pension obligations recognised in the balance sheet, (net)	**22,527**	**20,734**	-	-
Defined benefit plans				
Specification of plan assets:				
Shares and properties	13%	14%	-	-
Fixed interest current asset investments	84%	85%	-	-
Cash at bank and in hand	3%	1%	-	-
Total	**100%**	**100%**	-	-
Weighted average assumptions:				
Discount rate	1.3%	2.1%	-	-
General wage inflation	2.1%	2.2%	-	-
General price inflation	1.4%	1.6%	-	-

3.8 Provisions

Accounting policies

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

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

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

In EUR thousands	Group				
	Environmental obligations	**Warranty commitments**	**Other provisions**	**2019 Total**	**2018 Total**
Total provisions, beginning of year	20,177	9,308	54,346	83,831	68,697
Exchange adjustment at year-end rate	241	21	258	519	-
Reclassification	-	-	-	-	559
Acquisition of enterprises	-	-	6,855	6,855	11,113
Additions for the year	1,521	8,613	2,050	12,184	13,359
Reversed	-	-	- 5,539	- 5,539	- 3,911
Consumed	- 6,977	- 5,448	- 45,825	- 58,250	- 5,986
Total provisions, end of year	**14,962**	**12,494**	**12,145**	**39,600**	**83,831**
Maturities are expected to be:					
Within 1 year	1,438	9,000	1,648	12,087	45,241
Between 1 and 5 years	6,318	3,494	8,092	17,903	15,521
after 5 years	7,206	-	2,405	9,611	23,069
	14,962	**12,494**	**12,145**	**39,601**	**83,831**

3.9 Deferred income

Accounting policies

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

3.10 Other liabilities

Accounting policies

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

Section 4
Capital structure and financing items

4.1 Share capital, distribution to shareholders

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

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

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

4.2 Bank loans, etc.

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

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

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

In EUR thousands	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Due within 1 year	13,503	22,217	-	-
Due within 1 to 5 years	19,308	28,764	-	-
Due after 5 years	801	524	-	-
	33,612	**51,505**	**-**	**-**

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 2019 entered into in order to hedge future purchases and sales as well as receivables and payables in foreign currencies are specified as follows:

Bank borrowings of EUR 34 million comprise of loans denominated in various currencies, EUR 13 million, KWD 3 million (EUR 9 million), SAR 38 million (EUR 9 million)and other currencies amounting to EUR 3 million.

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

	Group		Parent Company	
	2019	2018	2019	2018
Bank borrowings etc.	3.5%	2.7%	-	-

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.

In EUR thousands	Contract amount based on exercise price1)	Fair value	Term to maturity (months)
AUD	-1.9	-	1
BRL	-0.9	-	3
CAD	2.8	-	1
CLP	-1.7	-0.1	3
CZK	3.0	0.0	1
GBP	-23.7	-0.2	1
HKD	112.3	-1.2	1
HRK	0.4	-	1
HUF	-1.3	-	1
IDR	-3.8	-0.1	3
KRW	-5.2	-0.1	3
NOK	0.5	0.0	1
PLN	-25.7	-0.2	1
SEK	-0.7	-	1
SGD	-6.2	0.0	1
USD	-37.3	0.8	1
ZAR	-3.8	-0.1	1
		-1.2	

[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.

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
External interest income	573	1,282	-	-
Interest income from subsidiaries	-	-	301	651
External interest expenses	- 10,781	- 10,832	- 31	- 5
Interest paid to Group enterprises	- 1,292	- 139	-	-
Dividend	512	501	512	501
Realised and unrealised exchange gains/losses, net	11,118	12,985	11,977	8,362
	130	**3,797**	**12,759**	**9,509**

4.6 Cash and cash equivalents, net

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

In EUR thousands	Group	
	2019	**2018**
Cash at bank and in hand, beginning of year	85,899	113,508
Overdraft facilities, beginning of year	- 56,846	- 49,437
	29,053	**64,071**
Cash, end of year	101,924	85,899
Overdraft facilities, end of year	- 25,629	- 56,846
	76,295	**29,053**

4.7 Acquisitions of enterprises

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

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

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

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

Transaction costs are recognised in the income statement when incurred.

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

In EUR thousands	Group	
	2019	**2018**
Balance sheet items of acquired enterprises:		
Intangible assets	-	19,060
Property, plant and equipment	-	52,812
Inventories	- 918	30,440
Receivables	-	50,293
Cash and cash equivalents	-	11,315
Provisions	- 6,855	- 9,812
Deferred tax	1,679	- 1,306
Bank loans etc.	-	- 53,058
Trade payables	-	- 32,626
Other liabilties	-	- 30,958
Net assets acquired	**- 6,094**	**36,160**
Minorities 35%	2,560	- 12,656
Goodwill	974	11,032
Consideration	**- 2,560**	**34,536**
Cash acquired	-	- 11,315
Consideration payable	4,626	- 4,626
Cash consideration	**2,066**	**18,595**

2019 relates to adjustments of acquisitions from 2018

Section 5
Other disclosures

5.1 Fee to the auditors appointed at the General Meeting

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Audit fee	1,293	1,121	20	20
Tax advice	1,055	592	3	3
Other fees	304	413	-	3
	2,652	**2,126**	**23**	**26**

5.2 Adjustments for non-cash items

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

In EUR thousands	Group	
	2019	2018
Amortisation, depreciation and impairment, including goodwill	64,607	54,906
Provisions	-52,243	2,129
Exchange rate adjustment, operating profit	-2,052	1,507
Gains and losses on the sale of fixed assets	- 272	-2,323
	10,040	**56,219**

5.3 Contingent liabilities and other financial obligations

The operating lease commitments are related to non-cancellable operating leases primarily related to premises, company cars and office equipment.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Other guarantees primarily relate to bid and performance bonds

In EUR thousands	Group		Parent Company	
	2019	2018	2019	2018
Rental and lease obligations:				
Due within 1 year from the balance sheet date	16,661	17,392	-	-
Due within 1 to 5 years from the balance sheet date	39,145	37,382	-	-
Due more than 5 years from the balance sheet date	12,947	9,334	-	-
	68,753	**64,108**	-	-
Guarantees:				
For local loans and bank credits to subsidiaries			-	-
Other guarantees	6,258	5,053	-	-
	6,258	**5,053**	-	-

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. Hempel is jointly taxed with a number of Danish companies in the Hempel Invest Group. The Group's Danish enterprises are jointly and severally liable for Danish taxes at source and income taxes.

Hempel Invest A/S has committed a total investment in other securities of EUR 17.4 million. As of December 31 2019 the remaining commitment is EUR 13.1 million (2018: EUR 4.7 million).

5.4 Events after the reporting period

After the publication of the Group Annual Report for 2019 of Hempel A/S, the COVID-19 outbreak has escalated and has already had a material impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore considered a non-adjusting event.

There is a high uncertainty related to the COVID-19 impact on the results in 2020, and our customer's ability to pay going forward is also considered an increasing risk.

Financially, Hempel is sound with sufficient credit facilities to support the business. We are monitoring the situation and will take necessary actions.

5.5 Related parties and ownership

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

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

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

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

5.6 Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method. This implies that the investments are measured in the balance sheet at the proportionate ownership share of the net asset value of the enterprises with deduction or addition of shares of unrealised intercompany profits and losses.

The equity method is applied as a method of measurement.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to 'Reserve for net revaluation under the equity method' under equity. The reserve is reduced by dividend distributed to the parent company and adjusted for other equity movements in subsidiaries.

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

Subsidiaries with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the parent company to cover the negative balance of the enterprise is recognised in receivables from subsidiaries.

In EUR thousands	Parent Company	
	2019	2018
Investments in subsidiaries		
Costs, beginning of year	216,294	216,945
Exchange adjustment at year-end rate	- 122	- 651
Additions for the year	499	-
Costs, end of year	**216,671**	**216,294**
Net revaluations, beginning of year	239,273	232,541
Exchange adjustment at year-end rate	5,755	- 7,820
Tax on equity	- 416	-
Remeasurement of defined benefit plans	- 2,519	- 270
Profit	76,578	66,523
Tax for the year	- 27,356	- 23,779
Dividend received	- 29,975	- 27,922
Net revaluations, end of year	**261,340**	**239,273**
Carrying amount, end of year	**478,011**	**455,567**

5.7 The Hempel Group including foreign branches

Country	Name	Currency	Share capital	Ownership
Argentina	Hempel Argentina S.R.L.	ARS	338,774,200	100%
Australia	Hempel (Australia) Pty. Ltd.	AUD	700,000	100%
Austria	Ostendorf GmbH	EUR	18,168	65%
Bahrain	Dahna Paint Middle East Holding B.S.C. (closed)	BHD	5,000,000	51%
Bahrain	Hempel Paints (Bahrain) S.P.C.	BHD	300,000	51%
Brazil	Hempel Tintas do Brasil Ltda	BRL	31,211,487	100%
Canada	Hempel (Canada) Inc.	CAD	1,776,005	100%
Chile	Pinturas Hempel Chile SpA	CLP	1,651,829	100%
China	Hempel (China) Limited	HKD	106,000,000	100%
China	Hempel (China) Management Co., Ltd.	CNY	50,000,000	100%
China	Hempel (Kunshan) Coatings Ltd.	CNY	110,035,054	100%
China	Hempel (Yantai) Coatings Ltd.	CNY	42,656,510	100%
China	Hempel (Guangzhou) Coatings Ltd.	CNY	185,327,620	100%
China	Hempel Coatings (Zhangjiagang) Ltd.	USD	-	100%
Croatia	Hempel Coatings (Croatia) Ltd.	HRK	31,019,200	100%
Cyprus	Hempel Coatings (Cyprus) Limited	EUR	1,000.00	100%
Czech Republic	Hempel (Czech Republic) s.r.o.	CZK	30,000,000	100%
Denmark	HSA (Danmark) A/S	DKK	10,000,000	100%
Denmark	Hempel Decorative Paints A/S	DKK	1,000,000	100%
Denmark	Brifa Maling A/S	DKK	11,200,000	65%
Denmark	Hempel A/S	DKK	115,000,000	100%
Denmark	Brænderupvænge ApS	DKK	130,000	100%
Denmark	Keldskov ApS	DKK	175,000	100%
Denmark	Frontier Innovation ApS	DKK	1,490,135	100%
Denmark	S E Innovation ApS	DKK	2,235,200	100%
Ecuador	Hempel (Ecuador) S.A.	USD	100,000	100%
Egypt	Hempel Coatings Egypt LLC	EGP	3,000,000	100%
Egypt	Hempel Egypt L.L.C.	EGP	200,000	100%
Egypt	Hempel Paints Egypt LLC	EGP	250,000	99%
Finland	OY Hempel (Finland) AB	EUR	63,000	100%
France	Hempel (France) S.A.	EUR	1,220,000	100%
France	BB Participations SAS	EUR	4,000,000	65%
France	BB Fabrications SAS	EUR	1,000,000	65%
France	Bontemps-Bonnarme SAS	EUR	75,000	65%
France	L.A.R.Y Peintures SARL	EUR	8,000	65%
Germany	Hempel (Germany) GmbH	EUR	1,533,876	100%
Germany	Hempel Beteiligungsgesellschaft mbH	EUR	25,000	100%
Germany	J.W. Ostendorf GmbH & Co. KG	EUR	520,000	65%
Germany	Ostendorf-Beteiligungs-GmbH	EUR	32,000	65%
Germany	FLT Handel & Service GmbH	EUR	25,565	65%
Germany	Brand.IQ GmbH	EUR	500,000	65%
Germany	Ostendorf Frankreich Holding GmbH	EUR	25,000	65%
Germany	Rottkamp Immoblilien GmbH & Co. KG	EUR	2,500	65%
Germany	Rottkamp Immobilien Verwaltung GmbH	EUR	25,000	65%
Greece	Hempel Coatings (Hellas) S.A.	EUR	6,300,000	100%
India	Hempel Paints (India) Private Limited	INR	690,000,000	100%
Indonesia	P.T. Hempel Indonesia	IDR	830,000,000	100%
Iraq	Hempel (Iraq) Ltd	USD	8,300	31%
Ireland	Crown Paints Ireland Limited	EUR	127	100%
Italy	Hempel (Italy) S.r.l.	EUR	50,000	100%
Kenya	Hempel Paints Kenya Company Limited	KES	10,000,000	100%
Korea	Hempel Korea Co. Ltd.	KRW	1,450,000,000	100%
Kuwait	Hempel Paints (Kuwait) K.S.C.C.	KWD	600,000	51%
Malaysia	Hempel (Malaysia) Sdn. Bhd	MYR	5,000,000	100%
Malaysia	Hempel Manufacturing (Malaysia) Sdn. Bhd.	MYR	9,500,000	100%
Mexico	Pinturas Hempel de Mexico S.A. de C.V.	MXN	3,750,000	100%
Morocco	Hempel Maroc SARL	MAD	2,500,000	100%
New Zealand	Hempel (New Zealand) Ltd.	NZD	300,000	100%
Norway	Hempel (Norway) AS	NOK	5,081,427	100%
Oman	Hempel (Oman) L.L.C	OMR	500,000	25%
Peru	Hempel Pinturas Del Perú S.A.C.	PEN	4,900,000	100%
Poland	Hempel Paints (Poland) S.p. z o.o.	PLN	60,500,000	100%
Portugal	Hempel (Portugal) S.A.	EUR	1,246,995	100%
Qatar	Hempel Paints (Qatar) W.L.L.	QAR	4,000,000	28%
Russia	JSC Hempel	RUB	95,000	100%
Saudi Arabia	Hempel Paints (Saudi Arabia) W.L.L.	SAR	24,500,000	51%
Saudi Arabia	Painting Materials and Equipment Centre Co. LTD	SAR	1,000,000	26%
Singapore	Hempel (Singapore) Pte. Ltd.	SGD	2,700,000	100%
South Africa	Hempel Paints South Africa (Pty) Ltd.	ZAR	9,500,000	100%

Country	Name	Currency	Share capital	Ownership
Spain	Pinturas Hempel SAU	EUR	1,202,000	100%
Sweden	Hempel (Sweden) AB	SEK	2,500,000	100%
Switzerland	Hempel Schweiz AG	CHF	100,000	100%
Switzerland	J.W. Ostendorf (Schweiz) AG	CHF	100,000	65%
Syria	Hempel Paints (Syria) W.L.L.	SYP	121,600,000	49%
Taiwan	Hempel (Taiwan) Co., Ltd.	TWD	20,000,000	100%
Thailand	Hempel (Thailand) Ltd.	THB	3,000,000	100%
The Netherlands	Hempel (The Netherlands) B.V.	EUR	500,000	100%
The Netherlands	Hempel Industrial B.V.	EUR	306,450	100%
Turkey	Hempel Coatings San. ve Tic. Ltd. Sti.	TRY	2,789,300	100%
UK	Crown Brands Limited	GBP	1,000	100%
UK	Crown Paints Limited	GBP	1,000	100%
UK	Crown Paints Group Limited	GBP	100,000	100%
UK	Crown Paints Holdings Limited	GBP	100,000	100%
UK	Hempel Decorative Paints Limited	GBP	2,000	100%
UK	Hempel UK Ltd.	GBP	4,100,000	100%
UK	Reebor Limited	GBP	100	1%
UK	Ostendorf U.K. Ltd.	GBP	-	65%
Ukraine	Hempel Ukraine LLC	UAH	656,291	100%
United Arab Emirates	Hempel Paints (Abu Dhabi) L.L.C.	AED	150,000	39%
United Arab Emirates	Hempel Paints (Emirates) L.L.C.	AED	4,000,000	49%
USA	Hempel (USA), Inc.	USD	87,922,373	100%
USA	Jones-Blair Company, LLC	USD	-	100%
Vietnam	Hempel Vietnam Company Limited	VND	116,498,272,000	100%

Foreign branches

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

5.8 Financial definitions

Financial ratios have been calculated as follows:

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

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

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

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

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

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