

PPG Coatings Danmark A/S

Gladsaxevej 300

2860 Søborg

CVR No. 56841016

Annual Report 2016

76. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11 May 2017

Peter Flemming Sørensen
Chairman

Contents

Management's Statement	3
Independent Auditor's Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	8
Accounting Policies	9
Income Statement	13
Balance Sheet	14
Statement of changes in Equity	16
Notes	17

Management's Statement

Today, Management has considered and adopted the Annual Report of PPG Coatings Danmark A/S for the financial year 1 January 2016 - 31 December 2016.

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

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January 2016 - 31 December 2016.

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

Søborg, 11 May 2017

Executive Board

Peter Flemming Sørensen

Supervisory Board

Steven Pocock
Chairman

Pascal Tisseyre

Elmer Jon Abraham Bruijnooge

Peter Flemming Sørensen

Independent Auditor's Report

To the shareholders of PPG Coatings Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of PPG Coatings Danmark for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibility for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

Independent Auditor's Report

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- * Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 11 May 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no. 33771231

Martin Lunden
State Authorised Public Accountant

Henrik Y. Jensen
State Authorised Public Accountant

PPG Coatings Danmark A/S

Company details

Company	PPG Coatings Danmark A/S Gladsaxevej 300 2860 Søborg
CVR No.	56841016
Date of formation	7 November 1942
Registered office	Gladsaxe
Financial year	1 January 2016 - 31 December 2016
Supervisory Board	Steven Pocock, Chairman Pascal Tisseyre Elmer Jon Abraham Bruijnooge Peter Flemming Sørensen
Executive Board	Peter Flemming Sørensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231
Attorneys	Bech-Bruun Advokatpartnerselskab
Bank	Danske Bank A/S BNP Paribas Fortis

Management's Review

The Company's principal activities

PPG Coatings Danmark A/S is wholly owned by PPG Industries with head office in Pittsburgh, USA.

The Company's principal activities consist in sale of paint, wood preservative coating and special-purpose products to distributors. The products are purchase internally in the PPG Group and from external suppliers. The distribution takes place via Sigma distributors in Denmark and Sweden. It is PPG Coatings' objective to deliver quality products, and on a current basis PPG develops technologies that provide further advantages to the customers.

Uncertainty relating to recognition or measurement

There is no material uncertainty regarding recognition or measurement.

Exceptional circumstances

No exceptional circumstances have affected recognition or measurement.

Development in activities and financial matters

The Company's Income Statement of the financial year 01-01-2016 - 31-12-2016 shows a result of DKK 12.634.972 and the Balance Sheet at 31-12-2016 a balance sheet total of DKK 82.506.917 and an equity of DKK 64.313.036.

Expectations for the future

The company expects its operating profit to be between million DKK 14 and million DKK 16 for 2017

Intellectual capital resources

The existing and future employees in PPG Coatings Danmark A/S are a key asset to the Company's operations. It will therefore be pivotal that our employees have the right competences to be able also to tackle future challenges. PPG directs targeted worldwide efforts at developing its employees to meet future requirements, and PPG Coatings Danmark A/S is comprised by this program. It is the management's assessment that PPG Coatings Danmark A/S has the right competences to develop its business positively going forward.

Environmental issues

PPG Coatings Danmark A/S directs targeted efforts at minimizing its environmental impact, both when it comes to products and the external environment impact. The parent company PPG Industries has its own environmental management system which PPG Coatings Danmark A/S has committed to implementing. PPG pursues objectives of ensuring no waste to the external environment and no occupational accidents in all group enterprises world-wide.

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

The result is higher than expected mainly due to higher gross profit than expected.

Key Figures and Financial Ratios

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

Numbers appear in thousands

	2016	2015	2014	2013	2012
Operating profit/loss	16.634	18.945	6.245	-1.546	4.939
Net financial income and expenses	-189	-301	-274	339	149
Profit/loss for the year	12.635	15.338	3.832	-1.019	4.284
Investment in property, plant and equipment	434	181	431	320	1.655
Total assets	82.507	107.232	76.800	88.148	85.450
Total equity	64.313	51.678	36.340	32.509	48.529
Return on equity (ROE) (%)	19,65	34,85	11,13	-2,51	9,24
Return on capital employed (%)	20,22	20,58	7,58	-1,78	6,50
Solvency ratio (%)	77,95	48,19	47,32	36,88	56,79
Avg. number of full-time employees	43	46	45	42	47

For definitions of key ratios, see Accounting and Valuation Principles. Comparison figures have been changed in connection to the merger in 2015.

Accounting Policies

Reporting Class

The Annual Report of PPG Coatings Danmark A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

According to section 86(4) of the Danish Financial Statement Act, no consolidated statement or cash flow statement have been prepared. The financial statements of PPG Coatings Danmark A/S are included in the consolidated financial statements of PPG Industries Inc., Pittsburgh, PA 1522, USA.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

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

General Information

Basis of recognition and measurement

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

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

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

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

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

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

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Accounting Policies

Revenue

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

Raw materials and consumables

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

Other external expenses

Other external expenses comprise expenses regarding sale and administration.

Employee benefits expense

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

Amortisation and impairment of tangible and intangible assets

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

	Useful life
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Goodwill	6 years
Leasehold improvements	5-10 years

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

Financial income and expenses

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

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity. The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance Sheet

Intangible assets

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

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

Accounting Policies

Tangible assets

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

Inventories

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

Receivables

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

Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

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

Provisions

Deferred tax

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

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

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

Other provisions

Provisions are recognised when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

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

Current tax liabilities

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

Dividends for the financial year

Proposed dividends for the fiscal year are recognised as a liability.

Accruals and deferred income

Accruals and deferred income entered as liabilities consist of payments received regarding income in the subsequent financial years.

Accounting Policies

Contingent assets and liabilities

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

Explanation of financial ratios

$$\text{Return on equity (\%)} = \frac{\text{Profit/loss for the year X 100}}{\text{Avg. equity}}$$

$$\text{Return on capital employed (\%)} = \frac{(\text{Operating profit} + \text{Financial income}) \text{ X 100}}{\text{Avg. assets}}$$

$$\text{Solvency ratio (\%)} = \frac{\text{Equity X 100}}{\text{Assets}}$$

Income Statement

	Note	2016 kr.	2015 kr.
Gross profit		40.070.935	44.838.908
Employee benefits expense	1	-22.741.168	-25.085.755
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-695.309	-808.270
Profit from ordinary operating activities		16.634.458	18.944.883
Other finance income	2	221.192	72.356
Finance expences	3	-410.440	-373.291
Profit from ordinary activities before tax		16.445.210	18.643.948
Tax expense on ordinary activities	4	-3.810.238	-3.305.937
Profit		12.634.972	15.338.011
Distribution of profit	5		

Balance Sheet as of 31. December

	Note	2016 kr.	2015 kr.
Assets			
Goodwill	6	383.332	483.332
Intangible assets		383.332	483.332
Plant and machinery	7	260.307	190.447
Fixtures, fittings, tools and equipment	8	718.600	864.898
Leasehold improvements	9	63.284	148.015
Property, plant and equipment		1.042.191	1.203.360
Fixed assets		1.425.523	1.686.692
Manufactured goods and goods for resale		6.085.270	5.350.541
Inventories		6.085.270	5.350.541
Short-term trade receivables		10.750.927	17.539.291
Short-term receivables from group enterprises		57.222.645	65.137.739
Current deferred tax	10	618.479	621.301
Short-term tax receivables		4.215.539	0
Other short-term receivables		1.155.079	1.702.407
Deferred income	11	79.942	144.563
Receivables		74.042.611	85.145.301
Cash and cash equivalents		953.513	15.049.062
Current assets		81.081.394	105.544.904
Assets		82.506.917	107.231.596

Balance Sheet as of 31. December

	Note	2016 kr.	2015 kr.
Liabilities and equity			
Contributed capital		2.000.000	2.000.000
Retained earnings		62.313.036	49.678.064
Equity		64.313.036	51.678.064
Other provisions	12	1.115.830	1.115.830
Provisions		1.115.830	1.115.830
Debt to banks		0	33.721.198
Trade payables		2.143.292	1.927.705
Payables to group enterprises		7.889.502	4.155.969
Tax payables		736.758	7.342.035
Other payables		6.308.499	7.290.796
Short-term liabilities other than provisions		17.078.051	54.437.703
Liabilities other than provisions within the business		17.078.051	54.437.703
Liabilities and equity		82.506.917	107.231.597
Contingent liabilities	13		
Related parties	14		

PPG Coatings Danmark A/S

Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 January 2016	2.000.000	49.678.064	51.678.064
Adjusted equity 1 January 2016	2.000.000	49.678.064	51.678.064
Profit (loss)	<u>0</u>	<u>12.634.972</u>	<u>12.634.972</u>
Equity 31 December 2016	<u>2.000.000</u>	<u>62.313.036</u>	<u>64.313.036</u>

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

Notes

	2016	2015
1. Employee benefits expense		
Wages and salaries	20.102.394	22.172.788
Post-employment benefit expense	2.108.502	2.123.761
Social security contributions	226.900	262.348
Other employee expense	303.372	526.858
	22.741.168	25.085.755
Average number of employees	43	46
Remuneration to the Executive Board has not been disclosed in accordance with the section 98 B(3) of the Danish Financial Statements Act.		
2. Finance income		
Finance income from group enterprises	33.540	302
Other finance income	187.652	72.054
	221.192	72.356
3. Finance expenses		
Other finance expenses	410.440	373.291
	410.440	373.291
4. Tax expense		
Current period ordinary corporation tax	3.682.382	3.924.403
Adjustment prior years tax	125.034	-460.212
Ordinary deferred income taxes	2.822	-158.254
	3.810.238	3.305.937
5. Distribution of profit		
Transferred to retained earning	12.634.972	15.338.012
	12.634.972	15.338.012
6. Goodwill		
Cost at the beginning of the year	600.000	600.000
Cost at the end of the year	600.000	600.000
Depreciation and amortisation at the beginning of the year	-116.668	0
Amortisation for the year	-100.000	-116.668
Impairment losses and amortisation at the end of the year	-216.668	-116.668
Carrying amount at the end of the year	383.332	483.332

Notes

	2016	2015
7. Plant and machinery		
Cost at the beginning of the year	3.163.316	3.163.316
Addition during the year	162.971	0
Cost at the end of the year	3.326.287	3.163.316
Depreciation and amortisation at the beginning of the year	-2.972.869	-2.857.507
Amortisation for the year	-93.111	-115.362
Impairment losses and amortisation at the end of the year	-3.065.980	-2.972.869
Carrying amount at the end of the year	260.307	190.447
8. Fixtures, fittings, tools and equipment		
Cost at the beginning of the year	11.411.177	11.230.230
Addition during the year	271.168	180.947
Cost at the end of the year	11.682.345	11.411.177
Depreciation and amortisation at the beginning of the year	-10.546.279	-10.054.770
Depreciations for the year	-417.466	-491.509
Impairment losses and amortisation at the end of the year	-10.963.745	-10.546.279
Carrying amount at the end of the year	718.600	864.898
9. Leasehold improvements		
Cost at the beginning of the year	423.658	423.658
Cost at the end of the year	423.658	423.658
Depreciation at the beginning of the year	-275.643	-190.911
Depreciation for the year	-84.731	-84.732
Impairment losses and amortisation at the end of the year	-360.374	-275.643
Carrying amount at the end of the year	63.284	148.015
10. Current deferred tax		
Intangible assets	8.904	12.047
Property, plant and equipment	-317.899	-387.564
Provisions	-309.484	-245.784
Balance at the end of the year	-618.479	-621.301

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

Notes

	2016	2015
11. Deferred income		
Prepaid Insurance	49.481	0
Prepaid rents	0	104.863
Prepaid other general expenses	30.461	39.700
Balance at the end of the year	79.942	144.563
12. Other provisions		
Provision for claims	1.115.830	1.115.830
Balance at the end of the year	1.115.830	1.115.830

13. Contingent liabilities

The company has lease agreements less than one year of T.DKK 2.208 and between one and five years of T.DKK 1.419 (2015, T.DKK 1.433).

Rent payments concerning contracts which are interminable T.DKK 972 (2015, TDKK 1.043).

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

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

14. Related parties

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

PPG BV., Amsterdamseweg 14, NL-1422 AA Uithorn, NL.

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

Group annual report can be retrieved at the following address:

PPG Industries Inc.,
Pittsburgh, PA 1522
USA

The following are related parties based on their status as boardmembers:

Chairman, Steven Pocock, 2 The Orchards, Emerson Green Lane, Emmerson Green, Bristol BS16 7 AB, England
Pascal Tisseyre, 73 rue Michel Ange, 75016 Paris, France
Elmer Jon Abraham Bruijnooge, Tweede Jan Steenstraat 100-3, 1074CS Amsterdam, Holland
Peter Flemming Sørensen, Nørrevej 37, 3070 Snekkersten, Denmark

All transactions with related parties have been conducted on arms length principles.