Annual Report 2015

Tom Froberg
31 marts
Hempel AS
Lundtoftegårdsvej 91,
CVR no. 59946013

The company	Hempel A/S Lundtoftegårdsvej 91 DK-2800 Kgs. Lyngby Denmark Tel: +45 4593 3800 Fax: +45 4588 5518 hempel.com CVR no. 59946013 Financial year: 1 January - 31 December
Board of Directors	Richard R. Sand, Chairman Lars Aaen, Deputy Chairman Peder Holk Nielsen Ulf Lennart Holm Anders Pettersson Leif Jensen Helle Fiedler, elected by the employees Henrik Bach Falkenberg, elected by the employees Kim Scheibel, elected by the employees
Executive Board	Pierre-Yves Jullien, Group President and CEO Lars Johan Petersson, Group Executive Vice President & COO Henrik Andersen, Group Executive Vice President
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup Denmark
Bankers	Nordea Bank HSBC Group SEB (Skandinaviska Enskilda Banken) BNP Paribas

The Royal Danish Opera House in Copenhagen was a fitting location for our centenary celebrations. Our coatings protect the steel structure of this magnificent building from the corrosive forces of nature.

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HEMPEL


Celebrating 100 years

Ready-mixed marine paints were virtually unheard of in 1915. On 4 July that year, J.C. Hempel erected a sign saying *J.C. Hempel, Import-Export* in Havnegade in Copenhagen. He was just 21 years of age at the time, but his plan to sell ready-mixed paints to the ships that plied their trade in and around Copenhagen would go on to revolutionise the marine coatings industry, and formed the foundations of our modern global company.

We celebrated our centenary in July 2015. Across the globe, employees and good friends came together to celebrate our long and fascinating history, and honour the employees whose dedication throughout the decades has helped make Hempel what it is today.

To read the full story of Hempel's history, please visit our legacy site at **hempel100.com**

Key figures

Key figures in EUR million

	2015	2014	2013 [1]	2012	2011
Profit					
Revenue	1,563	1,298	1,239	1,242	1,077
EBITDA	220	166	165	126	105
Amortisation, depreciation and impairment	62	37	40	43	34
Operating profit	158	129	125	83	72
Share of net profits of associates	2	2	2	3	2
Net financials	-22	-17	-19	-21	-13
Profit before tax	138	114	108	65	61
Profit after tax	108	82	78	46	43
Net profit for the year	96	71	65	35	35
Balance					
Balance sheet total	1,377	1,162	1,056	1,067	1,064
Equity	488	421	377	356	327
Cash flows					
Cash flow from:					
Operating activities	145	100	146	128	63
Investing activities	-187	-35	-44	-36	-192
– including net investments in property, plant and equipment and intangible assets	-47	-23	-45	-28	-32
Financing activities	5	-91	-59	-63	127
Change in cash and cash equivalents	-37	-26	43	29	-2
Employees					
Average number of employees	5,661	5,134	5,029	4,977	4,468
Ratios (%)					
Gross margin	42	41	41	37	34
EBITDA margin	14	13	13	10	10
Profit margin	10	10	10	7	7
Return on assets	12	12	12	8	8
Solvency ratio	35	36	36	33	31
Return on equity	21	18	18	10	11

1) Comparative figures have been restated according to the changed accounting policies in 2013 only.
For definitions, see page 86.

About Hempel

From bridges and boats to power stations and landmark buildings, our coatings can be found around the globe, helping make our world safer, stronger, more beautiful and longer lasting.

We have been producing protective coatings since 1915. Today, we are a world-leading supplier of trusted solutions to the protective, marine, decorative, container and yacht markets. Our coatings extend product lifecycles, reduce maintenance costs and bring colour to our homes and places of work.

We see ourselves as guardians of our customers' most valuable assets. On every project, we are there every step of the way to advise, support and provide the products that our customers depend on. It's why we exist and why we're the partner of choice for customers in over 80 countries worldwide.

We are committed to conducting business in a socially responsible manner. Our coating solutions ensure that homes and industrial structures and equipment remain safe and corrosion-free for longer, which helps reduce their overall environmental impact. But we believe a coating should do more, so we constantly strive to develop coating solutions that improve our customers' environmental performance and add real value to their businesses.

Our fouling control systems for ships' hulls, for example, reduce vessel fuel consumption and CO_2 emissions; we produce anti-mould and anti-bacterial coatings that improve hygiene in homes, schools and hospitals; and our fast-curing low-VOC protective coatings help line manufacturers increase efficiency and reduce emissions.

Employing more than 5,500 people, we have 27 factories, 15 R&D centres and more than 150 stock points around the globe. We own recognised brands, such as Crown Paints, Versiline and Neogard, and wherever we work, we make sure our customers always have access to high-quality products and great service.

Learn more about Hempel at **hempel.com**

The Hempel Foundation

Our founder, J.C. Hempel, believed that a company has a responsibility to its staff, the environment and society in general. In line with this belief, he created the Hempel Foundation in 1948 and transferred all his shares to it, essentially putting ownership of the company into the hands of its employees.

The Hempel Foundation remains the sole shareholder of the Hempel Group today. Its main objectives are to provide a sound economic base for the continued operations of the Hempel Group and to ensure our work contributes to development around the world. To this end, the Foundation supports educational projects around the globe, focusing on the education of children in need and research into environmentally sustainable technologies within the coatings industry.

Read more about the Hempel Foundation and its work at **hempelfoundation.com**


HEMPEL
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CEO statement

A landmark year

In the lifetime of a company, there are very few years that can be described as landmarks. For Hempel, 2015 truly was a landmark year. We delivered record turnover and record earnings. We welcomed new colleagues from Jones-Blair Company in the US. We launched our new brand identity and logo. We finalised our new *Journey to Excellence* strategy. And, of course, we celebrated our 100th anniversary.

100 years of quality and service

When Jørgen Christian Hempel began selling ready-mixed paints on the quayside in Copenhagen in 1915, he had no idea that the company he founded would still be around 100 years later. But the company is still here today, and stronger than ever. Many companies can claim the same longevity, but few are still owned by a Foundation their founder created.

J.C. Hempel was a visionary business leader, but his guiding principles were simple. These are perhaps best expressed through three of J.C. Hempel's favourite sayings: 'Quality & Service', 'Our employees are our most valuable assets', and 'It is the will to want that creates the skill to do'. I am proud that the principles behind these sayings remain at the heart of our company today.

Sound growth above the market

We delivered top-line growth of 20 per cent in 2015, and our overall performance was above our expectations. This was influenced by a favourable rate of exchange and includes the impact of the acquisition of Jones-Blair. However, net organic growth was still 6 per cent, which was higher than both our targets and the market.

At the same time, the Group delivered EBITDA of EUR 220 million, 33 per cent higher than 2014 and our third record EBITDA level in a row. While EBITDA was boosted by favourable raw material prices, the continued strong performance shows that our twin focus – on delivering high-value products and driving internal efficiency – is working.

Continuing to invest in the future

In March 2015, we concluded our acquisition of Jones-Blair, a strong coatings company based in Dallas, US, that will complement our existing US organisation in Houston extremely well. The Jones-Blair team brings new technology and skills to the whole Hempel Group and we are already working to ensure that both Jones-Blair and Hempel reap the benefits of the acquisition. I would like to thank all the employees at Jones-Blair for their positive attitude from the first day, as well as the whole team in the US, who have worked tirelessly to make the integration a success.

We continued our internal investments in 2015. We completed our new factory in Russia and expanded our production facility in Malaysia as planned. In addition, we finalised plans for a new factory that will help us meet increasing demand in Vietnam, and made the decision to build a new factory in Oman that will bring us closer to customers. A new production facility in Kuwait is also on the way, with higher capacity.

Much of our success in recent years has been down to our ability to deliver high-performance products that both add real value to our customers' businesses and improve their environmental performance. This requires truly understanding the nature of our customers' businesses and the challenges that they face, so we strengthened our network of R&D centres in 2015. We opened new centres in China and Russia and, with the Jones-Blair technical centre in Dallas, we now have 15 R&D centres across the globe.

Hempel's performance in 2015

The Hempel Group performed strongly in 2015. In Marine, we delivered double-digit growth despite the weak newbuilding market, with China and Europe performing particularly well. In Protective, both China and the US achieved double-digit organic growth, even when we remove the effect of the Jones-Blair acquisition. In Decorative, we felt pressure in some markets, but adapted quickly and were still able to deliver strong earnings.

It is also important to note that every Hempel region increased EBITDA compared to the previous year – and every region played a role in our successful year.

A successful end to *One Hempel – One Ambition*

2015 marked the end of our highly successful *One Hempel – One Ambition* growth strategy, which began in 2010. Even though the world did not develop as we expected when planning the strategy five years ago, we still managed to achieve the vast majority of our objectives.

Over the strategy period, we grew sales by 76 per cent and EBITDA by 90 per cent. We created a solid foundation for our Decorative business with the acquisition of Crown Paints, and we strengthened our Protective segment with the acquisitions of Blome International Inc., Schaepman and Jones-Blair. We opened a new factory in Russia, and we increased our investment in R&D and marketing. We strengthened our cash position through a new EUR 500 million club deal with our key financial partners and the high dividends that we paid to our shareholder, the Hempel Foundation.

In these uncertain economic times, we are convinced that the winner will be the company that is the most efficient in every aspect of its business. This will allow it to keep investing – in R&D, in new products and better service, and in talented people – even during stormy weather. This is our goal now, and what our new five-year *Journey to Excellence* strategy is all about.

The future

2016 could be a challenging year. In this respect, it will be neither the first nor the last. To succeed, we know that we must stick to our planned investments. At the same time, we must be ready to adjust to new challenges and changes in the market as they arise. I believe this combination of steadiness and urgency is now in our company DNA, and it will enable us to get the best of what the market has to offer, without compromising our long-term ambitions.

Many thanks

I would like to extend my warmest thanks to all our customers, business partners and other stakeholders. Our success is due to you, and we will do all we can to keep your trust and confidence. I would also like to thank the Board of Directors of Hempel A/S and the Board of the Hempel Foundation for their continued support.

Finally, when signing my final Annual Report of Hempel A/S, I would like to say a special thank you to all the Hempel people I have had the privilege of working with during my 40 years with the company. You have made my working journey a fantastic one. You can be very proud of what you have achieved and I know that if you keep the ‘Hempel spirit’, you will go from success to success, so please make sure not to lose it.

I wish everyone all the best for a bright future, and especially Henrik Andersen, our new Group President and CEO, who has a great company in his hands.

Pierre-Yves Jullien
Group President and CEO

Management's statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Hempel A/S for the financial year 1 January – 31 December 2015.

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

In our opinion, the parent company's financial statements and the consolidated financial statements give a true and fair view of the assets, liabilities and financial position at 31 December 2015 of the parent company and the Group and of the results of the parent company's and the Group's operations and the consolidated cash flows for 2015.

In our opinion, the management's review includes a true and fair account of the development of the Group and the parent company's operations and financial affairs, the profit for the year and the Group's and the parent company's financial position together with a description of the principal risks and uncertainties that the Group and the parent company face.

The Annual Report has been submitted for adoption at the Annual General Meeting.

Kgs. Lyngby, 29 March 2016.

Executive Board

Pierre-Yves Jullien
Group President and CEO

Lars Johan Petersson
Group Executive Vice President & COO

Henrik Andersen
Group Executive Vice President

Board of Directors

Richard R. Sand
Chairman

Lars Aaen
Deputy Chairman

Peder Holk Nielsen

Ulf Lennart Holm

Anders Pettersson

Leif Jensen

Helle Fiedler
Elected by the employees

Henrik Bach Falkenberg
Elected by the employees

Kim Scheibel
Elected by the employees

Board of Directors

Peder Holk Nielsen
Richard R. Sand
Lars Aaen
Helle Fiedler
Anders Pettersson
Leif Jensen
Henrik Bach Falkenberg
Ulf Lennart Holm
Kim Scheibel

Independent auditor's report

To the shareholder of Hempel A/S

Report on consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Hempel A/S for the financial year 1 January to 31 December 2015, which comprise the income statement, balance sheet, statement of changes in equity and notes including accounting policies for both the Group and the parent company, as well as the consolidated cash flow statements. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of consolidated financial statements and parent company financial statements

that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

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 company at 31 December 2015 and of the results of the Group's and company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on management's review
We have read the management review, pages 7-11 and 17-49, in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the consolidated financial statements and the parent company financial statements. On this basis, in our opinion, the information provided in the management review is consistent with the consolidated financial statements and the parent company financial statements.

Kgs. Lyngby, 29 March 2016.

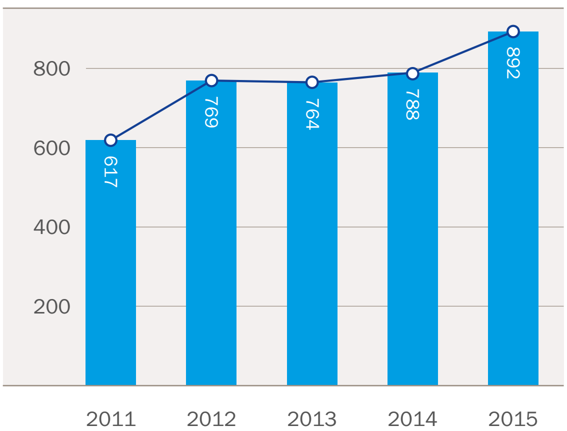
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Lars Baungaard
State Authorised Public Accountant

Mads Melgaard
State Authorised Public Accountant

EMEA

Revenue (EUR million)



EMEA
Expanding our product range to better serve customers

Across the EMEA region, our products beautify homes, keep ships and yachts sailing smoothly, combat corrosion and help our customers achieve long-term cost savings.

Wherever we work, our goal is always to provide best-in-class technical support, expert advice and products our customers can depend on.

Business highlights

In EMEA, we are present in the decorative, protective, marine and yacht markets. In 2015, we continued to work on increasing brand awareness throughout the EMEA region, and ran a number of brand awareness campaigns in specific markets. In addition, we continued to develop stronger relationships with customers in order to ensure we fully understand their challenges, as this will enable us to better address their specific needs with specialist products and advice.

At the end of 2014, we acquired Schaepman's Lakfabrieken B.V, a Netherlands-based specialist coatings manufacturer with proven expertise in protective and industrial coatings. Schaepman's good performance continued in 2015, and we are now in the process of bringing the benefits of Schaepman's concepts and technology to customers in markets outside of the Netherlands. In addition, we acquired our South African toll manufacturer, The Coatings Manufacturing Company, in February 2015.

In the UK, our consumer sales are mainly through large DIY stores, while sales to contractors are through trade merchants and our own network of over 100 Crown Decorating Centres. In 2015, we finalised a distribution agreement with Wilko, a family-run retailer that serves over four million customers a week through a network of 380 stores.

Key products

In 2015, we continued to work on completing our comprehensive coatings assortment. In the Decorative segment in the Middle East, this included launching Strata, a new range of 18 high-performance multi-layer flooring coatings for concrete floors that have been designed to

reduce the need for cyclical maintenance. Coupled with our existing Protective and Decorative coatings portfolio, Strata means we can now coat every area of a building from the floor to the roof.

In the UK, we launched Fastflow, a new quick-drying gloss system including both a primer and topcoat for interior and exterior surfaces. The only waterborne gloss system on the market to perform as well as or better than solvent-borne glosses in terms of application and appearance, Fastflow is an environmentally friendly alternative to solvent-borne glosses that improves the working environment for applicators and it has been extremely well received by professional decorators.

In the Marine segment, many vessel owners and operators are looking to improve fuel efficiency in order to drive long-term cost reductions. Our fuel-saving hull coatings package is the most comprehensive on the market, and we also offer a number of other cost-saving coatings. A cargo hold coating for bulk carriers launched in 2014, Hempadur Impact protects ship cargo holds from both mechanical damage and the severe abrasion caused by loading hard, angular cargoes. With a short drying time and a seven-and-a-half year major repair interval, the product ensures vessels spend less time in drydock and significantly reduces maintenance requirements.

Yacht remains an important market for us and we are continuing to develop advanced products for this segment. In addition, we are preparing for the new European Biocidal Product Regulation. This will involve a significant investment in documentation and registration fees and will influence future consumer pricing.

Avantguard® awarded product innovation of the year

Our Hempadur Avantguard range of products won the *2014 European Frost & Sullivan Award for New Product Innovation*. The products deliver excellent anti-corrosive performance, cracking robustness at high film build and fast-curing properties. Presented on 14 May 2015, the award recognises that the products are redefining what to expect from a zinc-rich epoxy coating.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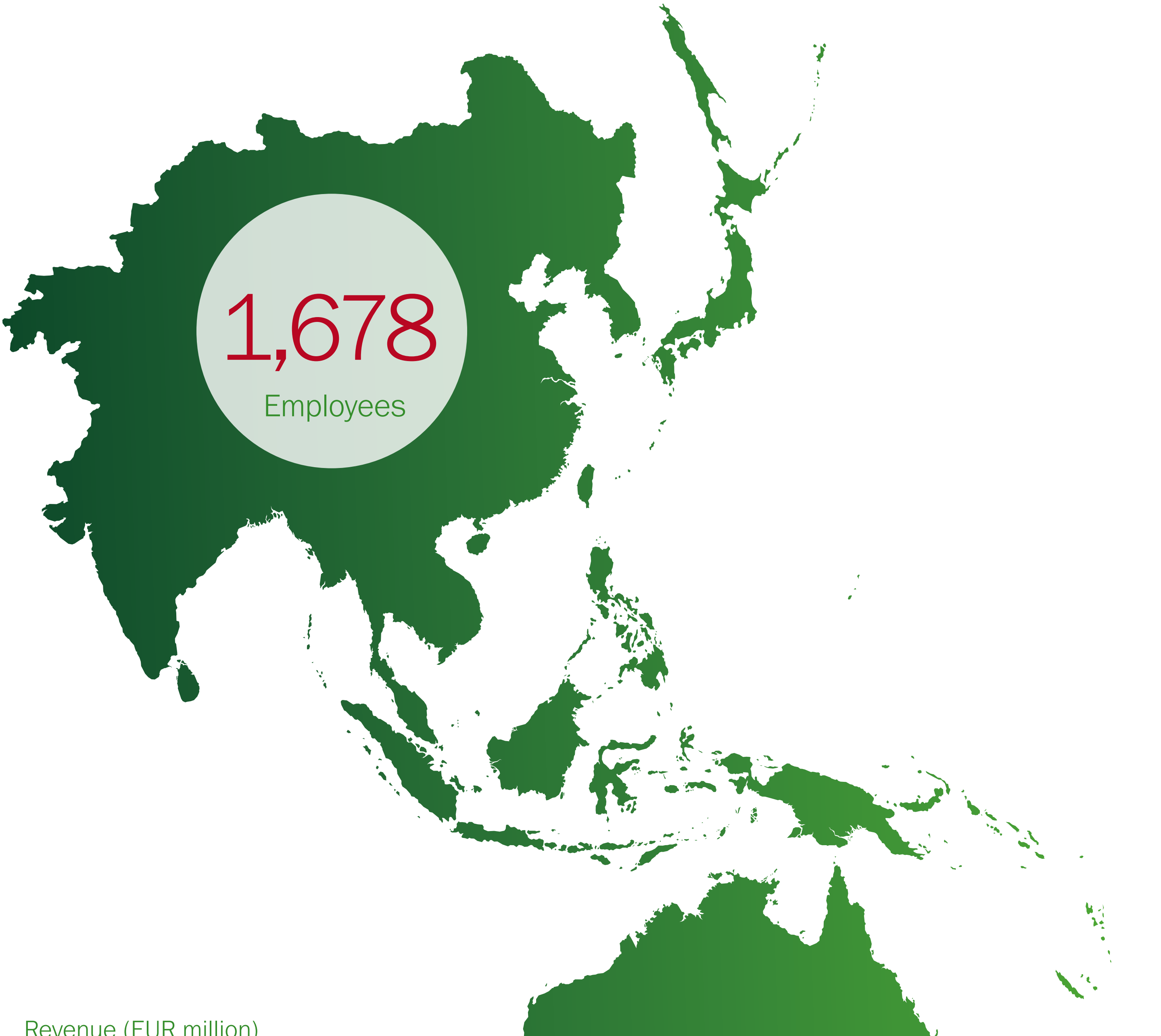
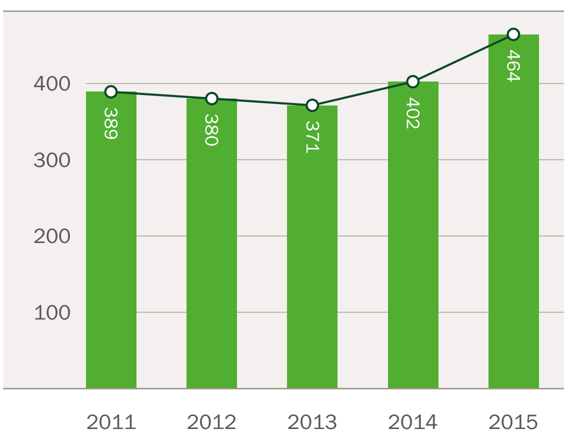
Asia-Pacific



Revenue (EUR million)



Asia-Pacific
Working closely with customers to develop value-adding solutions

We support companies across the Asia-Pacific with advice, technical services and value-adding products.

Business highlights

In Asia-Pacific, we are present in the protective, marine and container markets, as well as the decorative market in China. In 2015, we continued to expand our product range to ensure we can provide a full assortment of products, from high-performance anti-corrosive coatings to specialist solutions. At the same time, there is a push towards more environmentally friendly solutions in the Asia-Pacific region and we increased our focus on low-VOC products.

In the Marine segment, a key part of our work is to provide our customers with coatings that deliver documented savings. As part of this work, we signed a cooperation agreement at the Marintec China 2015 trade fair with DNV GL that will help us bring customers clear, comprehensible and verifiable analytics regarding hull and propeller performance. With the data, we will be able to precisely match hull performance specifications to individual needs, trade routes, drydock intervals and technical service. This will enable us to specify hull coatings that can deliver even greater fuel efficiency and better environmental performance.

Throughout Asia-Pacific, the majority of our sales are direct to customers. However, distributors remain an important channel for customers in locations where we do not have a significant footprint. One of our key differentiators is a high level of customer service that adds real value, so we continued to work closely with our distributors to ensure they meet our high customer service expectations.

Key products

Launched in 2014, our advanced Hempadur Avantguard range of activated zinc epoxy primers has proven to deliver significantly better anti-corrosive protection than traditional zinc epoxy primers. As a result, customers can expect extended maintenance intervals in challenging C4 and C5

conditions, which makes Avantguard the ideal choice for tough environments where long durability is essential. The range has been well accepted by customers globally and is now being used in a number of industries, from oil and gas to power and port machinery. In 2015, we launched a customised Avantguard product for the Chinese market, which will supplement our product range in the country.

In the Marine segment, we launched Hempadur Easy, a durable epoxy primer that was developed in response to customer demands for a reliable, user-friendly and flexible coating for use in drydock under all climatic conditions. Hempadur Easy can be used on almost all vessel surfaces. It requires minimal surface preparation and offers fast drying and re-coating times, which enables customers to reduce costs by spending less time in drydock.

In addition, we extended our Hempadur Quattro XO range of ballast tank coatings to include a number of specific versions developed to suit different yard working methods and VOC requirements. Hempadur Quattro XO products are IMO PSPC (Performance Standard for Protective Coatings) approved for water ballast tanks and COT (crude oil tanker) approved, and they offer extended over-coating windows and optimised workability for greater shipyard efficiency.

In the Decorative segment, we launched a locally adapted version of Contex Thermoguard in China called Heat Reflection Exterior Coating. The coating reflects solar energy in the infrared spectrum and, when painted on a building's exterior, it enables the structure to stay cooler for longer. Contex Thermoguard has been available in the Middle East for a number of years, where it has proven to reduce air conditioning costs by an average of 5 per cent.

In the Container segment, an increasing number of producers are shifting to waterborne systems in order to reduce VOC emissions. As a result, we expect our fully waterborne system for containers, Ecoboxcoat, to gain further ground among manufacturers, owners and leasing companies in the future.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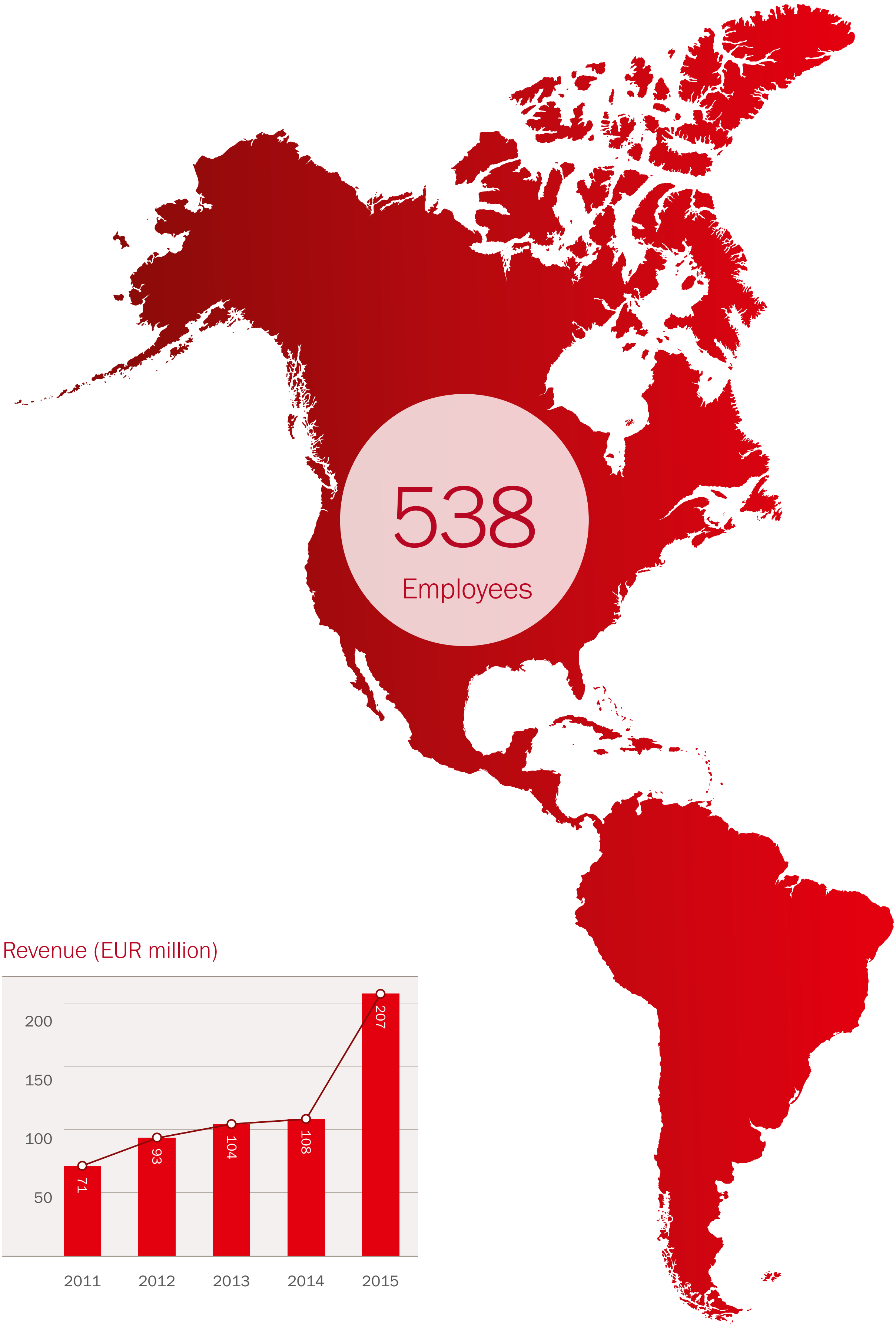
Americas



Revenue (EUR million)

Americas
Helping customers reduce costs with advanced coating solutions

We offer a comprehensive product assortment in the Americas, including advanced products that help customers reduce maintenance requirements in challenging environments.

Business highlights

We are present in the protective, marine and container markets in the Americas. In 2015, we acquired Jones-Blair, a leading North American supplier to the protective and waterproofing markets with a complementary set of skills, products and customers. By the end of the year, we had already seen significant organisational synergies from the acquisition. In addition, the Jones-Blair product range broadens our product portfolio, and we expect to realise significant commercial synergies from the acquisition over the coming years.

As part of the acquisition, we obtained a new factory in the US, and we now have three factories in the Americas: two in Texas, US, and one in Argentina. In 2015, we focused on creating synergies between our factories in Texas to help drive efficiency and improve delivery times for customers.

The first major reefer container production facility in the Americas opened in Chile in 2015 – and we entered this market using our well-known container assortment and our extensive experience in container coatings.

Key products

Our Protective assortment was bolstered in 2015 by the addition of Jones-Blair products, including the Neogard range of vehicular and pedestrian traffic coatings, protective roof coatings, seamless flooring coatings and elastomeric wall coatings. With the addition of these products to our assortment, we can offer customers an even broader selection of high-performance and specialist coatings.

Our Versiline range includes high-performance coatings that are engineered to protect customers' assets in the

extremely high temperatures and chemically aggressive environments found in many process industries. The Versiline range has been available in the US for many years, and it was launched globally towards the end of 2013. In addition, we have adapted Versiline technology for different applications, including a range of railcar linings that offer superior protection for rail tank cars carrying harsh and chemically aggressive cargoes.

In the Marine segment, our award-winning range of fuel-saving hull coatings enables vessel owners and operators to improve both fuel efficiency and environmental performance. Our industry-leading fouling defence coating Hempaguard®, for example, reduces vessel fuel consumption and associated CO_2 emissions by an average of 6 per cent, and it passed 500 full ship applications globally in 2015.

Avantguard wins prestigious NACE Award

Our Hempadur Avantguard range of zinc epoxies was named *Materials Performance Corrosion Innovation of the Year* at the highly regarded NACE Corrosion 2015 Conference and Exhibition in March. Our patented Avantguard technology has already been widely accepted by customers around the world and the NACE award is recognition of the products' enhanced capabilities in comparison to traditional zinc epoxy primers.

Spotlight on our work

Around the world, we add value to our customers' businesses by supplying products and expert advice that they can depend on. Here are some examples of our work in 2015.

Protective: The Jia Hu Wan power plant
In order to improve asset lifecycles and reduce maintenance costs, the Guangdong Baolihua Group pays close attention to the quality of its anti-corrosive coatings. When constructing its Jia Hu Wan power plant in China, the company needed a coating that was robust enough to provide long-lasting protection for all structures. In addition, the company wanted to improve application quality as this would help reduce long-term maintenance costs.

We recommended a coating system based on our award-winning Avantguard technology, which improves the primer's anti-corrosive performance and mechanical strength. In addition, compared to most other zinc epoxies, Hempadur Avantguard primers can tolerate excessive film thickness without cracking, which makes application easier.

The first stage of the project will be completed in 2017. We are providing technical service at the steel yards and onsite, and will continue to monitor the coating system to ensure long-term high performance.

Decorative: The Farwaniya Hospital
The Farwaniya Hospital is the main public hospital in the Al Farwaniyah Governorate of Kuwait, and it is being expanded to improve service levels. The EUR 780 million project began in 2015 and comprises three new buildings: a multi-purpose hospital building with 955 beds, a physical therapy and dermatology clinic, and a dental clinic and teaching facility. Our coatings will be used to protect and beautify all three new buildings both inside and out, and the specifications include a number of advanced coatings that are ideal for projects of this type.

Hospitals require anti-bacterial coatings to reduce the risk of cross-infection, so the interiors of the Farwaniya Hospital will use anti-bacterial coatings from our Topaz Zero range. For the exteriors, we specified Contex EM, a coating developed specifically for civil infrastructure that will protect the buildings from the harsh Middle Eastern climate. Our coatings are even being used on the hospital car parks, where two products from our Strata range will protect the floors from wear and tear.

Marine: Euronav chooses Hempaguard

When fouling organisms, such as barnacles and biological slime, attach to a vessel's hull, the extra drag they create means more fuel is needed to move the ship – which significantly increases the vessel's fuel consumption and associated CO_2 emissions.

Euronav, one of the global leaders in the shipping of crude oil, agreed to test our advanced Hempaguard fouling defence coating when it was still in development. Using a unique combination of silicone-hydrogel and effective biocide control, Hempaguard coatings deliver average fuel savings of 6 per cent, despite releasing 95 per cent less biocide than traditional antifoulings. As fuel is the number one expenditure for most ships, this can mean significant savings for shipowners and operators.

Euronav applied Hempaguard to a 300m^2 test patch on its Very Large Crude Carrier *Famenne*. The *Famenne* mainly trades in fouling aggressive warm waters in Asia and the Middle East, but over the test period it traversed most of the globe. A diving inspection of the *Famenne* after 23 months in service and again after 45 months in service confirmed and documented that Hempaguard was still fouling-free. Following these positive test results and the expected fuel savings that Hempaguard can deliver, Euronav decided to switch four vessels to Hempaguard X7 in 2015, including the suezmax vessel *Devon*.

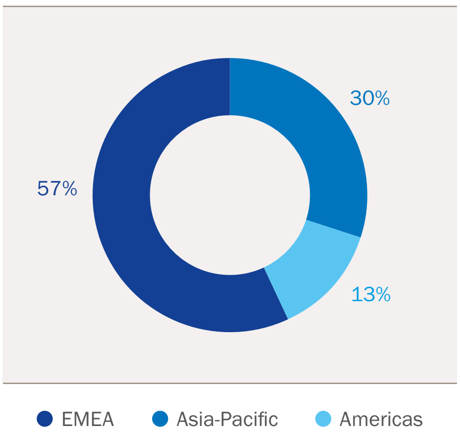
2015 in review

2015 saw the conclusion of our *One Hempel – One Ambition* growth strategy. In 2016, we will be launching our new strategy: *Journey to Excellence*.

The first six months of 2015 delivered good sales growth. An even stronger development was seen in the second half of the year, with the launch of new products as a key contributor. For the entire year, the Hempel Group's revenue growth was higher than expected and increased by 20 per cent over 2014, including the positive effect from the strengthened US dollar and US dollar-related currencies compared to the euro. Overall profitability for 2015 also improved significantly compared to 2014, exceeding expectations.

We continued our efforts to achieve additional growth from strategic acquisitions. In early 2015, we completed the acquisition of Jones-Blair in the US, which has consequently been included in the Group accounts from 6 March 2015.

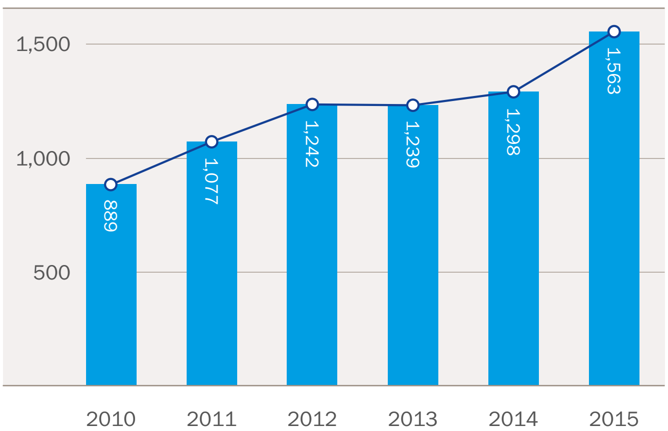
Regional sales



Regional sales

Sales in our geographical markets developed differently. Revenues in local currencies delivered double-digit growth in the Americas, due to healthy organic growth and the acquisition of Jones-Blair. EMEA also delivered strong overall growth rates with an 8 per cent increase over 2014. Sales in the Asia-Pacific region were influenced by the slow Chinese market, but still maintained last year's level.

Revenue (EUR million)



Gross margin

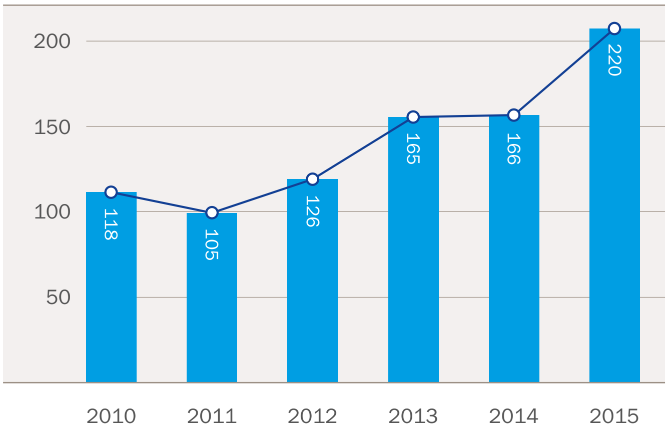
We successfully obtained a gross margin slightly ahead of last year. This was realised through our continued focus on cost structures in our factories combined with a controlled product and segment mix, and was supported by favourable development in raw material prices. As in the past, we strictly monitored our fixed expenses during 2015. However, we saw an increase in fixed expenses as the result of acquisitions and further strengthening of our resources, especially with new employees within sales, marketing and R&D. We are continuing a number of efficiency projects in 2016 to maintain our focus on controlling fixed costs development.

EBITDA

The Hempel Group's EBITDA margin was 14 per cent in 2015, which was slightly better than both 2014 and 2013. In 2015, EBITDA amounted to EUR 220 million, which was the highest recorded in the Group's history and well above 2014. In short, the Hempel Group's overall financial performance can be considered satisfactory.

The Hempel Group's operating profit for 2015 amounted to EUR 158 million, which was 23 per cent ahead of 2014. Our operating margin remained at 10 per cent. Interest rates were low and our net financial expenses amounted to EUR 22 million, compared to EUR 17 million in the preceding year. The Hempel Group's net profit for 2015 amounted to EUR 96 million, after taxation of EUR 30 million and minority interests of EUR 12 million. The Group's effective tax rate was 22 per cent in 2015 compared with 28 per cent in 2014. This reduced tax rate was due to unrecognised tax assets being recognised and partly utilised in 2015.

EBITDA (EUR million)



Change in equity

The Group's equity increased to EUR 488 million from EUR 421 million in 2014, corresponding to a solvency ratio of 35 per cent, which was in line with last year. Equity was mainly affected by net profit and the dividend of EUR 40 million paid to the Group's shareholder in 2015.

Capital expenditures

Our planned expansion of production capacity continued and a new factory was inaugurated in Russia in late 2015.

Our global Enterprise Resource Planning (ERP) system has now successfully been implemented as planned. Rollout will take place in 2016 in the newly acquired companies.

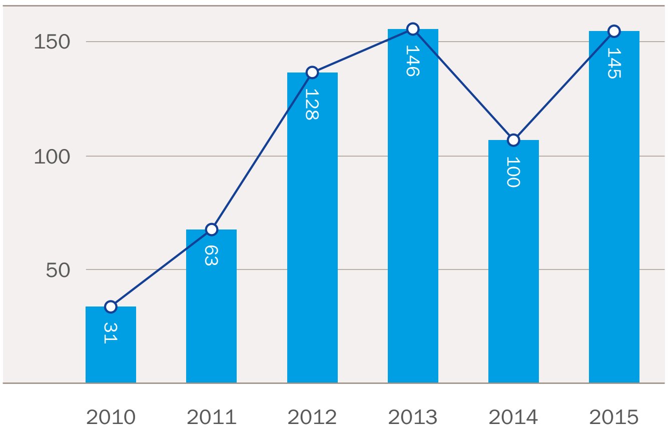
Working capital

Working capital increased during 2015 by EUR 70 million and amounted to approximately EUR 372 million, compared to EUR 302 million at the end of 2014. The strengthening of the US dollar against the euro and the acquisition of Jones-Blair accounted for EUR 27 million. The remaining increase of EUR 43 million was a net result of increasing receivables and inventories, partly offset by increased payables. This impact was mainly a result of high sales growth during the year. Our focus on managing inventory and receivables will continue during 2016.

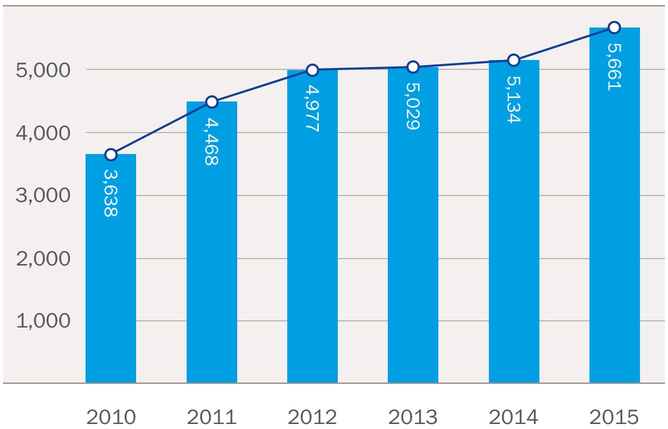
Strong cash flow

The Hempel Group's cash flow continued to be strong despite the increased working capital. The cash flow from operating activities ended 2015 at EUR 145 million. Our high level of investment activities continued throughout the year with the acquisition of Jones-Blair as the most significant investment.

Cash flow from operating activities (EUR million)



Average number of employees



Capital resources

Hempel A/S refinanced its Group term loans, working capital facilities and short-term acquisition loan with the Group's relationship banks in 2015. Existing loans and facilities of EUR 305 million maturing in 2016 were refinanced in December 2015 with a new Revolving Credit Facility (RCF) of EUR 500 million maturing in 2020. The increase in facility of EUR 195 million was obtained for general corporate purposes and the repayment of uncommitted bilateral facilities in 2016. An amortisation mechanism will reduce RCF commitment by EUR 25 million per year.

At the end of 2015, the Hempel Group had committed loans and credit facilities of EUR 481 million and uncommitted facilities of EUR 207 million, compared to EUR 229 million and EUR 191 million at the end of 2014.

At the end of 2015, the Group's net interest bearing debt amounted to EUR 272 million compared to EUR 147 million at the end of 2014, a ratio of 1.2 to EBITDA in 2015.

Increasing number of employees

The average number of employees increased to 5,661 during 2015, up from 5,134 in 2014. The main increase was a result of the acquisition of Jones-Blair.

Expectations for the year ahead

We anticipate that the next year will be more challenging in many respects. Many markets will be affected by the stagnation following a long period of low oil prices and relatively low industrial growth, and these markets are not expected to show any significant growth opportunities. However, we will pursue the few opportunities for growth that we see, and expect to be able to deliver revenue growth above the overall market. We will increase investments as part of our new strategy, *Journey to Excellence*. Initially, this will impact our profitability level compared to the record-high earnings achieved in 2015. However, we still aim to deliver double-digit profitability at EBITDA level.

New brand identity

Delivering trusted solutions to customers around the globe

At Hempel, our story has always been one of continuous improvement. We never stand still and are united by our ambition to become the best in the coatings business. Our company has changed rapidly in recent years. We have added new companies and new brands, expanded into new markets and delivered new and innovative solutions for customers. This has made us one of the fastest-growing coatings companies in the world over the last decade.

As our business expands, the importance of one brand around the world has become even more significant. So in 2015, we launched a new global brand identity that reflects the confident, contemporary and diverse nature of our business today.

A key aspect of our brand identity is our new logo. Known as the Helix, the logo symbolises the dynamic layers and motion of mixing coatings, whist also being indicative of the global and connected company we have become.

Our new brand identity covers all aspects of our company and communications, from our brochures and websites to our drums and business cards. This will bring consistency to how we present our company across business units and regions. In addition, the Hempel Foundation will adopt the new brand identity to ensure absolute consistency across all our commercial, social and charitable initiatives.

The new identity was launched in conjunction with our 100-year anniversary celebrations in July 2015. However, global rollout ran throughout the rest of the year and will continue into 2016. Based on our core promise of trusted solutions, our new brand identity will help ensure that our company is recognised and respected the world over for delivering the market's most trusted solutions – solutions that consistently provide superior protection for our customers' assets.

Strategy

Hempel has been one of the fastest-growing coatings companies in the world over recent years and we are now ready to embark on the next stage of our journey.

Since 2005, our successful *One Hempel – Everywhere* and *One Hempel – One Ambition* strategies have seen us develop into a leading coatings supplier, known the world over for delivering trusted solutions that add real value to our customers' businesses. Since 2010 alone, we have seen turnover increase by almost 50 per cent and have grown in all three of our main segments: Decorative, Protective and Marine.

In order to ensure this growth continues, we finalised a new strategy plan in 2015. Our new *Journey to Excellence* 2016-2020 strategy has three overarching objectives. These will ensure that we achieve our vision of growing faster than the market by being customer-centric and achieve higher profitability through operational excellence.

Deliver sustainable organic growth

Over the next five years, we will continue to target organic growth above the market, particularly within our current business lines. These industries still show strong growth potential and are the business areas where we are strongest in terms of internal capabilities, geographical reach, customer relationships and technology. However, we will consider acquisitions if we believe they will complement our business.

Increase customer focus

As a trusted global supplier, everything we do must focus on the customer. We have established three initiatives in supply chain, sales and R&D that will see us increase our focus on the customer in order to ensure we are better placed to meet the changing needs of customers around the globe.

Create operational excellence

A key element in our *Journey to Excellence* is to further develop our own operational excellence across the organisation. The term operational excellence covers a broad spectrum of activities, and all our business support functions will focus on building operational capabilities to improve productivity, while also driving efficiency in working processes. These combined efforts will drive business growth, lift our profitability levels and ensure we achieve greater payback from our investments.

Specific risks

Currency risks
As significant parts of the Hempel Group's activities are carried out outside of the eurozone, there is a considerable currency risk relating to the US dollar, US dollar-linked currencies and the British pound. It is our policy to hedge our transactional currency risk. This is done primarily by achieving a natural balance between sales and purchasing currencies. We also use standard financial instruments.

Emerging market currency risks are hedged on a case-by-case basis when possible and deemed cost effective. As a general rule, translation risks relating to investments in foreign subsidiaries and associates are not hedged. This is because we believe currency hedging of this type of long-term investment is not optimal from an overall risk and cost perspective.

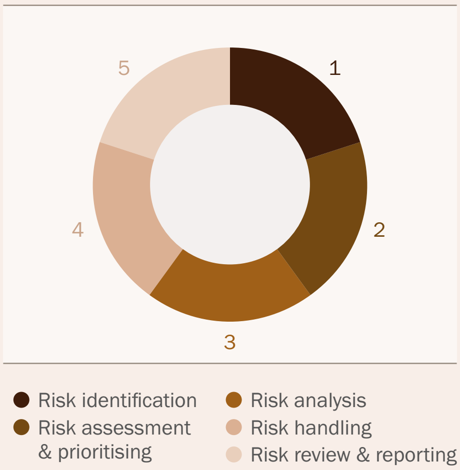
Interest rate risks
The Hempel Group's loan portfolio with the banks is on a floating interest rate basis. In order to reduce interest cost fluctuations, part of the loan portfolio has been swapped to fixed-term interest rates using standard financial instruments.

Credit risks
Credit risks related to trade receivables are managed locally in the operating entities, and credit limits are set as deemed appropriate for the customer. Our company policy is to rate major customers and business partners on a current basis. Hempel has no material risks relating to single customers or business partners.

Credit risks related to cash, investments and financial instruments are managed by Group Treasury. The Group's strategy is to set minimum credit ratings for financial counterparties and monitor these on a regular basis.

Risk management
Risk management is characterised by systematic management practices that enable us to assess and monitor risks and improve the way identified risks are managed. The Risk Management Wheel is the effective framework that we use when performing risk assessments. To support our risk management work, we use our Risk Assessment Workshop (RAW) tool, which is consistent with the existing generic frameworks considered best practice.

We continuously improve the way we work with risk management to ensure that we utilise the enormous knowledge within the Hempel Group. We aim to make risk management an easy-to-access process without jeopardising quality.



Research & Development

Working closely with customers to increase value

We strive to be the best in the industry by constantly challenging ourselves to deliver superior coating solutions. We work closely with customers, so we can better understand their challenges and can deliver new products and formulations that bring added value, such as reduced fuel consumption or increased production speeds. All our products are designed to comply with environmental legislation – and we take the environment into account in our development work, without compromising coating performance.

Putting customers at the centre

We place customers at the centre of the development process in order to ensure all our solutions meet their specific needs and requirements, both today and in the future. In order to be even closer to customers, we expanded our R&D network in 2015.

In May, we inaugurated a new R&D Centre in Kunshan, China, which focuses on marine and offshore solutions for customers in the Greater China Region. In November, we started our first R&D activities in Russia, and the new lab will improve our ability to develop protective solutions for the Russian market. In addition, we acquired two new companies: Schaepman in the Netherlands in late 2014 and Jones-Blair in the US in 2015. We are already in the process of making technology and expertise from these two companies available to our wider organisation.

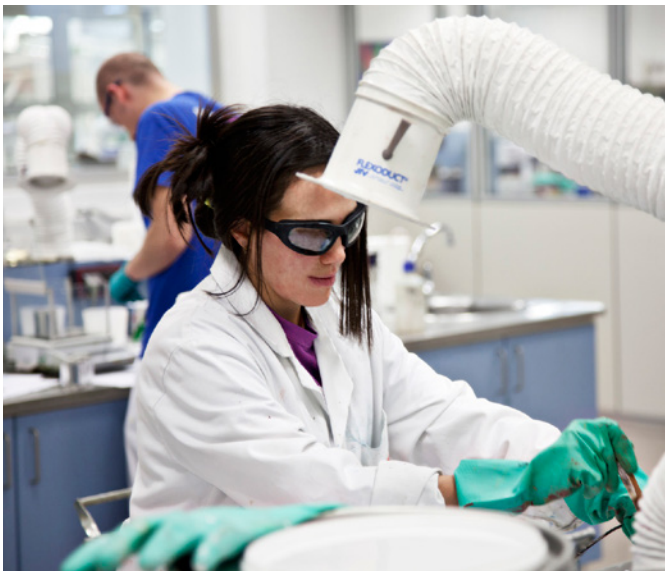
We now have 15 R&D centres around the globe. We have R&D centres in Denmark, the UK, Germany, France, Russia, the Netherlands, Spain, Bahrain, Singapore, Korea and India, as well as two in the US and two in China.

We know that a coating solution will perform best if it is properly applied, so in 2015 we strengthened the application technology side of our R&D organisation. This will enable us to work more closely with our Technical Service teams throughout the world, so they can assist our customers with even more specific and tailored application advice and support.

Award-winning technology in local markets

Our local R&D labs enable us to better develop formulations and products for specific customers and local conditions. In 2015, for example, we launched Hempadur Avantguard 650, a new product in our advanced Hempadur Avantguard range that has been specifically formulated to meet the needs of customers in China.

Launched globally in 2014, our Hempadur Avantguard range utilises patented activated zinc technology to deliver significantly higher galvanic corrosion protection than traditional zinc epoxy primers – and the range won two major innovation awards in 2015: NACE's *Materials Performance Corrosion Innovation of the Year* and the *European Frost & Sullivan Award for New Product Innovation*.



Integrating HSE into R&D

Paints are, by nature, sustainable products, as they prolong the service life of structures and equipment. However, we believe that a prolonged life is not enough, so we constantly work to develop safer and more environmentally sustainable solutions. In this work, we focus on a number of areas:

- Increasing resource efficiency (raw materials, energy and finished products)
- Increasing functionality, such as improving energy efficiency or combatting the spread of bacteria
- Reducing the amount of VOC used

In 2015, we further integrated Health, Safety and the Environment (HSE) into our R&D work and developed a new HSE strategy that includes a number of goals for R&D. As part of this work, we developed a raw material matrix based on the GHS (Globally Harmonised System of Classification and Labelling of Chemicals) framework that enabled us to phase out a number of hazardous materials from our formulations in 2015.

In addition, we reformulated a number of our products to reduce the content of hazardous materials. In the Container segment, for example, we reformulated seven products to reduce VOC content below 420 grammes per litre. In addition, we developed waterborne formulations in order to be ready for the VOC Convention System, which is being introduced by the China Container Industry Association and specifies water-based coatings for containers.

Ongoing collaboration with the Technical University of Denmark

One of the goals of our R&D work is to anticipate the future needs of our customers and develop new ways to meet these needs. As part of this work, we have a longstanding collaboration with the Technical University of Denmark. Following the success of this collaboration, we are now collaborating with other universities around the world. In addition, we work closely with suppliers, customers and other external organisations – some of which are outside the coatings business – as we believe this will better enable us to develop solutions that meet the challenges of the future.

Corporate responsibility

We are committed to conducting business with care for people, the environment and society.

We believe that as a global company, we have a responsibility to drive sustainable business practices around the globe. This is an essential aspect of our commitment to corporate responsibility. We do not only follow legislation and standards: we do what we believe is best for our customers, our employees and the wider world, and extend that through our corporate responsibility standards and policies to all our offices, suppliers and distributors, wherever they are in the world.

As well as making good business sense, this commitment to absolute consistency and the desire to constantly challenge business practice in order to improve is a fundamental part of our company. Our founder, J.C. Hempel, was a visionary business leader and humanitarian who believed that a company has a responsibility to its staff, the environment and society in general. The company he founded has changed considerably over the last 100 years, but his guiding principles remain at the heart of everything we do.

The Corporate responsibility section of this report provides an account of our initiatives in the area of CSR, as well as additional information as required by the Danish Financial Statements Act (Årsregnskabsloven) §99a and §99b.

Ethical behaviour

We are committed to working responsibly and ethically at all times, both in terms of how we conduct business and the products and services we offer.

We comply with all relevant laws and regulations in the countries and regions where we operate. However, we believe that being a reliable and respected business partner means more than just compliance, so we have company policies in place to ensure that all our operations – from HSE to recruitment – meet our high internal standards.

Established policies drive compliance

To give our employees guidelines for dealing with customers, suppliers, each other and any other business partner, we have a Code of Conduct and Business Ethics Policy. We run regular training programmes to ensure that our employees fully understand and follow these guidelines at all times. In 2015, employees with email followed Code of Conduct training online, with a 95 per cent completion rate. Warehouse and factory staff will be trained in 2016.

We introduced a Diversity and Equal Opportunity Policy in 2014 and a Human Rights Policy in 2015. These ensure that we treat our employees and other stakeholders with respect, and our Human Rights Policy also lays out our zero-tolerance policy towards child labour.

Our HSE Policy has been developed over many years. It ensures that our businesses and operations, wherever they are in the world, comply with international and local regulations, as well as our own high internal standards.

Ensuring compliance in all Hempel locations

We operate in more than 80 countries. In order to ensure that all Hempel offices and places of work meet our high standards, we conduct regular internal audits that cover every aspect of our operations, from legal compliance, HSE management and human rights to internal controls and our own standard procedures.

On average we carry out 25 internal audits per year. Our Executive Group Management Team reviews the findings from each audit and develops corrective actions where needed.

In addition, we audited five toll manufacturers in 2015. We also introduced a new due diligence screening tool and we began a risk assessment programme for our agents and distributors. In 2015, we focused this work on two regions, and will extend it to all our regions over the coming years.

Health & Safety

As a company that uses chemicals, we have an increased responsibility to ensure the safety and health of our employees and customers.

The safety of our employees and customers is our no.1 priority. Our Group HSE Standard applies to all Hempel sites around the world and has been developed over many years to ensure that we continually work to improve conditions for employees, reduce the risk of accidents and give our customers comprehensive safety information.

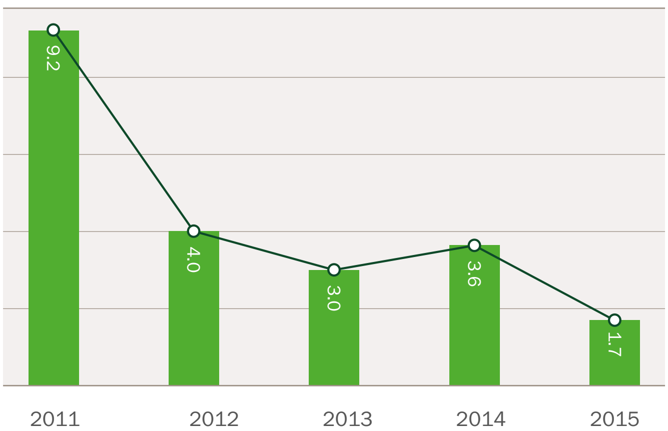
In addition, we have a global OHSAS 18001 certification that covers nine Hempel sites.

The focus on zero accidents

We want to operate without accidents, both at Hempel sites and at external sites where our employees work. An accident is defined as an on-the-job injury that results in at least one day's absence. Although we have not yet reached our goal of zero accidents, we are moving in the right direction. In 2015, there were just 1.7 accidents per 1 million working hours, the lowest in our company's history.

Number of accidents

per 1 million working hours



Safety training

We always strive to ensure the safest working conditions possible, and conduct regular training for our employees. In 2014, we developed new training programmes in Personal Protection Equipment and Static Electricity, which is the most common cause of fires in the coatings industry. All our factory employees underwent training in these programmes in 2015.

6S implementation in Mexico

Our offices, factories and warehouses are continually looking for ways to improve efficiency and safety. One example of this in 2015 was 6S implementation at our warehouse in Veracruz, Mexico.

6S is a process methodology that improves efficiency, effectiveness and safety by organising the workplace based on how people work. The comprehensive project covered all areas of the warehouse, from the offices to packing areas and forklift truck bays. Although there has never been an accident at the warehouse, the project also incorporated a number of aspects designed to improve safety, such as reorganising safety equipment and creating special walking paths for employees and visitors. Following the success of the project in Mexico, 6S will be rolled out to other Hempel warehouses and factories over the coming years.

Did you know...?

6S is a methodology that was originally developed in Japan as one of the techniques required for Just in Time manufacturing. It is structured around six words: sort, set, shine, standardise, sustain and safety.

Environment

We believe that our work should contribute to a better environment. We invest in developing advanced products that help our customers achieve their environmental targets, including reducing their impact on the climate, and we continually strive to reduce emissions and waste from our own operations.

Our HSE Policy ensures we continually work to reduce the environmental impact of our operations. The Policy applies to all Hempel sites, and we have a comprehensive HSE management system that continually monitors our environmental performance.

Moving towards global ISO certification

All our established factories and a number of our other sites are included in our Quality Management System and are certified according to ISO 9001. In addition, 27 of our sites are certified according to the ISO 14001 environmental standard, including 13 factories. Our goal is to have all our factories ISO 14001 certified by 2020.

- 45 sites certified under our global ISO 9001 certificate
- 4 additional sites individually ISO 9001 certified
- 27 sites certified under our global ISO 14001 certificate
- 2 additional sites individually ISO 14001 certified
- 9 OHSAS 18001 certified sites

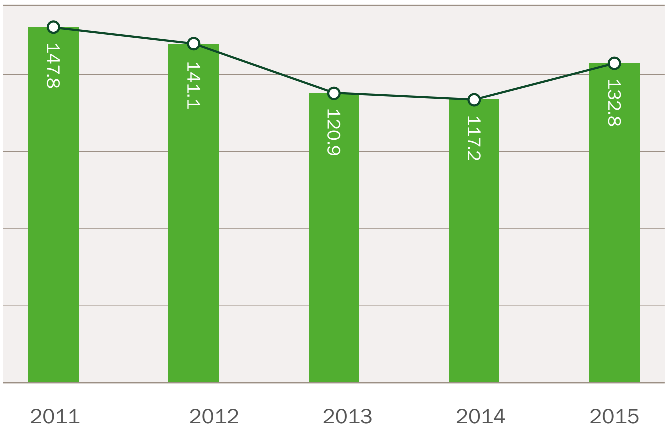
Focus on energy consumption

As part of our work to continually reduce our emissions and impact on the climate, we monitor energy use at all our production units and take measures to reduce energy consumption whenever possible. Thanks to these efforts, we have achieved stable energy use per ton of product manufactured over the past five years, despite increasing the amount of automated equipment in our factories.

In 2015, total energy use in our factories increased by 13 per cent compared to 2014. This was primarily due to our factory in Jeddah, Saudi Arabia, which runs on a diesel generator due to a lack of external power. An external power supply is expected during 2016. Other contributing factors include an increase in automated equipment at our factory in India and the factory expansion in Malaysia.

Total energy in kWh

per ton of product manufactured

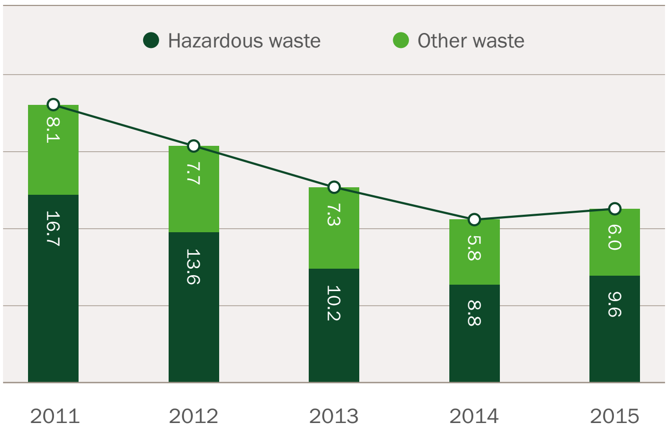


Reducing waste

As a company that handles chemicals, we have an obligation to ensure that our waste is managed appropriately. We divide waste into two categories: ‘hazardous waste’ requires special disposal treatment; ‘other waste’, such as metal and plastic, can for the most part be recycled. Our efforts in this area have seen us steadily reduce waste output per ton of product manufactured over recent years.

Total waste in kg

per ton of product manufactured



However, the amount of both hazardous and other waste we produced per ton of product manufactured increased slightly in 2015, due to clean-up operations connected with the relocation of two of our factories.

Phasing out lead around the world

Our Group HSE Policy ensures that we follow all relevant legislation. New European legislation requires the phase out of lead in paints, and we successfully phased out lead from our European product assortment in 2015. Legislation in other parts of the world does not require the phase out of lead in paints. However, we are committed to phasing out lead across the globe. Our Decorative assortment is already lead-free worldwide and we introduced a new lead-free tinting system for industrial and marine products in 2015.

Helping customers reduce energy consumption

We work closely with customers to help them improve coating process efficiency, which not only helps them reduce costs but also reduces their overall energy consumption. In the wind energy industry, for example, our two-coat system for wind turbine towers reduces drying times by approximately 30 per cent compared to equivalent three-coat solutions. This helps tower manufacturers drive down costs by reducing bottlenecks and increasing throughput. It also helps them reduce energy consumption in drying halls, leads to lower VOC emissions and reduces waste.

In 2015, we introduced a new combined primer and mid-coat that enhances our two-coat system by further improving UV stability when used as a topcoat.

The award-winning earthbalance® programme

Our Decorative organisation in the UK, Crown Paints, won the prestigious *Grichan Partnerships Sustainable Business Award* at the Lloyds Bank National Business Awards in 2015. Launched in 2008, the earthbalance sustainability programme has at its heart a target to reduce Crown Paints' greenhouse gas emissions by 25 per cent by 2020. The programme focuses on driving sustainable business practices, particularly in manufacturing, with emphasis on innovation and staff engagement.

Procurement

We source raw materials from around the world, and strive to ensure we have an ethical and efficient supply chain at all times.

As a company, our aim is to work only with suppliers who share our business values. We expect all our suppliers to work with respect for their employees and the environment, and our Supplier Policy clearly states what we expect of our partners.

Our Supplier Policy Questionnaire was extended in 2015 to include human rights. As a result, human rights due diligence is now included when we screen potential suppliers.

Third-party auditing of raw material suppliers

All raw material suppliers are approved by Group Procurement, and individual raw materials are approved by Group R&D. To ensure our materials come from a responsible source, selected raw material suppliers are audited by a third party every year. If the supplier does not meet our criteria or refuses to participate in the audit, we request that the supplier develops and implements a corrective action plan, and we conduct an onsite visit if required. So far, only one supplier has failed to disclose information regarding their operations. The supplier has been suspended.

Our people

Hempel is a truly multicultural organisation, and we firmly believe that this diversity is one of the foundations of our business success.

We have more than 5,500 employees spread across 80 countries, and strive to provide all our employees with a great place to work as well as opportunities for professional and personal development.

A commitment to human rights

We are committed to the implementation of the United Nations' Guiding Principles on Business and Human Rights. In 2014, we introduced a new Human Rights Policy that applies to all employees across the Group. In 2015, all our office staff were trained in the policy and human rights due diligence was included in our internal compliance audits.

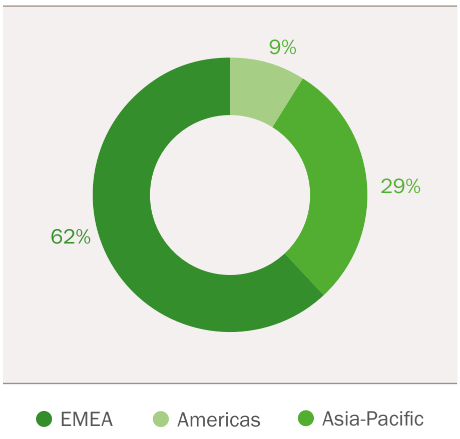
Increasing diversity across the Group

We believe diversity and equal opportunity creates business value. It stimulates creativity and innovation, and helps drive growth and profitability by improving our ability to understand global markets.

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. As an employer, we do not tolerate any form of negative discrimination, including discrimination based on age, disability, gender, pregnancy, paternity, race, religion, political opinion, family responsibilities, marital or civil partnership status or sexual orientation.

We monitor the distribution of male and female employees in our workforce. Currently, 24 per cent of our employees are women, but female representation at management level is only 17 per cent. We are committed to creating a more representative distribution of men and women in our management levels. In 2015, we set up a Diversity Board to guide management on diversity, including gender diversity initiatives, and began working with an external consultant to analyse possible issues and action points.

Distribution of employees



CSR Diversity Award

Hempel was one of three companies nominated for the *CSR Diversity Award* at the Danish CSR Awards in 2015. We were selected from among the top 400 companies in Denmark due to our ability to use diversity in the workforce to create business value. In Denmark, we employ around 250 people. 29 per cent of these have a non-Danish background, representing 26 different countries.

The Board of Directors of Hempel A/S consists of six non-executive directors. There are currently no female non-executive directors on the Board of Directors of Hempel A/S. Our goal is that the Board will have at least one female non-executive director before the Annual General Meeting in spring 2017.

Personal development for all employees

The success of our company is reliant on developing and retaining an agile and skilled workforce. Hempel Academy – our Group Centre of Excellence for Learning and Development – supports our business plans by building employee and management capabilities and giving our employees access to training and development programmes. Academy courses range from new employee training and safety courses to leadership, technical and commercial programmes. The courses are delivered face-to-face or online, and the Academy also delivers onsite technical training for customers.

In total, Hempel Academy conducted classroom training for more than 1,000 employees in 2015. In addition, more than 4,500 employees took Hempel e-learning courses, including more than 3,700 employees who followed Code of Conduct training.

In 2015, the Academy placed special focus on designing and piloting Change Excellence, a blended learning leadership programme for senior managers across the Group that will be instrumental in ensuring the success of our 2016-2020 *Journey to Excellence* strategy.

Explorer – Next Generation

As part of our succession planning, our Explorer – Next Generation programme helps us select potential leaders from across the Hempel Group, and provides them with training in business skills and leadership. In total, 123 people have followed the programme since it was first launched in 2010. Of these, 38 per cent have since been promoted, and 12 per cent have been promoted twice. In the years 2012-2014, women accounted for 22 per cent of programme participants. In 2015, 24 per cent of the participants were women, which is equal to the total percentage of women in Hempel, and programme participants came from 31 different nationalities.

Community engagement

Through our owner the Hempel Foundation, we support good causes around the world. But we also believe corporate responsibility should be driven by our employees, and we encourage our employees to take an active role in corporate responsibility.

We run global employee volunteering events in collaboration with the Hempel Foundation. Each trip gives a number of employees from around the globe the chance to volunteer for a week at one of the education projects for children in need that the Foundation supports. In previous years, employees have given their time and efforts to projects in Cambodia, Mozambique, Bolivia and Indonesia.

During the trips, the volunteers introduce the children to their home country and culture, teach classes and play games; the children teach the volunteers about their lives and culture. Many of the children have never been outside of their local communities, and this exchange of experiences and cultures is a valuable experience for both the children and the employees.

Planning for the next volunteering event began in 2015. Eight employees from different countries will visit the Hempel Foundation project in Lao Cai in Vietnam in April 2016. When the employees return, they will educate staff in their country about the Foundation's work in Vietnam.

Local donations and sponsorships

All Hempel offices are encouraged to support causes or events that can have an impact on their local communities or the wider world. This can be done by donating money, time or resources. For example, in 2015 Hempel Yacht supported Oceans of Hope, a yacht that circumnavigated the globe crewed by people with multiple sclerosis in order to change the perception of this disease.

Special anniversary donation

2015 was the 100^{th} anniversary of our company. To mark this milestone, the Hempel Foundation gave its largest ever single grant, a donation of EUR 17.5 million to the Technical University of Denmark's Housing Fund for the establishment of a brand new student residence. The 'Hempel Student Residence, DTU' will consist of approximately 200 high-quality and affordable furnished apartments for students and researchers, and the first apartments are expected to be ready in the third quarter of 2017.

Education for children in need

Since its establishment in 1948, the Hempel Foundation has worked to support cultural, social, humanitarian and scientific causes around the globe. Today, the Foundation focuses most of its efforts on two areas: education of children in need and research into environmentally sustainable solutions.

A significant part of the Foundation's work concentrates on educational projects for children in need. The Foundation helps more than 55,000 underprivileged children receive a better education, which means that through their work with Hempel, every Hempel employee supports the education of 10 children in need. In 2015, the Foundation worked with 22 educational projects in 18 different countries.

Financial statements

The notes structure is grouped into five sections, focusing on different aspects of the financial information. The accounting policies are incorporated into the notes to make the note information more transparent and clear.

Contents

Income statement

In EUR million

		Group		Parent company	
Note		**2015**	**2014**	**2015**	**2014**
2.1	Revenue	1,563	1,298	112	97
	Production costs	-911	-766	-45	-40
	Gross profit	**652**	**532**	**67**	**57**
	Sales and distribution costs	-367	-299	-16	-16
	Administrative costs	-128	-110	-37	-31
2.3	Other operating income	1	6	–	5
	Operating profit	**158**	**129**	**14**	**15**
2.4	Income from investments in subsidiaries			87	60
2.4	Income from investments in associates	2	2	–	–
	Profit before financial income and expenses	**160**	**131**	**101**	**75**
4.5	Net financials	-22	-17	1	–
	Profit before tax	**138**	**114**	**102**	**75**
2.5	Income tax	-30	-32	-6	-4
	Profit after tax	**108**	**82**	**96**	**71**
	Minority interests	-12	-11	–	–
	Net profit for the year	**96**	**71**	**96**	**71**

In EUR million

	Parent company	
Distribution of profit	**2015**	**2014**
Proposed distribution of profit:		
Proposed dividend	48	40
Reserve for net revaluation under the equity method	87	62
Retained earnings	-39	-31
	96	**71**

Balance sheet as at 31 December – assets

In EUR million		Group		Parent company	
Note		**2015**	**2014**	**2015**	**2014**
	Goodwill	112	59	–	–
	Software	7	9	1	1
	Software under development	2	1	2	1
	Customer relationships	64	33	–	–
	Other intangible assets	73	56	16	3
3.1	**Intangible assets**	**258**	**158**	**19**	**5**
	Land and buildings	147	121	–	–
	Assets under construction	23	29	1	1
	Plant and machinery	65	52	1	–
	Other fixed assets	20	17	2	2
3.2	**Property, plant and equipment**	**255**	**219**	**4**	**3**
5.5	Investments in subsidiaries			406	304
5.5	Investments in associates	19	16	–	–
	Loans to Group enterprises	–	–	251	20
2.5	Deferred tax assets	32	20	–	–
	Deposits etc.	4	4	–	1
	Fixed asset investments	**55**	**40**	**657**	**325**
	Total non-current assets	**568**	**417**	**680**	**333**
3.3	**Inventories**	**221**	**189**	**7**	**4**
	Trade receivables	436	375	4	5
	Receivables from Group enterprises	–	–	90	148
2.5	Tax receivables	6	5	–	–
	Other receivables	20	25	19	15
3.4	Prepayments	12	13	3	3
3.5	**Receivables**	**474**	**418**	**116**	**171**
	Cash at bank and in hand	**114**	**138**	**18**	**72**
	Current assets	**809**	**745**	**141**	**247**
	Total assets	**1,377**	**1,162**	**821**	**580**

Balance sheet as at 31 December – equity and liabilities

In EUR million

		Group		Parent company	
Note		2015	2014	2015	2014
4.1	Share capital	15	15	15	15
	Reserve for net revaluation under the equity method	19	16	57	–
	Retained earnings	406	350	368	366
	Proposed dividend for the year	48	40	48	40
	Total equity	**488**	**421**	**488**	**421**
	Minority interests	**63**	**55**		
2.5	Deferred tax liabilities	27	29	–	–
3.6	Pension obligations and similar obligations	18	19	1	1
3.7	Other provisions	56	35	–	–
	Provisions	**101**	**83**	**1**	**1**
4.2	Bank loans etc.	259	169	234	76
3.8	Other payables	2	4	1	3
	Long-term debt	**261**	**173**	**235**	**79**
	Overdraft facilities	97	84	18	14
4.2	Short-term part of bank loans etc.	6	32	–	14
	Trade payables	162	159	5	2
	Payables to parent companies	23	–	44	23
2.5	Tax liabilities	21	14	–	–
3.8	Other liabilities	155	141	30	26
	Total current liabilities	**464**	**430**	**97**	**79**
	Total liabilities	**725**	**603**	**332**	**158**
	Total equity and liabilities	**1,377**	**1,162**	**821**	**580**

Statement of changes in equity as at 31 December

In EUR million **Group**

Note		Share capital	Reserve for net revaluation	Retained earnings	Proposed dividend	Total
	Equity					
	Equity at 1 January 2014	15	13	309	40	377
	Net profit for the year	–	2	69	–	71
	Exchange adjustment at year-end rate	–	2	14	–	16
	Hedging of future transactions	–	–	3	–	3
	Remeasurements of defined benefit plans net of tax	–	–	-6	–	-6
	Dividend distributed	–	-1	1	-40	-40
	Proposed dividend	–	–	-40	40	–
4.1	**Equity at 31 December 2014**	**15**	**16**	**350**	**40**	**421**
	Net profit for the year	–	2	94	–	96
	Exchange adjustment at year-end rate	–	2	4	–	6
	Hedging of future transactions	–	–	3	–	3
	Remeasurements of defined benefit plans net of tax	–	–	2	–	2
	Dividend distributed	–	-1	1	-40	-40
	Proposed dividend	–	–	-48	48	–
4.1	**Equity at 31 December 2015**	**15**	**19**	**406**	**48**	**488**

In EUR million

Parent company

Note		Share capital	Reserve for net revaluation	Retained earnings	Proposed dividend	Total
	Equity					
	Equity at 1 January 2014	15	9	313	40	377
	Net profits	–	62	9	–	71
	Dividend received	–	-81	81	–	–
	Exchange adjustment at year-end rate	–	15	1	–	16
	Hedging of future transactions	–	1	2	–	3
	Remeasurements of defined benefit plans net of tax	–	-6	–	–	-6
	Dividend distributed	–	–	–	-40	-40
	Proposed dividend	–	–	-40	40	–
4.1	**Equity at 31 December 2014**	**15**	**–**	**366**	**40**	**421**
	Net profit for the year	–	87	9	–	96
	Dividend received	–	-39	39	–	–
	Exchange adjustment at year-end rate	–	6	–	–	6
	Hedging of future transactions	–	1	2	–	3
	Remeasurements of defined benefit plans net of tax	–	2	–	–	2
	Dividend distributed	–	–	–	-40	-40
	Proposed dividend	–	–	-48	48	–
4.1	**Equity at 31 December 2015**	**15**	**57**	**368**	**48**	**488**

Cash flow statement

In EUR million

Note		Group 2015	2014
	Cash flows from operating activities		
	Operating profit	158	129
5.2	Adjustment for non-cash items	55	36
4.7	Changes in working capital	-34	-31
	Income tax paid	-34	-34
	Total cash flows from operating activities	**145**	**100**
	Cash flows from investing activities		
4.8	Acquisition of enterprises	-141	-13
3.2	Purchase of property, plant and equipment	-39	-44
3.1	Purchase of intangible assets	-10	-6
	Sale of property, plant and equipment	2	27
5.5	Dividend received from associates	1	1
	Total cash flows from investing activities	**-187**	**-35**
	Cash flows from financing activities		
	Change in bank borrowings etc.	80	-19
	Interest income and expenses, net	-14	-12
	Change in minority shares (dividend distributed etc.)	-11	-10
	Dividend distributed to shareholders	-40	-40
	Capital losses and gains, net	-10	-10
	Total cash flows from financing activities	**5**	**-91**
	Change in cash and cash equivalents	**-37**	**-26**
4.6	Cash and equivalents, net, beginning of year	54	78
	Exchange adjustment	–	2
4.6	Cash and equivalents, net, end of year	17	54
	Bank facilities available	423	219
	Capital resources available	**440**	**273**

Section 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 A/S for 2015 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 2015 is presented in EUR millions.

The accounting policies applied remain unchanged from previous years.

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 for each item below.

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

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

Basis of consolidation

The consolidated financial statements comprise the parent company, Hempel 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 income statement and the balance sheet. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

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). The consolidated financial statements are presented in euros.

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. Finally, provisions for losses on contract work are recognised.

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. Depreciation on goodwill, customer relationships and brands are comprised in depreciation.

Cash flow statement
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.

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 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 as well as fixed asset investments.

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

Cash and cash equivalents
The cash flow statement cannot be immediately derived from the published financial records.

Hempel's accounting policies are described in each of the individual notes to the consolidated financial statements.

Section 2
Results of 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 million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
EMEA	892	788	112	97
Asia-Pacific	464	402	–	–
Americas	207	108	–	–
	1,563	**1,298**	**112**	**97**

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

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 million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Employee costs:				
Directors' fees	1	1	1	1
Remuneration of the Executive Board [1)]	3	4	3	4
Wages and salaries etc.	259	210	25	25
Pension contributions	15	13	2	2
	278	**228**	**31**	**32**
Employees:				
Average number of employees	**5,661**	**5,134**	**244**	**240**
Employee costs have been recognised in the income statement as follows:				
Production costs	70	52	9	8
Selling and distribution expenses	156	127	8	7
Administrative expenses	52	49	14	17
	278	**228**	**31**	**32**

1) Remuneration of the Executive Board is affected by severance payment in 2014 and an additional member of the Executive Board in 2015.

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 million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Other operating income [1)]	1	6	–	5
	1	**6**	**–**	**5**

1) Other operating income comprises curtailment gains in 2015 and income from sale of properties in 2014.

2.4 Income from investments in subsidiaries and associates

Accounting policies

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

In EUR million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Income from investments in subsidiaries:				
Profit before tax			126	95
Amortisation of goodwill			-15	-7
Tax for the year			-24	-26
Tax of parent company in respect of subsidiaries			–	-2
Profit after tax			**87**	**60**
Income from investments in associates:				
Profit after tax	**2**	**2**	**–**	**–**

2.5 Income tax and deferred tax assets and 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 judgment 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 has considered future taxable income in 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's judgment 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 million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Hempel Group, income tax:				
Profit before tax	138	114		
Income from investments in associates	-2	-2	–	–
	136	112		
Income tax on profit for the year:				
Total tax	-30	-32	-30	-32
Tax in respect of subsidiaries			24	28
	-30	**-32**	**-6**	**-4**
Current tax for the year	-40	-31	–	–
Deferred tax for the year	6	1	–	–
Of which entered at equity	-1	-1	–	–
Adjustment in respect of previous years	5	-1	–	–
Income tax	**-30**	**-32**	**-6**	**-4**

	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Effective tax rate of the Group	**22.0%**	**28.4%**		
Reconciliation of tax rate:				
Danish tax rate	23.5%	24.5%		
Higher/lower tax rates of foreign subsidiaries	-3.3%	-3.2%		
Weighted tax rate of the Group	**20.2%**	**21.3%**		
Permanent differences	1.4%	1.6%		
Unrecognised deferred tax assets	1.6%	3.1%		
Recognised deferred tax assets related to prior year	-5.8%	-0.4%		
Adjustments related to previous years	0.1%	-0.4%		
Other adjustments	2.3%	1.4%		
Withholding taxes etc.	2.2%	1.8%		
Effective tax rate of the Group	**22.0%**	**28.4%**		

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 carryforwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by setoff 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 million	**Group**		**Parent company**	
	2015	**2014**	**2015**	**2014**
Deferred tax (net) relates to the following items:				
Intangible assets	-9	-14		
Property, plant and equipment	–	-1		
Fixed asset investments	-2	–		
Inventories	4	2		
Trade receivables	2	1		
Provisions and other payables	7	3		
Tax losses	3	–		
	5	**-9**	**–**	**–**

At 31 December 2015, the Group had a non-recognised tax asset of EUR 29 million (2014: EUR 30 million), of which the parent company represents EUR 15 million (2014: EUR 13 million).

In EUR million	**Group**		**Parent company**	
	2015	**2014**	**2015**	**2014**
The net value is recognised in the balance sheet as follows:				
Deferred tax assets	32	20	–	–
Deferred tax liabilities	-27	-29	–	–
	5	**-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 in financial income and expenses.

In EUR million	**Group**		**Parent company**	
	2015	**2014**	**2015**	**2014**
The net value is recognised in the balance sheet as follows:				
Current tax assets	6	5	–	–
Current tax liabilities	-21	-14	–	–
	-15	**-9**	**–**	**–**

Section 3
Operating assets and liabilities

3.1 Intangible assets

Accounting policies

Goodwill acquired is measured at cost less accumulated amortisation. 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 amortisation period 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.

Impairment

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 million **Group**

	Goodwill	Software	Software under development	Customer relationships	Other intangible assets	Total
Intangible assets						
Costs, beginning of year	92	28	1	84	74	279
Exchange adjustment at year-end rate	8	1	–	7	4	20
Acquisition of enterprises	63	–	–	35	15	113
Additions for the year	–	1	3	–	6	10
Transfer to/from other items	–	2	-2	–	–	–
Costs, end of year	**163**	**32**	**2**	**126**	**99**	**422**
Accumulated amortisation, beginning of year	33	19	–	51	18	121
Exchange adjustment at year-end rate	3	–	–	5	1	9
Amortisation for the year	15	6	–	6	7	34
Accumulated amortisation, end of year	**51**	**25**	**–**	**62**	**26**	**164**
Carrying amount, end of year	**112**	**7**	**2**	**64**	**73**	**258**

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

In EUR million — **Parent company**

	Goodwill	Software	Software under development	Customer relationships	Other intangible assets	Total
Intangible assets						
Costs, beginning of year	–	4	1	–	9	14
Additions for the year	–	–	3	–	16	19
Disposals for the year	–	–	-2	–	–	-2
Costs, end of year	**–**	**4**	**2**	**–**	**25**	**31**
Accumulated amortisation, beginning of year	–	3	–	–	6	9
Amortisation for the year	–	–	–	–	3	3
Accumulated amortisation, end of year	**–**	**3**	**–**	**–**	**9**	**12**
Carrying amount, end of year	**–**	**1**	**2**	**–**	**16**	**19**

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

In EUR million	Group		Parent company	
	2015	2014	2015	2014
Amortisation and impairment are specified as follows:				
Production costs	1	1	–	–
Sales and distribution costs	1	–	–	–
Administrative costs	32	18	3	1
	34	**19**	**3**	**1**

3.2 Property, plant and equipment

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

Costs comprise 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, costs comprise 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 costs 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 costs 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.

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 million

	Group				
	Land and buildings	Plant and machinery	Other fixed assets	Assets under con-struction	Total
Property, plant and equipment					
Costs, beginning of year	178	192	81	29	480
Exchange adjustment at year-end rate	10	10	4	-1	23
Acquisition of enterprises	10	8	2	–	20
Additions for the year	9	10	7	13	39
Disposals for the year	-6	-8	-7	-1	-22
Transfer to/from other items	11	5	1	-17	–
Costs, end of year	**212**	**217**	**88**	**23**	**540**
Accumulated amortisation, beginning of year	57	140	64	–	261
Exchange adjustment at year-end rate	5	8	3	–	16
Depreciation for the year	9	12	7	–	28
Reversal of depreciation of assets sold	-6	-8	-6	–	-20
Accumulated depreciation, end of year	**65**	**152**	**68**	**–**	**285**
Carrying amount, end of year	**147**	**65**	**20**	**23**	**255**
Including leased assets of	3	–	–	–	3
Including interest expenses of	1	–	–	–	1

In EUR million **Parent company**

	Land and buildings	Land and buildings for sale	Plant and machinery	Other fixed assets	Assets under con-struction	Total
Property, plant and equipment						
Costs, beginning of year	–	–	3	5	1	9
Additions for the year	–	–	–	1	1	2
Disposals for the year	–	–	-1	-1	–	-2
Transfer to/from other items	–	–	1	–	-1	–
Costs, end of year	**–**	**–**	**3**	**5**	**1**	**9**
Accumulated amortisation, beginning of year	–	–	3	3	–	6
Depreciation for the year	–	–	–	1	–	1
Reversal of amortisation of assets sold	–	–	-1	-1	–	-2
Accumulated depreciation, end of year	**–**	**–**	**2**	**3**	**–**	**5**
Carrying amount, end of year	**–**	**–**	**1**	**2**	**1**	**4**

In EUR million	Group		Parent company	
	2015	2014	2015	2014
Depreciation and impairment are specified as follows:				
Production costs	18	10	–	–
Sales and distribution costs	5	4	–	–
Administrative costs	5	4	1	1
	28	**18**	**1**	**1**

3.3 Inventories

Accounting policies

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in the expected sales sum.

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.

In EUR million	Group		Parent company	
	2015	2014	2015	2014
Raw materials and consumables	76	60	4	1
Work in progress	4	5	–	–
Finished goods	141	124	3	3
Inventories	**221**	**189**	**7**	**4**

3.4 Prepayments

Accounting policies

Prepayments comprise prepaid expenses relating to rent, insurance premium and interest.

3.5 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 million	Group		Parent company	
	2015	2014	2015	2014
Receivables	474	418	116	171
of which due more than one year from balance sheet date	6	5	–	–

3.6 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 charged to the income statement in the year to which they relate. In a few countries, Hempel still 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 charged or credited to 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 million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Pension and similar obligations comprise:				
Pension and similar obligations	54	59	1	1
Fair value of assets related to the plans	-36	-40	–	–
Pension obligations, net	**18**	**19**	**1**	**1**
Recognition in the balance sheet:				
Liabilities	18	19	1	1
Pension obligations recognised in the balance sheet	**18**	**19**	**1**	**1**
Defined benefit plans				
Specification of plan assets:				
Shares and properties	38%	37%	–	–
Fixed interest current asset investments	59%	61%	–	–
Cash at bank and in hand	3%	2%	–	–
Total	**100%**	**100%**	**–**	**–**
Weighted average assumptions:				
Discount rate	2.9%	2.6%	3%	2.8%
General wage inflation	2.5%	2.5%	–	–
General price inflation	1.5%	1.5%	–	–

3.7 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 economic benefits must be given up 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. Provisions with an expected maturity exceeding one year from the balance sheet date are discounted at the average bond yield.

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 million

	Group				
	Environmental obligations	Warranty commitments	Other provisions	2015	2014
Total provisions, beginning of year	19	9	7	35	36
Reclassification 1 January	–	–	–	–	-1
Acquisition of enterprises	3	3	13	19	–
Additions for the year	–	2	1	3	1
Reversed	–	–	-1	-1	–
Disposals for the year	–	–	–	–	-1
Total provisions, end of year	**22**	**14**	**20**	**56**	**35**
Maturities are expected to be:					
Within 1 year	1	1	–	2	–
Between 1 and 5 years	21	12	7	40	34
After 5 years	–	1	13	14	1
	22	**14**	**20**	**56**	**35**

3.8 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 million) comprising 110 A shares of DKK 1 million each, one A share of DKK 900,000, four B shares of DKK 1 million each and four B shares of DKK 25,000 each. B shareholders enjoy special dividend rights.

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

In EUR million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Long-term bank borrowings etc. including short-term part:				
Due within 1 year	6	32	–	14
Due within 1 to 5 years	256	168	234	76
Due after 5 years	3	1	–	–
	265	**201**	**234**	**90**

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.

4.3 Financial risks

Due to its operations, investments and financing, the Group is exposed to changes in exchange rates and interest rates. The Group's financial management is focused only on managing financial risks relating to operations and financing. Accordingly, it is Group policy not to speculate actively in financial risks. For further information on the Group's exchange and interest rate risks and the management of these risks, see the management's review (page 37).

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. For further information on the Group's credit risks and covering of these risks, see the Specific risks section of the management's review (page 37).

4.4 Derivative financial instruments

Accounting policies

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as 'Other receivables' and 'Other payables', respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualifies as a cash flow hedge. Changes in the fair values of the cash flow hedges are recognised in equity.

Currency risks:

Open foreign currency hedges at 31 December 2015 entered into in order to hedge future purchases and sales, as well as receivables and payables in foreign currencies, are specified as follows:

In EUR million

	Contract amount based on exercise price [1)]	Fair value	Term to maturity (months)
BRL	-1.7	-0.1	1
CLP	-2.2	0.0	1
CZK	-0.7	0.0	1
EUR	-33.0	-0.0	1
GBP	-16.3	0.0	1
HKD	-11.9	-0.0	1
IDR	-3.6	-0.0	1
KRW	9.3	-0.0	1
PLN	-14.6	-0.0	1
RUB	-13.1	1.2	4
SGD	-12.9	-0.0	1
USD	-58.6	0.0	1
ZAR	-5.3	0.2	2
		1.3	

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

In EUR million

	Bank borrowings covered by interest rate swaps	Cash flow	Terms
Financial instruments at 31 December 2015	141	Average term to maturity 0.6 years	Average fixed interest rate of 2.8%

Bank borrowings of EUR 265 million comprise loans of EUR 75 million, GBP 50 million (EUR 68 million) and USD 100 million (EUR 91 million), as well as other loans denominated in other currencies. The interest effect of interest rate swaps of EUR 76 million and GBP 48 million (EUR 141 million) is included in the calculated interest. The fair value adjustments of interest rate swaps of EUR -1.7 million (2014: EUR -4 million) in total at 31 December 2015 is recognised directly in equity.

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

	Group		Parent company	
	2015	2014	2015	2014
Bank borrowings etc.	2.8%	3.3%	2.4%	3.6%

4.5 Net financials

Accounting policies

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

In EUR million	Group		Parent company	
	2015	2014	2015	2014
External interest income	1	2	–	–
Interest income from subsidiaries			10	6
External interest expenses	-15	-13	-5	-5
Realised and unrealised exchange gains/losses, net	-8	-6	-4	-1
	-22	**-17**	**1**	**–**

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 million	Group	
	2015	2014
Cash at bank and in hand, beginning of year	138	144
Overdraft facilities, beginning of year	-84	-66
	54	**78**
Cash, end of year	114	138
Overdraft facilities, end of year	-97	-84
	17	**54**

4.7 Changes in working capital

Accounting policies
Working capital is defined as current operating assets less current operating liabilities.

In EUR million — Group

	2015	2014
Change in receivables	-29	-35
Change in inventories	-6	-18
Change in payables	1	22
	-34	**-31**

4.8 Acquisitions of enterprises

Accounting policies
On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired is determined at the date of acquisition after the individual assets and liabilities have been adjusted to fair value (the purchase method). This includes allowing for any restructuring provisions determined in relation to the enterprise acquired. Remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straight-line basis over its estimated useful life, but not exceeding 20 years. Amounts attributable to expected losses or expenses are recognised as income in the income statement as the affairs and conditions to which the amounts relate materialise.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill, including in amortisation already made. Amortisation of goodwill is allocated in the consolidated financial statements to administrative costs.

In EUR million — Group

	2015 1)	2014 2)
Balance sheet items of acquired enterprises		
Intangible assets	113	2
Property, plant and equipment	20	10
Deferred tax asset	7	–
Inventories	20	3
Receivables	10	3
Provisions	-19	-2
Short-term payables	-10	-6
Acquisition costs	**141**	**10**
Cash and cash equivalents, net	–	1
Settlement of intercompany loan	–	2
Net cash flows from acquisition	**141**	**13**

1) 6 March 2015.
2) 11 December 2014.

Section 5
Other disclosures

5.1 Fee to the auditors appointed at the General Meeting

In EUR million	Group		Parent company	
	2015	2014	2015	2014
Audit fee	1	1	–	–
Other assurance engagements	–	–	–	–
Tax advice	1	–	–	–
Other fees	1	–	–	–
	3	**1**	**–**	**–**

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 million	Group	
	2015	2014
Amortisation, depreciation and impairment, including goodwill	62	37
Provisions	2	-1
Exchange rate adjustments	-9	5
Gains and losses on the sale of fixed assets	–	-5
	55	**36**

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 million	Group		Parent company	
	2015	**2014**	**2015**	**2014**
Rental and lease obligations:				
Due within 1 year from the balance sheet date	14	14	2	2
Due within 1 to 5 years from the balance sheet date	37	36	7	7
Due more than 5 years from the balance sheet date	10	14	6	7
	61	**64**	**15**	**16**
Guarantees:				
For local loans and bank credits to subsidiaries [1)]			131	216
Other guarantees	4	3	–	–
	4	**3**	**131**	**216**

1) Parent company guarantees for unutilised local loans and bank credits to subsidiaries. The guarantees amount to EUR 31 million (2014: EUR 35 million).

Other contingent liabilities:
As part of its current operations, the Group is a party to certain legal disputes, and certain claims have been advanced against the Group concerning complaints, pollution and environmental issues. It is management's assessment that these disputes and claims will have no material effect on the Group's financial position.

Hempel A/S is jointly taxed with a number of Danish companies in the Hempel Foundation Group.

The Group's Danish enterprises are jointly and severally liable for Danish taxes at source and income taxes.

5.4 Related parties and ownership

Related parties and ownership

Controlling influence:

Hempel Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Ultimate parent company
Hempel Holding A/S, Amaliegade 8, 1256 Copenhagen K, Denmark	Majority shareholder (100%)

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

Other related parties:

Saudi Arabian Packaging Industry W.L.L., P.O. Box 1966, Dammam 31441, Saudi Arabia	Associate
Sapin United Arab Emirates L.L.C., P.O. Box 115132, United Arab Emirates	Associate
Hempel's Employee Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Hempel's Cultural Foundation, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Brænderupvænge ApS, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party
Keldskov ApS, Amaliegade 8, 1256 Copenhagen K, Denmark	Related party

5.5 Investments in subsidiaries and associates

Accounting policies

Investments in subsidiaries and associates 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 total net revaluation of investments in subsidiaries and associates 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 and associates.

Subsidiaries and associates 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 million	Group		Parent company	
	2015	2014	2015	2014
Investments in subsidiaries				
Costs, beginning of year			300	297
Additions for the year			46	3
Costs, end of year			**346**	**300**
Net revaluations, beginning of year			–	9
Exchange adjustment at year-end rate			6	15
Hedging of future transactions			1	1
Remeasurements of defined benefit plans			2	-6
Profit before tax			126	95
Amortisation of goodwill			-15	-7
Tax for the year			-24	-26
Dividend received			-39	-81
Net revaluations, end of year			**57**	**–**
Carrying amount, end of year			**403**	**300**
Recognised in the balance sheet as follows:				
Subsidiaries with negative equity			-3	-4
Investments in subsidiaries			406	304
			403	**300**
Subsidiaries with negative equity are recognised in the balance sheet as follows:				
Recognised in receivables from subsidiaries			-3	-4
Net value, end of year			**-3**	**-4**

In EUR million	Group		Parent company	
	2015	2014	2015	2014
Investments in associates				
Costs, beginning of year	–	–	–	–
Costs, end of year	**–**	**–**	**–**	**–**
Net revaluations, beginning of year	16	13	–	–
Exchange adjustment at year-end rate	2	2	–	–
Net profit	2	2	–	–
Dividend received	-1	-1	–	–
Net revaluations, end of year	**19**	**16**	**–**	**–**
Carrying amount, end of year	**19**	**16**	**–**	**–**

5.6 The Hempel Group including foreign branches

Country	Name	Currency	Share capital	Ownership
Denmark	Hempel A/S	DKK	115,000,000	100%
Argentina	Hempel Argentina S.R.L.	ARS	338,774,200	100%
Australia	Hempel (Australia) Pty. Ltd.	AUD	700,000	100%
Bahrain	Hempel Paints (Bahrain) W.L.L.	BHD	300,000	51%
Bahrain	Dahna Paint Middle East Holding B.S.C. (closed)	USD	65,637,500	51%
Brazil	Hempel Tintas do Brasil Ltda.	BRL	31,211,487	100%
Canada	Hempel (Canada) Inc.	CAD	1,776,005	100%
Canada	Jones-Blair Canada, ULC	CAD	200,000	100%
Chile	Hempel A/S (Chile) Ltda.	CLP	1,651,829	100%
China	Hempel (China) Limited	HKD	106,000,000	100%
China	Hempel (China) Management	CNY	50,000,000	100%
China	Hempel (Kunshan) Coatings Co. Ltd.	CNY	110,035,054	100%
China	Hempel (Yantai) Coatings Co. Ltd.	CNY	16,803,936	100%
China	Hempel (Guangzhou) Coatings Co. Ltd.	CNY	185,327,620	100%
China	Hempel-Hai Hong Coatings (Shenzhen) Co. Ltd.	HKD	40,000,000	100%
China	Hempel (Seagull) Coatings Co. Ltd.	HKD	20,000,000	100%
Croatia	Hempel Coatings (Croatia) Ltd.	HRK	31,019,200	100%
Cyprus	Hempel (Cyprus) Ltd.	EUR	17,100	100%
Cyprus	Hempel Coatings (Cyprus) Limited	EUR	1,000	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	Hempel Properties A/S	DKK	1,000,000	100%
Ecuador	Hempel (Ecuador) S.A.	USD	100,000	100%
Egypt	Hempel Egypt L.L.C.	EGP	200,000	100%
Egypt	Hempel Paints (Egypt) L.L.C.	EGP	250,000	100%
Finland	OY Hempel (Finland) AB	EUR	63,000	100%
France	Hempel (France) S.A.	EUR	1,220,000	100%
Germany	Hempel (Germany) GmbH	EUR	1,533,876	100%
Greece	Hempel Coatings (Hellas) S.A.	EUR	7,800,000	100%
India	Hempel Paints (India) Pvt. Ltd.	INR	690,000,000	100%
Indonesia	P.T. Hempel Indonesia	USD	2,000,000	100%
Iraq	Hempel (Iraq) Ltd.	USD	8,300	31%
Ireland	Crown Paints Ireland Ltd.	EUR	127	100%
Italy	Hempel (Italy) s.r.l.	EUR	50,000	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%

Country	Name	Currency	Share capital	Ownership
Mexico	Pinturas Hempel de Mexico S.A. de C.V.	MXN	9,943,450	100%
Morocco	Hempel (Morocco) SARL	MAD	2,500,000	99%
New Zealand	Hempel (New Zealand) Ltd.	NZD	300,000	100%
Norway	Hempel (Norway) AS	NOK	4,981,428	100%
Oman	Hempel (Oman) L.L.C	OMR	500,000	20%
Poland	Hempel Paints (Poland) Sp. z o.o.	PLN	60,500,000	100%
Portugal	Hempel (Portugal) Lda.	EUR	1,246,995	100%
Qatar	Hempel Paints (Qatar) W.L.L.	QAR	4,000,000	29%
Russia	ZAO Hempel	RUR	24,500,000	100%
Saudi Arabia	Hempel Paints (Saudi Arabia) W.L.L.	SAR	20,000,000	51%
Saudi Arabia	Saudi Arabian Packaging Industry W.L.L.*	SAR	20,000,000	18%
Singapore	Hempel (Singapore) Pte. Ltd.	SGD	2,700,000	100%
South Africa	Hempel Paints (South Africa) Pty Ltd.	ZAR	68,906,265	100%
Spain	Pinturas Hempel S.A. (Spain)	EUR	1,202,000	100%
Sweden	Hempel (Sweden) AB	SEK	2,500,000	100%
Syria	Hempel Paints (Syria) L.L.C.	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	Schaepman's Lakfabrieken B.V.	EUR	306,302	100%
The Netherlands	Sabel Coatings B.V.	EUR	22,689	100%
Turkey	Hempel Coatings San. Ve Tic Ltd. Sti.	TRY	2,789,300	100%
UK	Crown Brands Ltd.	GBP	1	100%
UK	Crown Paints Ltd.	GBP	1	100%
UK	Grown Paints Group Ltd.	GBP	1,000,000	100%
UK	Crown Paints Holding Ltd.	GBP	1,000,000	100%
UK	Hempel Decorative Paints UK Ltd.	GBP	2,000	100%
UK	Hempel UK Ltd.	GBP	4,100,000	100%
UK	Reebor Ltd.	GBP	100	100%
Ukraine	Hempel Ukraine LLC	UAH	656,291	100%
United Arab Emirates	Hempel Paints (Abu Dhabi) L.L.C.	AED	150,000	23%
United Arab Emirates	Hempel Paints (Emirates) L.L.C.	AED	4,000,000	29%
United Arab Emirates	Sapin United Arab Emirates L.L.C.*	AED	1,000,000	18%
Uruguay	Hempel (Uruguay) S.A.	UYU	8,000,000	100%
USA	Hempel (USA) Inc.	USD	20,018,314	100%
USA	Hempel Coatings North America, Inc.	USD	35,000,000	100%
USA	Jones-Blair Company, LLC	USD	32,904,059	100%
Vietnam	Hempel Vietnam Company Limited	USD	2,690,017	100%

* Associate

Foreign branches	
Caribbean	Pinturas Hempel (Caribbean)
Hungary	Hempel (Czech Republic) s.r.o. Magyarorszagi Fioktelepe
India	Hempel (India) Liaison Office
Japan	Hempel (Singapore) Pte. Ltd. Tokyo Branch Office
Slovakia	Hempel (Czech Republic) s.r.o. org. zlozka Slovensko
Vietnam	Hempel (Singapore) Pte. Ltd. Vietnam Representative Office

5.7 Financial definitions

Financial ratios have been calculated as follows:		
Gross margin	=	Gross profit x 100 / Revenue
EBITDA margin	=	Operating profit before amortisation/depreciation x 100 / Revenue
Profit margin	=	Operating profit x 100 / Revenue
Return on assets	=	Operating profit x 100 / Average assets
Solvency ratio	=	Equity at year-end x 100 / Total assets
Return on equity	=	Net profit for the year x 100 / Average equity

hempel.com

Hempel A/S
Lundtoftegårdsvej 91
DK-2800 Kgs. Lyngby
Denmark

Tel: +45 4593 3800
Fax: +45 4588 5518
Email: hempel@hempel.com