



JOTUN

Jotun Protects Property



FINANCIAL REPORT

1 JANUARY – 30 APRIL 2019

- Strong revenue growth
- Operating profit up 52 per cent
- Positive outlook

The condensed consolidated financial statements consist of Jotun A/S and its 53 subsidiaries, three joint venture companies in Asia and five associated companies in the Middle-East. Subsidiaries are fully consolidated independent of shareholding, while share of profits from joint ventures and associates are presented on a separate line based on the shareholding.

OPERATING REVENUE

Operating revenue increased by 10 per cent to NOK 6 245 million over the first four months of 2019 (2018: NOK 5 658 million). The increase in operating income is driven by strong growth in Protective Coatings combined with price increases previously implemented in all segments to compensate for higher raw material costs. Sales in Marine Coatings have also picked up as the market for newbuildings has improved.

Topline growth is furthermore positively affected by currency translation effects.

OPERATING PROFIT

Operating profit for the first four months of the year increased from NOK 561 million in 2018 to NOK 851 million in 2019. The improvement in operating profit is explained by solid sales growth as well as higher gross margins. After a long period of declining margins due to higher raw material costs, the decline levelled off in late 2018, and margins have been steadily increasing throughout the first tertiary of 2019. In addition, persistent efforts to control costs have resulted in low growth in operating costs year to date.

INVESTMENTS

Investments in tangible and intangible assets amounted to NOK 481 million for the first tertiary of 2019 (2018: NOK 218 million), equivalent to approximately eight per cent of operating revenue. Construction of a new head office and R&D centre in Norway represents the major part of the investments. In addition, investments for added capacity in Egypt and Vietnam have commenced.

NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 3 549 million as of 30 April 2019, compared to NOK 2 526 million as of 31 December 2018. The increase in net interest-bearing debt is primarily related to investments in fixed assets in addition to the effect of implementation of IFRS 16 Leases where NOK 401 million of future lease liability is recognised at the end of April. Despite an increase in net interest-bearing debt, the Group has a solid financial position with a net interest-bearing debt to EBITDA ratio of 1.6.

SHAREHOLDERS' EQUITY

Shareholders' equity, including non-controlling interests, increased during the first four months of 2019 to NOK 8 626 million (31 December 2018: NOK 8 469 million). The increase in shareholders' equity is explained by positive profit of NOK 633 million year to date, which exceeds the effects

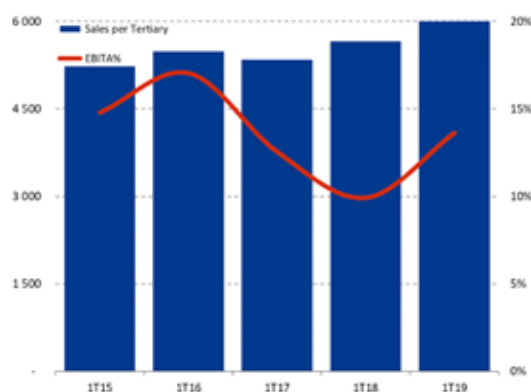
of dividends for 2018 to Jotun A/S shareholders (declared in 2019) and negative currency translation effects. The equity ratio is 47 per cent (31 December 2018: 51 per cent) and has decreased mainly due to investments in fixed assets, capitalisation of leases according to the new IFRS 16 standard and dividend distribution.

CASH FLOW

Operating activities generated a positive cash flow of NOK 177 million as of 30 April 2019 (2018: NOK 31 million). The increase in operating cash flow compared to last year is attributed to increased operating profit.

SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and EBITA-margin development for the first tertiary from 2015 to 2019 is as follows:



EBITA-margin has recovered and increased to 13 per cent compared to 10 per cent last year. This development is mainly attributed to increased product prices to compensate for the steep increase in raw material costs over the past years as well as continued focus on cost control.

OUTLOOK

Sales growth combined with improved gross margins and continued focus on cost control, is expected to contribute positively going forward.

Sales and profitability in Decorative Paints is expected to remain satisfactory and Protective Coatings is expected to continue to develop positively and benefit as the offshore sector picks up further. While the outlook for Marine Coatings is still characterized by uncertainty, market conditions have recently improved and both sales and profitability are therefore expected to develop positively.

While prices for certain raw materials have been on the rise, raw material prices overall have decreased slightly during the first tertiary, and raw material markets have in general been more stable over the past months. This will positively influence margins in the following tertiary.

Jotun will continue its organic growth strategy and maintain focus on operational effectiveness by investing in production capacity in both existing and new markets, as well as further developing its systems and personnel.

1 JANUARY – 30 APRIL 2019

JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

<i>(NOK million)</i>	30/4 2019	30/4 2018	31/12 2018
Operating revenue	6 245	5 658	17 660
Share of profit from associates and joint ventures	111	142	384
Cost of goods sold	3 323	3 142	9 914
Other operating expenses	1 958	1 923	6 239
Depreciation, amortisation and impairment	224	174	530
Operating profit	851	561	1 361
Net finance items	-59	-97	-246
Profit before tax	792	464	1 115
Income tax	159	213	442
Profit for the period	633	251	674

CONDENSED CONSOLIDATED BALANCE SHEET

<i>(NOK million)</i>	30/4 2019	30/4 2018	31/12 2018
Intangible assets	920	676	810
Property, plant and equipment	5 960	4 795	5 288
Financial fixed assets	1 833	1 340	1 645
Total non-current assets	8 713	6 811	7 743
Inventories	2 881	2 584	2 841
Trade and other receivables	5 632	5 292	5 119
Cash and cash equivalents	1 314	1 033	1 012
Total current assets	9 828	8 909	8 971
Total assets	18 541	15 721	16 715
Share capital	103	103	103
Other equity	8 267	7 552	8 142
Non-controlling interests	256	150	224
Total equity	8 626	7 804	8 469
Non-current liabilities	3 869	2 754	2 565
Current interest-bearing debt	1 313	1 188	1 379
Other current liabilities	4 733	3 975	4 301
Total liabilities	9 914	7 917	8 245
Total equity and liabilities	18 541	15 721	16 715

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(NOK million)</i>	30/4 2019	30/4 2018
Equity as of 1 January	8 469	8 254
Profit for the period	633	251
Dividend	-443	-474
Exchange differences	-33	-227
Equity as of 30 April	8 626	7 804

CONDENSED CASH FLOW STATEMENT

<i>(NOK million)</i>	30/4 2019	30/4 2018
Operating profit	851	561
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associates and joint ventures	-111	-142
Dividend paid from associates and joint ventures	6	511
Depreciation, amortisation and impairment	224	174
Change in accruals, provisions and other	-146	-549
Change in operating working capital	-440	-282
Cash generated from operating activities	385	274
Net financial items	-59	-97
Tax payments	-150	-146
Net cash flow from operating activities	177	31
Net cash flow used in investing activities	-481	-218
Dividends paid to Jotun A/S shareholders	-214	-214
Dividends paid to non-controlling interests	-16	-46
Net proceeds from borrowings	837	453
Net cash flow from financing activities	607	193
Net increase / decrease (-) in cash	302	6
Cash at beginning of period	1 012	1 027
Cash at end of period	1 314	1 033

Sandefjord, Norway, 28 May 2019

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Peter A. Ruzicka

Per Kristian Aagaard

Morten Fon
President and CEO

