



# JOTUN

Jotun Protects Property



FINANCIAL REPORT 1 JANUARY – 31 AUGUST 2018

- Continued growth in both volume and operating revenue
- Lower operating profit mainly due to higher raw material prices, but gross margin decline levelling out
- Satisfactory performance in Decorative Paints and strong improvement in Protective Coatings. Marine and Powder Coatings impacted by weak markets
- On-going construction of new head office and R&D centre in Norway, and commencing capacity investments in Vietnam and Egypt

The consolidated financial statement consists of Jotun A/S and its 54 subsidiaries, three joint venture companies in Asia and six 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 seven per cent to NOK 11 871 million over the first eight months of 2018 (2017: NOK 11 048 million). While sales continue to grow in Decorative Paints, Protective Coatings and Powder Coatings, sales in Marine Coatings is still hampered by the downturn in the shipping industry. Currency translation effects also negatively affected reported sales.

### OPERATING PROFIT

Operating profit for the first eight months of the year decreased from NOK 1 291 million in 2017 to NOK 1 154 million in 2018. The decline is explained by lower gross margins, mainly due to rising raw material costs across all segments, and lower sales in Marine Coatings due to the cyclical downturn in newbuilding activity.

### INVESTMENTS

Investments in tangible and non-tangible assets amounted to NOK 589 million for the second tertiary of 2018 (2017: NOK 607 million), equivalent to approximately five 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 Vietnam and Egypt have commenced.

### NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 2 377 million as of 31 August 2018, compared to NOK 2 029 million as of 31 December 2017. The increase in net interest-bearing debt is primarily related to a general increase in working capital driven by underlying growth. In addition, dividend payments of NOK 428 million have been paid to Jotun A/S shareholders. 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 1.4.

### SHAREHOLDERS' EQUITY

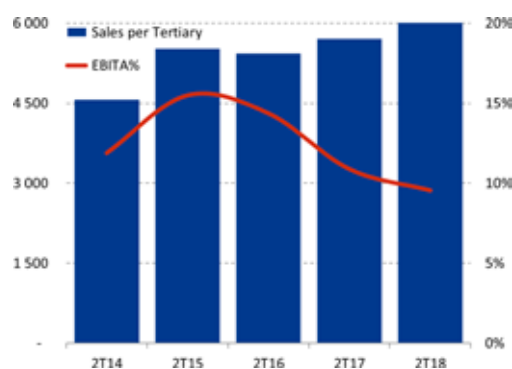
Shareholders' equity, including non-controlling interests, decreased during the first eight months of 2018 to NOK 8 115 million (31 December 2017: NOK 8 254 million). Positive profits of NOK 695 million were offset by negative currency effects and dividend distributions. The equity ratio remains strong at a level of 51 per cent (31 December 2017: 53 per cent).

### CASH FLOW

Operating activities generated a positive cash flow of NOK 726 million as of 31 August 2018 (2017: NOK 781 million). The reduction in operating cash flow from last year is attributed to lower operating profit.

### SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and EBITA-margin development for the second tertiary from 2014 to 2018 is as follows:



Operating revenue for the second tertiary in 2018 increased 9 per cent compared to the same tertiary in 2017. However, EBITA-margin decreased to 10 per cent compared to 11 per cent last year, and Jotun's profitability has eased compared to the strong levels seen in 2015 and the first half of 2016. The main reason for this is the sharp increase in raw material prices affecting cost of goods sold.

### OUTLOOK

While results in Decorative Paints is expected to remain satisfactory, results in Performance Coatings will continue to be impacted by lower gross margins and challenging markets, especially in Marine Coatings. However, the number of secured newbuilding contracts has increased significantly over the first eight months of 2018 and this will have a positive impact on Marine Coatings sales from late 2019. The strong improvement in Protective Coatings is also expected to continue.

The sharp increase in raw material prices experienced last year and the beginning of this year will continue to negatively impact gross margins over the next tertiary. Cost control initiatives and sales price increases in all segments and regions combined with stabilising raw material prices, however, will gradually offset these effects.

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.

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## JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

### CONDENSED CONSOLIDATED INCOME STATEMENT

<i>(NOK million)</i>	31/8 2018	31/8 2017	31/12 2017
Operating revenue	11 871	11 048	16 401
Share of profit from associates and joint ventures	252	399	537
Cost of goods sold	6 603	5 984	9 078
Other operating expenses	4 017	3 854	6 016
Depreciation, amortisation and impairment	348	318	489
<b>Operating profit</b>	<b>1 154</b>	<b>1 291</b>	<b>1 354</b>
Net finance items	-164	-53	-118
<b>Profit before tax</b>	<b>990</b>	<b>1 238</b>	<b>1 236</b>
Income tax	295	362	439
<b>Profit for the period</b>	<b>695</b>	<b>877</b>	<b>798</b>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(NOK million)</i>	31/8 2018	31/8 2017
Equity as at 1 January	8 254	8 035
Profit for the period	695	877
Dividend	-476	-555
Exchange differences	-359	-348
<b>Equity as at end of period</b>	<b>8 115</b>	<b>8 009</b>

### CONDENSED CONSOLIDATED BALANCE SHEET

<i>(NOK million)</i>	31/8 2018	31/8 2017	31/12 2017
Intangible assets	694	624	678
Property, plant and equipment	4 885	4 613	4 892
Financial fixed assets	1 467	1 544	1 731
<b>Total non-current assets</b>	<b>7 046</b>	<b>6 780</b>	<b>7 301</b>
Inventories	2 746	2 320	2 576
Trade and other receivables	5 101	4 846	4 804
Cash and cash equivalents	1 120	1 000	1 027
<b>Total current assets</b>	<b>8 967</b>	<b>8 167</b>	<b>8 407</b>
<b>Total assets</b>	<b>16 013</b>	<b>14 947</b>	<b>15 708</b>
Share capital	103	103	103
Other equity	7 819	7 767	7 974
Non-controlling interests	193	139	178
<b>Total equity</b>	<b>8 115</b>	<b>8 009</b>	<b>8 254</b>
Non-current liabilities	2 827	2 552	2 382
Current interest-bearing debt	1 119	793	1 109
Other current liabilities	3 953	3 594	3 963
<b>Total liabilities</b>	<b>7 898</b>	<b>6 939</b>	<b>7 454</b>
<b>Total equity and liabilities</b>	<b>16 013</b>	<b>14 947</b>	<b>15 708</b>

### CONDENSED CASH FLOW STATEMENT

<i>(NOK million)</i>	31/8 2018	31/8 2017
Profit before tax	990	1 238
Share of profit from associates and joint ventures	-252	-399
Dividend paid from associates and joint ventures	535	660
Tax payments	-146	-160
Depreciation, amortisation and impairment	348	318
Change in operating working capital	-142	-319
Change in accruals, provisions and other	-607	-558
<b>Net cash flow from operating activities</b>	<b>726</b>	<b>781</b>
<b>Net cash flow used in investing activities</b>	<b>-589</b>	<b>-607</b>
Dividends paid to Jotun A/S shareholders	-428	-513
Dividends paid to non-controlling interests	-49	-42
Net cash flow from loans	432	-205
<b>Net cash flow from financing activities</b>	<b>-44</b>	<b>-760</b>
<b>Net increase/decrease in cash</b>	<b>93</b>	<b>-586</b>
Cash at beginning of period	1027	1586
<b>Cash at end of period</b>	<b>1120</b>	<b>1000</b>

Sandefjord, Norway, 28 September 2018

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.

Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Karl Otto Tvester

Per Kristian Aagaard

Morten Fon  
President and CEO

