



JOTUN

Jotun Protects Property



FINANCIAL REPORT

1 JANUARY – 31 AUGUST 2019

- Solid revenue growth
- Operating profit increased by 51 per cent
- Continued improvement in gross margin

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 eight per cent to NOK 12 875 million over the first eight months of 2019 (2018: NOK 11 871 million). The increase in operating income is driven by continued strong growth in Protective Coatings, improved sales of marine coatings and price increases previously implemented in all segments to compensate for higher raw material costs. Topline growth is furthermore positively affected by currency translation effects mainly due to further weakening of the Norwegian krone and strengthening of the US dollar.

OPERATING PROFIT

Operating profit for the first eight months of the year increased from NOK 1 154 million in 2018 to NOK 1 749 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 2019. In addition, persistent efforts to control costs have resulted in low growth in operating costs year to date. Operating profits have improved in all segments except Powder Coatings, which has experienced a decline.

INVESTMENTS

Investments in tangible and intangible assets amounted to NOK 1 009 million as of August 2019 (2018: NOK 589 million). 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.

The increase in tangible assets is also caused by capitalised leases being recognised as fixed assets according to the new IFRS 16 standard, implemented in 2019. This amounts to NOK 555 million as of 31 August 2019.

NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 2 983 million as of 31 August 2019, compared to NOK 2 526 million as of 31 December 2018. The increase in net interest-bearing debt is primarily related to the effect from implementation of IFRS 16, where NOK 385 million of future lease liability is recognised at the end of August. 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 1.1.

SHAREHOLDERS' EQUITY

Shareholders' equity, including non-controlling interests, increased during the first eight months of 2019 to NOK 9 371 million (31 December 2018:

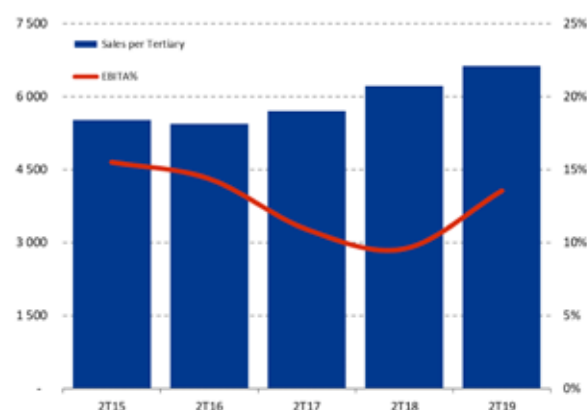
NOK 8 469 million). The increase in shareholders' equity is explained by positive profit of NOK 1 140 million and positive currency translation effects year to date, which exceeds the dividends for 2018 to Jotun A/S shareholders (declared in 2019). The equity ratio remains solid at 49 per cent (31 December 2018: 51 per cent). The slight reduction in equity ratio is mainly explained by investments in fixed assets as well as capitalisation of leases according to the new IFRS 16 standard.

CASH FLOW

Operating activities generated a positive cash flow of NOK 1 314 million as of 31 August 2019 (2018: NOK 726 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 second tertiary from 2015 to 2019 is as follows:



EBITA margin has recovered and increased to 14 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, more stable raw material markets so far this year, and continued focus on cost control.

OUTLOOK

Sales growth combined with improved gross margins and continued focus on cost control, is expected to contribute positively for the remainder of the year.

Sales and profitability in Decorative Paints is expected to remain strong and Protective Coatings is expected to continue to develop positively and benefit from a recovering offshore sector. Marine Coatings will also develop positively in the coming months. Longer term, the outlook is characterised by increased uncertainty due to the effects that ongoing trade-wars and rising geopolitical tensions may have on global economic growth.

Raw material markets have generally been more favourable this year and this will have a positive influence on gross margins for the remainder of the year.

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 – 31 AUGUST 2019

JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

(NOK million)	31/8 2019	31/8 2018	31/12 2018
Operating revenue	12 875	11 871	17 660
Share of profit from associates and joint ventures	316	252	384
Cost of goods sold	-6 818	-6 603	-9 914
Other operating expenses	-4 066	-4 017	-6 239
Depreciation, amortisation and impairment	-558	-348	-530
Operating profit	1 749	1 154	1 361
Net financial items	-188	-164	-246
Profit before tax	1 561	990	1 115
Income tax	-421	-295	-442
Profit for the period	1 140	695	674

CONDENSED CONSOLIDATED BALANCE SHEET

(NOK million)	31/8 2019	31/8 2018	31/12 2018
Intangible assets	983	694	810
Property, plant and equipment	6 197	4 885	5 288
Financial fixed assets	1 523	1 467	1 645
Total non-current assets	8 703	7 046	7 743
Inventories	2 978	2 746	2 841
Trade and other receivables	5 569	5 101	5 119
Cash and cash equivalents	1 850	1 120	1 012
Total current assets	10 397	8 967	8 971
Total assets	19 100	16 013	16 715
Share capital	103	103	103
Other equity	9 013	7 819	8 142
Non-controlling interests	255	193	224
Total equity	9 371	8 115	8 469
Non-current liabilities	3 935	2 827	2 565
Current interest-bearing debt	1 236	1 119	1 379
Other current liabilities	4 558	3 953	4 301
Total liabilities	9 729	7 898	8 245
Total equity and liabilities	19 100	16 013	16 715

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	31/8 2019	31/8 2018
Equity as of 1 January	8 469	8 254
Profit for the period	1 140	695
Dividends	-489	-476
Exchange differences	250	-359
Equity as of 31 August	9 371	8 115

CONDENSED CASH FLOW STATEMENT

(NOK million)	31/8 2019	31/8 2018
Operating profit	1 749	1 154
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associates and joint ventures	-316	-252
Dividend paid from associates and joint ventures	572	535
Depreciation, amortisation and impairment	558	348
Change in accruals, provisions and other	-30	-607
Change in operating working capital	-668	-142
Cash generated from operating activities	1 865	1 036
Net financial items	-188	-164
Tax payments	-363	-146
Net cash flow from operating activities	1 314	726
Net cash flow used in investing activities	-1 009	-589
Dividends paid to Jotun A/S shareholders	-214	-428
Dividends paid to non-controlling interests	-61	-49
Net proceeds from borrowings	808	432
Net cash flow from financing activities	533	-44
Net increase / decrease (-) in cash	838	93
Cash at beginning of period	1 012	1 027
Cash at end of period	1 850	1 120

Sandefjord, Norway, 24 September 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

