

Quarterly update – Q4 2018

Solid growth in sales and operating profit

Prior to the release of year-end figures for 2018 on February 11th and publication of the 2018 Annual Report on March 15th, Jotun can report the following development in the fourth quarter of 2018:

Key highlights

- ✓ Solid sales growth in Q4, driven by continued good growth in Decorative Paints, stronger sales momentum in Protective coatings and price increases
- ✓ Stabilisation of raw material prices and gross margin
- ✓ Operating profit significantly improved for the quarter

Operating income

Operating income continued to develop positively in Q4. Sales grew 9 per cent year on year in Q4, up from 8 per cent in Q3. Adjusted for currency translation effects, underlying sales growth in the fourth quarter was 12 per cent.

The increase in operating income is driven by continued good growth in Decorative Paints, stronger sales momentum in Protective Coatings and price increases. While sales in Marine Coatings are still affected by the cyclical downturn in the shipping industry, sales have started to pick up, particularly in North East Asia.

Operating profit

Year on year operating profit improved significantly in Q4 driven by stronger sales and higher selling prices. Operating profit is still affected by higher raw material costs, but the sharp increase in raw material prices experienced in 2017 and the beginning of 2018 has levelled off. This development combined with implementation of price increases, has stabilised the decline in gross margin.

Outlook

After a strong fourth quarter, operating profit for 2018 is expected to come in on level with last year.

We expect continued sales growth, driven primarily by Decorative Paints and Protective Coatings. Marine Coatings is still affected by a low level of shipbuilding activity, but activity is expected to pick up late 2019, and early signs of improvement have already been seen, including decent sales growth in Q4.

Gross margin is anticipated to slowly improve moving forward. Raw material prices are forecasted to remain stable in the short term, while implemented product price increases will continue to have a positive effect. Combined with persistent efforts to control cost, operating profit is expected to gradually improve.

Financial key figures (NOK million)	Oct-Dec	Oct-Dec	Change
	2018	2017	
Operating income	4,337	3,965	9.4%
Operating profit	85	-31	n.a.

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