

## Quarterly update – Q2 2019

### Continued growth and strengthened profitability

#### Key highlights

- ✓ Continued sales growth
- ✓ Operating profit up 45 per cent year to date
- ✓ Further improvement in gross margin

#### Operating income

Operating income continued to grow in Q2, increasing 5 per cent compared to the same quarter last year. Reported sales growth year to date is 8 per cent and includes positive currency effects of 2 per cent.

The increase in operating income is largely driven by product price increases implemented in all segments to compensate for the sharp increase in raw material costs over the past two years. In addition, stronger underlying growth in the Protective and Marine Coatings segments contributes positively.

After a lengthy period of challenging market conditions in the shipbuilding and offshore industries, sales year to date have improved in both these markets. In Q2, Jotun signed a memorandum of understanding with Hyundai Heavy Industries, the world's largest shipbuilding company for the use of a new, innovative solvent-free primer. This agreement is the single largest customer agreement ever signed by Jotun, with a potential value of NOK 400 million in yearly sales.

#### Operating profit

Operating profit improved further in Q2 and is up 45 per cent year to date compared to the same period last year. Operating profit margin year to date is 14.2%, compared to 10.6% last year.

The significant improvement in profitability is mainly explained by improved gross margins. Last year's implemented price increases, combined with stabilising raw material costs gradually improved gross margins during Q1, and this development continued throughout Q2. In addition, ongoing initiatives to control costs have resulted in low growth in operating costs year to date.

#### Outlook

In the upcoming quarters we expect to see growth in reported sales and operating profit year over year. This will be driven by continued positive effects from product price increases in combination with stable raw material prices over the past months.

| Financial key figures (NOK million) | Jan-Jun | Jan-Jun | Change |
|-------------------------------------|---------|---------|--------|
|                                     | 2019    | 2018    |        |
| Operating income                    | 9,472   | 8,810   | 7.5%   |
| Operating profit                    | 1,349   | 933     | 44.6%  |

#### For further information:

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