

## Quarterly update – Q1 2019

### A strong start to the year

#### Key highlights

- ✓ Solid sales growth
- ✓ Operating profit significantly improved
- ✓ Improved business outlook

#### Operating income

The positive momentum seen in Q4 2018 continued in Q1 with operating income growing 11 per cent year on year. Adjusted for positive currency effects due to a weaker Norwegian krone, underlying sales growth in the first quarter was 9 per cent.

The increase in operating income is driven by continued strong growth in Protective Coatings and good growth in Decorative Paints. Marine Coatings is still affected by the cyclical downturn in the shipping industry, but sales have started to pick up, particularly due to increased newbuilding activity in Korea.

Top line growth is positively affected by product price increases implemented during 2018 to compensate for a sharp increase in raw material costs over the past two years. Increased sales of premium solutions also contribute positively to the sales growth.

#### Operating profit

Year on year operating profit improved significantly in Q1, with an operating profit margin for the quarter of 12.7% compared to 9.8% in the same period last year.

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 during Q4 2018, and margins have been steadily increasing through the first quarter of this year. In addition, continued focus on controlling costs has resulted in low growth in operating costs year to date.

#### Outlook

In general, Jotun's business outlook is positive. Sales have gained momentum over the past two quarters, and we see activity in both the marine newbuilding market and the offshore sector gradually picking up in 2019. While prices for certain raw materials, including copper and zinc, have been on the rise, raw material markets and prices overall have been more stable over the past months.

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

Financial key figures (NOK million)	Jan-Mar 2019	Jan-Mar 2018	Change
Operating income	4,563	4,117	10.8%
Operating profit	580	403	43.9%

#### For further information:

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