

Quarterly update – Q2 2018

Sales continue to grow and profitability is improving

Key highlights

- ✓ Solid underlying sales growth year to date, driven by continued good growth in Decorative Paints and stronger sales momentum in Protective Coatings
- ✓ Gross margin decline levelling out
- ✓ Profitability still lower than last year, but improvements seen in all segments in Q2

Operating income

Operating income continued to develop positively in Q2. While reported sales growth was 4 per cent after Q1, this increased to 7 per cent after Q2. Reported operating income is negatively impacted by currency translation effects due to a general strengthening of the Norwegian krone. Adjusted for currency effects, underlying sales growth year to date is 10 per cent.

The increase in operating income year to date is driven by continued good growth in Decorative Paints and stronger sales momentum in Protective Coatings. Marine Coatings, on the other hand, is still heavily affected by the cyclical downturn in the shipping industry and sales have continued to decline in 2018.

Operating profit

While operating profit is still lower than last year and negatively affected by higher raw material prices, clear signs of improvement were seen in Q2. The positive development is driven by stronger sales and higher selling prices, combined with low growth in costs. All segments reported an improvement in operating profit compared to Q1.

Raw material costs continue to increase, but at a lower rate than in previous periods, and implementation of price increases have gradually led to a levelling out of the sharp decline in gross margin seen over the past year.

Outlook

We expect continued sales growth driven by Decorative Paints and in Protective Coatings. Marine Coatings, however, will still be challenging as the market is expected to remain weak.

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

Financial key figures (NOK million)	Jan-Jun 2018	Jan-Jun 2017	Change
Operating income	8,810	8,252	6.8%
Operating profit	933	1,015	-8.1%

For further information:

Morten Fon, President & CEO. Mobile +47 909 19 822

Christian Espolin Johnson, Group Communications Director. Mobile +47 976 45 494