



# JOTUN

Jotun Protects Property



FINANCIAL REPORT 1 JANUARY – 31 AUGUST 2014

# 1 JANUARY – 31 AUGUST 2014

## JOTUN GROUP – INTERIM FINANCIAL REPORT

- Revenue growth year-on-year
- Increase in costs primarily tied to market development activities in growth markets
- On-going capacity investments in Russia, Brazil and Oman

The consolidated financial statement consists of Jotun A/S and its 59 subsidiaries, three joint venture companies in Asia and seven associated companies in the Middle-East. Subsidiaries are consolidated with the full amount independent of shareholding, while share of profit of joint ventures and associates is presented on a separate line based on the actual shareholding. The comments below are related to the performance in the first eight months of 2014 compared to the same period of 2013 unless otherwise stated.

### REVENUE

Jotun Group had consolidated operating revenues of NOK 8 660 million, compared to an operating revenue of NOK 8 174 million in 2013. The growth of six per cent is mainly driven by increased sales volumes for Protective Coatings in North East Asia, good momentum for Decorative in the Middle East, and increased Marine dry docking activity. Sales of decorative paints in Scandinavia have also recovered after a soft start to the year.

### OPERATING PROFIT

Operating profit as of 31 August 2014 decreased by seven per cent year-on-year to NOK 978 million, yielding an operating margin of 11 per cent (31 August 2013: 13 per cent). The year so far is characterised by volume growth, strong but reduced gross margin, and increased costs predominately due to market development activities especially in the Middle East.

### PROFIT FOR THE PERIOD

Profit for the period amounted to NOK 714 million, up NOK 6 million compared to 31 August 2013. Net financing charges for the year remain at a low level. Net financial costs were NOK 26 million, compared to NOK 49 million as of 31 August 2013.

### INVESTMENTS

Total purchase of property, plant and equipment and intangible assets amounted to NOK 549 million as of 31 August 2014 (31 August 2013: NOK 489 million). This represents 6 per cent of operating revenue, on level with August last year. The level of investments is in line with strategic ambitions. Construction of new factories and buildings in Russia, Brazil and Oman represents the major part of the investments.

### NET INTEREST BEARING DEBT

The net interest bearing debt for the Group was NOK 1 327 million as of 31 August 2014 compared to NOK 1 322 million as of 31 December 2013. Jotun Group's main source of financing is loans in the Norwegian Bond market and bilateral bank loans. As of 31 August 2014 the Group had NOK 1 300 million of bonds and NOK 837 million in non-current

bank debt outstanding. The Group has reduced its current interest bearing certificate loans from NOK 1 810 million as of 31 August 2013 to NOK 200 million as of 31 August 2014.

### SHAREHOLDERS' EQUITY

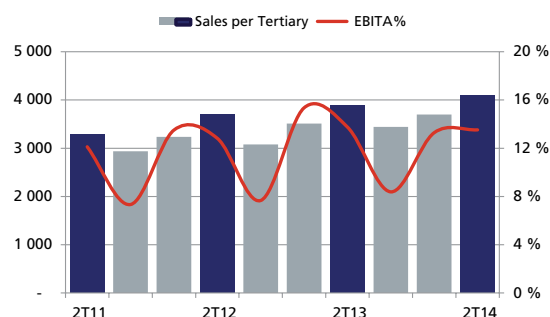
Shareholders' equity, including non-controlling interests, has increased during 2014 to NOK 5 803 million due to the profit for the period of NOK 714 million and equity changes of positive NOK 121 million, which are larger than the effect of dividends for 2013 of NOK 547 million, declared in 2014. The equity ratio is still strong at a level of 49 per cent (31 August 2013: 52 per cent).

### CASH FLOW

Operating activities generated a cash flow of NOK 847 million as of 31 August 2014 compared to a cash flow of NOK 683 million as of 31 August 2013. The improved operating cash flow for the period is mainly attributed to reduced build-up of working capital and a reduction in other receivables. The dividend cash outflow of NOK 257 million is part payment of the dividend declared for Jotun A/S in 2013 (NOK 513 million), the remaining portion was paid in September 2014.

### SUMMARY OF HISTORICAL SALES AND EBITA

Net sales and EBITA development per tertiary from August 2011 to August 2014 are as follows:



Net sales grew six per cent during the first eight months of 2014, the growth rate was somewhat better than for the same period last year (5 per cent). Due to increased costs, EBITA % for the period declined compared to 31 August 2013.

### OUTLOOK

Jotun expects sales to continue to develop positively based on its organic growth strategy and presence in key growth economies. Marine sales are at a relatively low level following the cyclical downturn within the new-building market, and are expected to improve gradually. Raw materials, which represent approximately 60 per cent of the total cost base, have a stable price outlook for the coming months. In line with its organic growth strategy, Jotun will continue to invest in production capacity in both existing and new markets, and further develop its systems and personnel to manage continued growth efficiently.

# 1 JANUARY – 31 AUGUST 2014

## JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

### CONDENSED CONSOLIDATED INCOME STATEMENT

(NOK million)	1/1–31/8 2014	1/1–31/8 2013	31/12 2013
Operating revenue	8 660	8174	12 034
Share of profit from associated companies and joint ventures	206	173	287
Cost of goods sold	4 614	4 353	6 515
Other operating expenses	3 057	2 747	4 245
Depreciations, amortisations and impairments	217	198	304
<b>Operating profit</b>	<b>978</b>	<b>1 050</b>	<b>1 258</b>
Net finance income/costs	–26	–49	–66
<b>Profit before tax</b>	<b>952</b>	<b>1 001</b>	<b>1 191</b>
Income tax expenses	238	293	335
<b>Profit for the period</b>	<b>714</b>	<b>708</b>	<b>857</b>

### CONDENSED CONSOLIDATED BALANCE SHEET

(NOK million)	31/8 2014	31/8 2013	31/12 2013
Intangible assets	355	317	330
Tangible fixed assets	3 265	2 858	2 967
Financial fixed Assets	1 313	1 209	1 356
<b>Total non-current assets</b>	<b>4 933</b>	<b>4 385</b>	<b>4 653</b>
Inventory	1 781	1 795	1 762
Trade and other receivables	3 668	3 544	3 264
Cash and cash equivalents	1 418	611	1 120
<b>Total current assets</b>	<b>6 866</b>	<b>5 949</b>	<b>6 146</b>
<b>Total assets</b>	<b>11 799</b>	<b>10 334</b>	<b>10 799</b>
Share capital	103	103	103
Other equity	5 593	5 168	5 302
Non-controlling interests	107	87	110
<b>Total equity</b>	<b>5 803</b>	<b>5 358</b>	<b>5 515</b>
Non-current liabilities	2 365	918	1 643
Current interest-bearing debt	781	1 204	1 259
Other current liabilities	2 850	2 854	2 382
<b>Total liabilities</b>	<b>5 996</b>	<b>4 976</b>	<b>5 284</b>
<b>Total equity and liabilities</b>	<b>11 799</b>	<b>10 334</b>	<b>10 799</b>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	1/1–31/8 2014	1/1–31/8 2013
Equity at 1 January	5 515	5 016
Profit for the period	714	708
Dividend	–547	–549
Exchange differences	104	146
Other equity changes	17	38
<b>Equity at end of period</b>	<b>5 803</b>	<b>5 358</b>

### CONDENSED CASH FLOW STATEMENT

(NOK million)	1/1–31/8 2014	1/1–31/8 2013
Profit before tax	952	1 001
Share of profit from associated companies and joint ventures	–206	–173
Dividend paid from associated companies and joint ventures	270	247
Tax payments	–127	–91
Depreciation	217	198
Change in operating working capital	–254	–693
Change in accruals, provisions and other	–5	194
<b>Net cash flow from operating activities</b>	<b>847</b>	<b>683</b>
<b>Net cash flow used in investing activities</b>	<b>–549</b>	<b>–489</b>
Dividends paid to Jotun A/S shareholders	–257	–257
Dividends paid to non-controlling interests	–34	–36
Net cash flow from loans	291	–92
<b>Net cash flow from financing activities</b>	<b>–1</b>	<b>–385</b>
<b>Net increase/decrease in cash</b>	<b>297</b>	<b>–191</b>
Cash at beginning of period	1 120	802
<b>Cash at end of period</b>	<b>1 418</b>	<b>611</b>

Sandefjord, Norway 23 September 2014

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.

Chairman

Einar Abrahamsen

Terje Andersen

Nicolai A. Eger

Karl Otto Tveter

Birger Amundsen

Richard Arnesen

Ingrid Luberth

Morten Fon  
President and CEO

