



JOTUN

Jotun Protects Property



FINANCIAL REPORT
1 JANUARY – 31 AUGUST 2020

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JOTUN GROUP – INTERIM FINANCIAL REPORT

- Continued revenue growth
- Operating profit increased by 37 per cent
- Significant uncertainty in sales outlook

The condensed consolidated financial statements for the Jotun Group consist of Jotun A/S and 56 subsidiaries, three joint ventures in China and Korea and five associates in UAE and Saudi Arabia. Subsidiaries are fully consolidated independent of shareholding, while Jotun's share of profits from joint ventures and associates is presented on a separate line in the consolidated income statement.

OPERATING REVENUE

Operating revenue increased by eight per cent to NOK 13 916 million over the first eight months of 2020 (2019: NOK 12 875 million). Adjusted for positive currency translation effects, resulting from a weaker Norwegian Krone, underlying sales growth was one per cent. The increase in underlying sales is driven by modest growth in Marine Coatings and Decorative Paints. Sales in Protective Coatings remained at approximately the same level while sales in Powder Coatings were weaker compared to the same period last year.

Extensive COVID-19 restrictions implemented by local authorities have hampered sales in all segments and especially in South East Asia and the Middle East. Still, the negative impact is easing as restrictions are gradually lifted. At the same time, some key markets have experienced strong sales growth during the pandemic, like Scandinavia.

OPERATING PROFIT

Operating profit for the first eight months of the year increased from NOK 1 749 million in 2019 to NOK 2 402 million in 2020. The improvement in operating profit is mainly explained by stronger gross margins due to lower raw material costs. In addition, currency translation effects and low underlying cost growth contribute positively.

INVESTMENTS

Investments in tangible and intangible assets amounted to NOK 813 million as of August 2020 (2019: NOK 1 009 million). The completion of a new head office and R&D centre as well as an upgrade of the factory in Norway represent the major part of the investments. In addition, construction of a new factory in Vietnam, capacity expansion in Egypt and new regional office and R&D centre in Dubai have commenced.

NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 2 177 million as of 31 August 2020, compared to NOK 2 581 million as of 31 December 2019. The reduction in net interest-bearing debt is primarily related to stronger cash flow from operations. The Group has a solid financial position with a net interest-bearing debt to EBITDA ratio of 0.6.

SHAREHOLDERS' EQUITY

Shareholders' equity, including non-controlling interests, increased during the first eight months of 2020 to NOK 10 373 million (31 December 2019: NOK 9 584 million), yielding an equity ratio of 51 per cent as of 31 August 2020 (31 December 2019: 50 per cent). The increase in shareholders' equity is driven by improved profit after tax of NOK 1 543 million

(2019: NOK 1 140 million), which more than compensates for an increase in dividends paid to Jotun A/S shareholders.

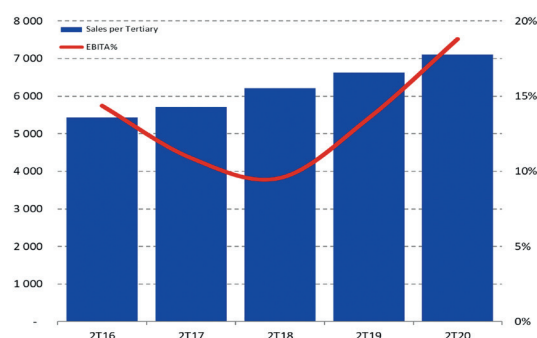
CASH FLOW

Operating activities generated a positive cash flow of NOK 1 670 million as of 31 August 2020 (2019: NOK 1 369 million). The increase in operating cash flow compared to last year is attributed to increased operating profit.

The Group's liquidity position remains solid, and Jotun A/S has a total of NOK 2.5 billion in unutilised overdraft and credit facilities available as a reserve to further support potential liquidity needs in the Group.

SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and EBITA margin development for the second tertiary from 2016 to 2020 is as follows:



EBITA margin has continued to recover and increased to 19 per cent compared to 14 per cent last year. This development is mainly attributed to easing raw material costs and continued cost control.

OUTLOOK

While financial performance year to date has improved despite the corona crisis, the future outlook is characterized by significant uncertainty.

Gradual easing of containment restrictions has had a positive short-term effect on commercial activity in most markets. However, it is difficult to predict how COVID-19 will affect macro-economic conditions and the Group's financial performance going forward.

In the medium term, we expect reduced market activity within both offshore and newbuilding of ships. The extraordinary growth seen in Scandinavia during the lockdown is also expected to ease. We furthermore expect that the strength of an eventual recovery from the coronavirus crisis will differ significantly between segments and regions.

Lower raw material costs have had a favourable impact on operating profit so far this year. However, the positive effect is expected to ease as raw material prices have been increasing over the past three months and further increases are anticipated moving forward.

Jotun's strategy has remained firm through the corona crisis, and the focus on organic growth and operational effectiveness will continue.

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JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

(NOK million)	31/8 2020	31/8 2019	31/12 2019
Operating revenue	13 916	12 875	19 652
Share of profit from associates and joint ventures	427	316	497
Cost of goods sold	-7 008	-6 818	-10 441
Other operating expenses	-4 410	-4 066	-6 578
Depreciation, amortisation and impairment	-522	-558	-810
Operating profit	2 402	1 749	2 320
Net financial items	-280	-188	-242
Profit before tax	2 122	1 561	2 079
Income tax	-579	-421	-529
Profit for the period	1 543	1 140	1 549

CONDENSED CONSOLIDATED BALANCE SHEET

(NOK million)	31/8 2020	31/8 2019	31/12 2019
Intangible assets	1 103	983	1 073
Property, plant and equipment	6 703	6 197	6 489
Financial fixed assets	1 391	1 523	1 575
Total non-current assets	9 197	8 703	9 137
Inventories	2 854	2 978	2 830
Trade and other receivables	5 411	5 569	5 266
Cash and cash equivalents	2 745	1 850	1 903
Total current assets	11 010	10 397	9 998
Total assets	20 206	19 100	19 136
Share capital	103	103	103
Other equity	9 987	9 013	9 202
Non-controlling interests	283	255	280
Total equity	10 373	9 371	9 584
Non-current liabilities	4 036	3 935	3 939
Current interest-bearing debt	1 564	1 331	1 197
Other current liabilities	4 233	4 463	4 416
Total liabilities	9 833	9 729	9 551
Total equity and liabilities	20 206	19 100	19 136

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	31/8 2020	31/8 2019
Equity as of 1 January	9 584	8 469
Profit for the period	1 543	1 140
Dividends	-608	-489
Other comprehensive income	-146	250
Equity as of 31 August	10 373	9 371

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(NOK million)	31/8 2020	31/8 2019
Operating profit	2 402	1 749
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associates and joint ventures	-427	-316
Dividend paid from associates and joint ventures	569	572
Depreciation, amortisation and impairment	522	558
Change in accruals, provisions and other	-314	25
Change in operating working capital	-352	-668
Cash generated from operating activities	2 401	1 920
Net financial items	-280	-188
Tax payments	-452	-363
Net cash flow from operating activities	1 670	1 369
Net cash flow used in investing activities	-813	-1 009
Dividends paid to Jotun A/S shareholders	-274	-214
Dividends paid to non-controlling interests	-61	-61
Payment of principal portion of lease liabilities	-91	-86
Net proceeds from borrowings	439	808
Net cash flow from financing activities	14	447
Net increase / decrease (-) in cash	871	807
Net currency translation effect	-29	31
Cash at beginning of period	1 903	1 012
Cash at end of period	2 745	1 850

Sandefjord, Norway, 24 September 2020

The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Nicolai A. Eger

Jannicke Nilsson

Nina C. Hagen Sørli

Per Kristian Aagaard

Morten Fon
President and CEO

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