

Press release

6 April 2018

Key messages

- Hempel's financial performance was satisfactory in 2017 with organic growth of -0.7 per cent, in line with the global coatings market
- Hempel maintained a stable EBITDA margin (12.4 per cent) in 2017
- Net working capital days reduced to a historical low of 59 days by the end of 2017 – the strategic ambition for 2020 achieved 3 years early
- EUR 177 million released from working capital during 2016 and 2017, which left Hempel virtually debt free by the end of 2017
- The transformation of Hempel into a leading global coatings company continues
- Hempel is now ready to welcome new companies to the Hempel family and to take a leading part in the consolidation of the global coatings industry

Hempel continues its transformation after a satisfying 2017

After strong progress on its transformation journey in 2017, Hempel is now ready to play a leading role in the consolidation of the global coatings industry.

Global coatings company Hempel's financial performance was satisfactory in 2017 with organic growth of -0.7 per cent. This was in line with the global coatings market and the segments in which Hempel operates. Hempel maintained a stable EBITDA margin (12.4 per cent) in 2017, just below the 2016 level (13.2 per cent).

Furthermore, Hempel saw great results from its sharp focus on improving net working capital and reducing net debt. Net working capital days decreased from 89 days in 2016 to 59 days in 2017 – the strategic ambition for 2020 achieved three years early. Consequently, Hempel saw strong cash flows again in 2017, coming in at EUR 155 million from operating activities.

Hempel was, therefore, able to reduce its net interest-bearing debt from EUR 119 million in 2016 to a mere EUR 21 million in 2017, equalling a ratio of 0.1 to EBITDA (0.6 in 2016). This makes Hempel a virtually debt-free company and leaves the company in a strong position to take a leading part in the consolidation of the industry.

Ready for a leading global role

In 2017, Hempel focused successfully on optimising and investing in its functions, processes and leadership in order to continue the transformation of Hempel into a leading global coatings company and to accelerate the execution of its *Journey to Excellence* strategy.

Hempel Group President & CEO Henrik Andersen comments: *"We took great strides in our transformational journey and made many important investments in building the foundation we need in order to accelerate growth. We are now ready to welcome new companies to join the Hempel family and expect acquisitions to happen in 2018. We want to play a leading global role in the consolidation of the industry and actively drive the industry forward through new customer-focused innovative products, support and services. We are also very proud that we managed to keep our focus on transforming this great company despite the serious issues with compliance in some operating units in Asia Pacific."*

Customer relations and trust

Hempel made use of 2017 to develop its relationships with customers. Hempel's global organisation is now much more effective and agile when working with customers, no matter where in the world they operate. Listening to customers, understanding their businesses, gaining their trust and delivering value-adding products and services that meet their needs are key to continuous success and long-term partnerships.

"Customer focus and trust are key aspects of our values and the Hempel way of doing business. They are central to our identity and are now central to our brand, too. In 2017, we launched our first company-wide tagline: Trust is earned. We look forward to living up to that ambition in the years ahead," Henrik Andersen says.

Hempel Sailing World Championships 2018

2017 was also the year when Hempel took action to become much more visible globally. In June, Hempel announced that it would be the title sponsor of the Sailing World Championships 2018 to be held in Aarhus, Denmark in July and August. The Championships are expected to draw around 1,500 sailors from 100 nations as well as over 400,000 visitors. 160 million TV-viewers worldwide will tune in from their homes.

Expectations for 2018

Hempel expects the global marine coatings market to continue to be challenging in 2018, especially the newbuilding segment where global overcapacity is adding to the already negative trends in the industry. Despite this, Hempel anticipates positive underlying organic growth across most segments and geographies. Hempel's EBITDA margin is expected to remain at a strong level, in line with 2017.

Contact

For any further information, questions or comments, please contact:

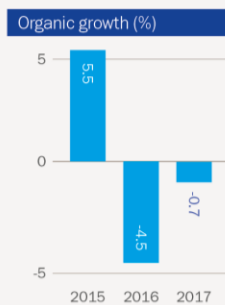
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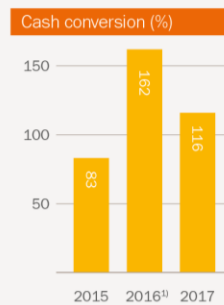
Appendix to the press release (enclosed):

Highlights from 2017



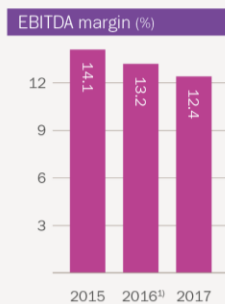
- Organic growth of -0.7%, equivalent to revenue of EUR 1,378 million
- Challenging conditions in the coatings industry – growth in line with the market segments Hempel operates in
- Unfavourable currency fluctuations, in particular the weakening of the US dollar, negatively impacted revenue by 2.3% (EUR 33 million)

-0.7%
vs 2016



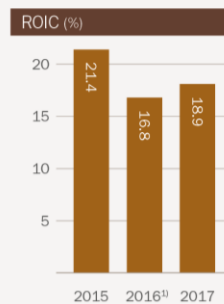
- Continued focus on working capital resulted in another year of solid cash conversion
- Net working capital days the lowest in Hempel's history – the strategic ambition for 2020 achieved 3 years early – releasing EUR 177 million since the beginning of 2016
- Net debt reduced to EUR 21 million making Hempel virtually debt-free at the end of 2017

116%



- Satisfactory EBITDA margin comparable to last year
- Significant investments, particularly in our commercial organisation, to solidify our platform for accelerated growth
- Steep raw material price increases negatively impacted margins – partially offset by efficiency initiatives, selected cost reductions and the passing on of price increases to our customers

-0.8p.p.
vs 2016



- ROIC increased by 2.1p.p. as a result of reductions in invested capital
- Invested capital decreased by 20%, mainly driven by a focused drive to decrease working capital
- Working capital days reduced to 59 end of 2017 compared to 89 end of 2016

+2.1p.p.
vs 2016

1) Excluding special items.

Key figures

In EUR million (unless otherwise stated)

	2017	2016	2015	2014	2013 ¹⁾
Income statement					
Revenue	1,378	1,424	1,563	1,298	1,239
EBITDA	171	188 ²⁾	220	166	165
Amortisation, depreciation and impairment	56	58	62	37	40
Operating profit	115	130 ²⁾	158	129	125
Share of net profits of associates	-	2	2	2	2
Net financials	-23	-18	-22	-17	-19
Profit before tax	92	78	138	114	108
Net profit for the year	55	47	108	82	78
Financial position					
Total assets	1,144	1,265	1,377	1,162	1,056
Equity	442	458	488	421	377
Net interest-bearing debt	21	119	272	146	133
Cash flows					
Total cash flow from operating activities	155	250	131	88	133
Total cash flow from acquisitions / divestments of enterprises	14	-	-141	-13	-
Total cash flow from net investments in property, plant and equipment and intangible assets	-23	-36	-47	-23	-45
Free cash flow	144	216	-56	53	89
Working capital					
Net working capital (NWC) days	59	89	122	113	108
Employees					
Average number of employees	5,740	5,787	5,661	5,134	5,029
Employee Net Promoter Score (Scale: -100 to +100)	20	25	N/A	N/A	N/A
Ratios (%)					
Organic growth	-0.7	-4.5	5.5	5.2	1.7
Gross margin	40.9	43.7	41.7	41.0	40.5
EBITDA margin	12.4	13.2 ²⁾	14.1	12.8	13.3
Operating profit margin	8.3	9.1 ²⁾	10.1	10.0	10.1
Return on invested capital	18.9	16.8 ²⁾	21.4	21.0	20.8
Equity ratio	38.6	36.2	35.4	36.2	35.6
Cash conversion	116	162 ²⁾	83	81	114
Leverage ratio (Net interest-bearing debt/EBITDA)	0.1	0.6 ²⁾	1.2	0.9	0.8

1) Comparative figures have been restated according to the changed accounting policies in 2013 only. For definitions, see note 5.8.

2) Excluding special items related to compliance issues.