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25 March 2015

Annual Report 2014: Strong performance gives Hempel the momentum needed for the future

Solid organic growth in the second half of the year ensured [Hempel](#) delivered a record net profit of EUR 71 million in 2014. The Group's growth and earnings were in the top tier of the coatings industry and give the company the momentum needed for future growth.

The Hempel Group has proven to be one of the fastest growing coatings companies over the last 10 years. This continued in 2014 when the Group delivered organic growth of five per cent. This growth was achieved despite a flat first six months of the year, with the Group registering growth of nine per cent in the second half of 2014.

Hempel's EBITDA of EUR 166 million was the highest in the Group's history and slightly above 2013, which was itself a record year. This was partly due to favourable raw material prices, but also due to the efficiency measures the Group has taken over the last few years.

Pierre-Yves Jullien, Group President and CEO of Hempel A/S, comments: "Since we embarked on our growth strategy in 2010, turnover has increased by 46 per cent. More importantly, we have significantly improved efficiency and growth has been achieved without compromising our level of earnings. This has given us the momentum needed for continued growth in our three main segments and will ensure we can consolidate our position as a leading global coatings supplier."

Hempel's 2014 results

- Revenues increased to EUR 1,298 million, up from EUR 1,239 million in 2013
- EBITDA of EUR 166 million, highest in Group history
- Operating profit rose by EUR 4 million to EUR 129 million
- Net profit increased to EUR 71 million

The Hempel Group's organic growth in 2014 was driven by its three main segments. In the Decorative segment, the Group continued to benefit from the 2011 acquisition of Crown Paints both in terms of Crown Paints' performance and knowledge sharing across the Group. The Protective segment continued the growth it has seen over recent years, and the Marine segment delivered good growth in China and Southern Europe. In addition, both the Container and Yacht segments saw slight improvements during 2014.

The Group's ability to convert operational earnings to cash remains high, which has allowed the Group to further reduce its leverage ratio.

Kim Junge Andersen, Group Executive Vice President and CFO of Hempel A/S, comments: "Tight control of working capital, especially credit management, has allowed the Group to maintain a high cash generation level, which is important for the Group's ability to continue to invest in growing the business organically and fund new acquisitions."

Increasing growth through carefully selected acquisitions

Despite strong organic growth, the acquisition of carefully selected companies remains an important part of Hempel's growth strategy when and where appropriate. Hempel acquired Schaepman's Lakfabrieken B.V., a Dutch supplier of specialist industrial and protective coatings, in December 2014.

"Schaepman is a very good company with excellent management and staff, and I am very pleased to be able to welcome them to our Group," says Pierre-Yves Jullien. "Our two companies are a perfect fit, both culturally and business-wise. Our goal now is to work together to ensure that Schaepman continues to



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grow and that Hempel benefits from the unique skills, technologies and expertise that Schaeppman brings to our company.”

In addition, Hempel acquired its former toll manufacturer in South Africa, The Coatings Manufacturing Company, in February 2015. In March 2015, it acquired Jones-Blair Company, a leading North American coatings supplier to the protective and waterproofing markets.

Pierre-Yves Jullien comments: “These acquisitions add specialist products, technologies and manufacturing expertise to our organisation. We will work closely with our new colleagues to ensure the acquisitions further strengthen our presence, product portfolio, customer service and manufacturing capabilities in key segments and regions.”

Winning customers with value-adding solutions

Over the past few years, Hempel has increased its focus on developing solutions that translate customers’ business needs into value-adding solutions. This has enabled the company to release a number of leading technologies and products that performed strongly in 2014.

This includes HEMPAGUARD®, a ground-breaking fouling defence product for ships’ hulls that reduces vessel fuel consumption and associated CO₂ emissions by an average of six per cent compared to traditional antifoulings. Released at the end of 2013, HEMPAGUARD® passed both 100 and 200 full-ship applications in 2014, reinforcing its position as the industry’s leading fouling defence coating.

Hempel’s first products based on its proprietary AvantGuard® technology also performed strongly in 2014. Launched in September of 2014, the HEMPADUR AvantGuard® range of zinc epoxy primers are proven to deliver better anti-corrosive performance than traditional zinc epoxies, without increasing zinc content. As a result, they meet customer demands for an easy-to-apply coating that can protect assets for longer in tough C4 and C5 corrosive conditions.

In addition, Hempel launched Context Thermoguard in the Middle East in 2014. An exterior coating for buildings that reflects solar energy in the infrared spectrum, Context Thermoguard has proven to reduce a building’s air conditioning costs by an average of five per cent.

Preparing for a milestone year

Hempel’s performance in the second half of 2014 has given the company the momentum needed for the years ahead. 2015 is an extremely important year for Hempel. It marks the company’s 100th anniversary, as well as the end of its current *One Hempel – One Ambition* strategy period. Hempel is currently developing a new strategy that will take the company up to 2020.

Pierre-Yves Jullien comments: “Our performance in 2014 demonstrates that we are moving in the right direction and that the investments we made over recent years were the right ones. We will maintain the key values of quality and service that have formed the cornerstones of our success over the last 100 years, and I am confident that we can continue to generate strong organic growth in the future, which is our top priority worldwide.”

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Notes to editors:

About Hempel

Hempel is a world-leading coatings supplier for the decorative, protective, marine, container and yacht markets. From wind turbines and bridges to hospitals, ships, power stations and homes, our coatings protect man-made structures from the corrosive forces of nature. Hempel owns, among other companies, Crown Paints, Blome International Inc. and Schaepman.

With a focus on R&D, advanced production techniques and professional coatings advice, we work around the globe to help keep our customers' investments safe and attractive for a long time. Our working concept is simple: We are curious, creative and self-critical, and we always aim to create extra value for our customers.

www.hempel.com

www.hempel.com/en/about-hempel/annual-report

Fact sheet: Hempel

- Hempel is a world-leading coatings supplier working in the decorative, protective, marine, container and yacht markets
- Hempel's coatings help protect man-made structures – from wind turbines and bridges to ships and homes – from the corrosive forces of nature
- Hempel has 27 factories and more than 150 stock points around the globe
- Present in more than 80 countries, Hempel employs over 5,000 people
- Hempel owns, among other companies, Crown Paints, Blome International Inc., Schaepman and Jones Blair.



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Key figures

Key figures in EUR million

Profit	2014	2013 ¹⁾	2012	2011	2010
Revenue	1,298	1,239	1,242	1,077	889
EBITDA	166	165	126	105	118
Amortisation, depreciation and impairment	37	40	43	34	27
Operating profit	129	125	83	72	92
Share of net profits of associates	2	2	3	2	2
Net financials	-17	-19	-21	-13	-7
Profit before tax	114	108	65	61	87
Net profit for the year	71	65	35	35	53
Balance					
Balance sheet total	1,162	1,056	1,067	1,064	763
Equity	421	377	356	327	316
Cash flows					
Cash flow from:					
Operating activities	100	146	128	63	31
Investing activities	-35	-44	-36	-192	-60
– including net investments in property, plant and equipment and intangible assets	-23	-45	-28	-32	-40
Financing activities	-91	-59	-63	127	-56
Change in cash and cash equivalents	-26	43	29	-2	-85
Employees					
Average number of employees	5,134	5,029	4,977	4,468	3,638
Ratios (%)					
Gross margin	41	41	37	34	36
Profit margin	10	10	7	7	10
Return on assets	12	12	8	8	13
Solvency ratio	36	36	33	31	41
Return on equity	18	18	10	11	18

1) Comparative figures have been restated according to the changed accounting policies in 2013 only.
For definitions, see page 82.