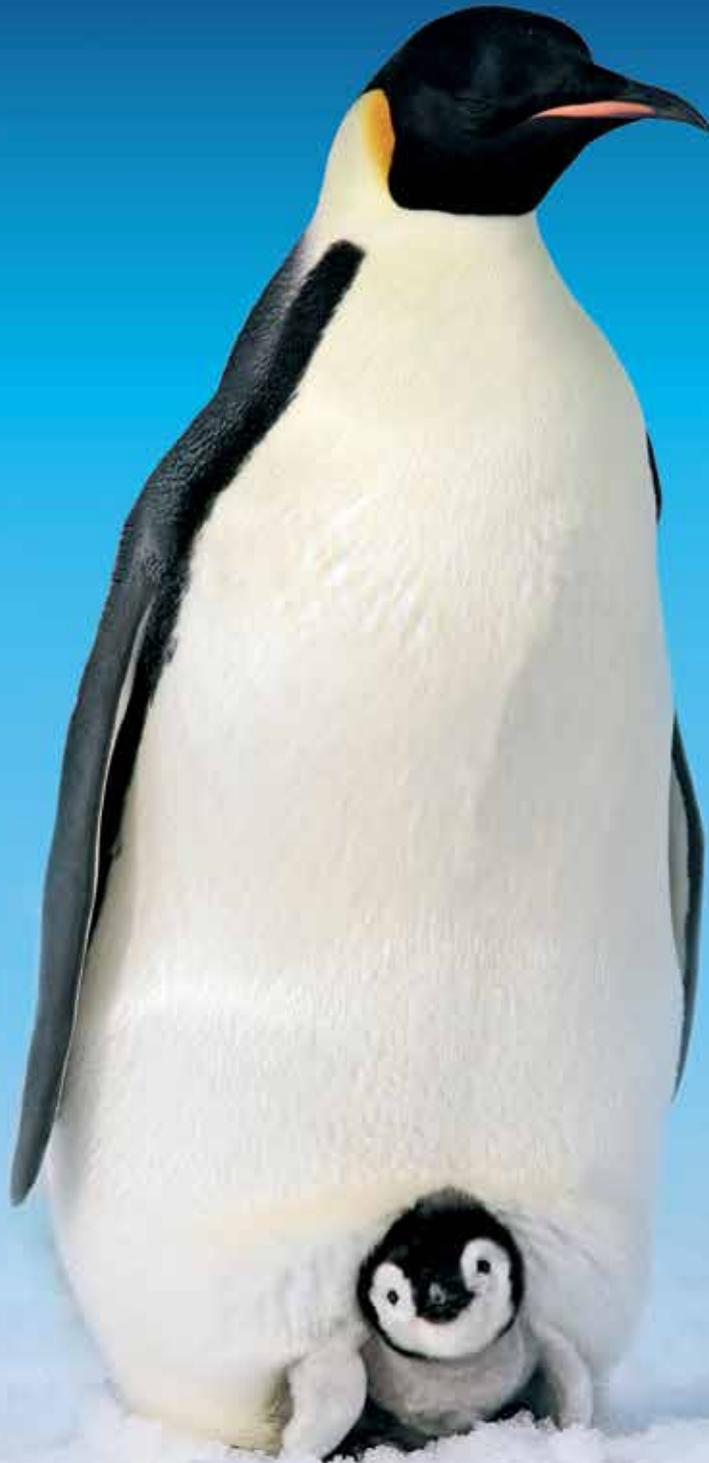




JOTUN

Jotun Protects Property



FINANCIAL REPORT 1 JANUARY – 31 AUGUST 2017

JOTUN GROUP – INTERIM FINANCIAL REPORT

- Continued sales volume growth and one per cent increase in operating revenue
- Operating profit significantly impacted by increasing raw material prices
- Satisfactory performance in Decorative Paints, while the marine newbuilding and offshore markets remain challenging, especially in North East Asia
- On-going construction of new head office and R&D centre in Norway, and new factories in Malaysia, Myanmar and the Philippines

The consolidated financial statement consists of Jotun A/S and its 53 subsidiaries, three joint venture companies in Asia and six associated companies in the Middle East. Subsidiaries are fully consolidated independent of shareholding, while share of profits from joint ventures and associates are presented on a separate line based on the shareholding.

OPERATING REVENUE

Operating revenue increased by one per cent to NOK 11 048 million over the first eight months of 2017 (2016: NOK 10 917 million). Continued sales growth in the Decorative Paints segment was offset by weaker sales in the marine newbuilding and offshore markets. Currency translation effects also negatively impacted reported sales (-5 per cent).

OPERATING PROFIT

Operating profit for the first eight months of the year decreased from NOK 1 716 million in 2016 to NOK 1 291 million in 2017. The decline is explained by lower gross margin, mainly due to rising raw material costs across all segments and in part from reduction in average selling prices, especially in the North East Asia.

INVESTMENTS

Investments in tangible and non-tangible assets amounted to NOK 607 million for the second tertiary of 2017 (2016: NOK 722 million). This represents five per cent of operating revenue, and is in line with strategic ambitions. Construction of a new head office and R&D centre in Norway, together with construction of new factories and buildings in Malaysia, Myanmar and the Philippines, represents the major part of the investments.

NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 1 930 million as of 31 August 2017, compared to NOK 1 502 million as of 31 December 2016. The increase in net interest-bearing debt is primarily related to weaker cash flow from operations due to lower operating profit as well as an increase in working capital. In addition, the remaining dividend payment of NOK 256.5 million to Jotun A/S shareholders was made during the second tertiary this year compared to the third tertiary last year.

Despite the increase, the Group has a solid financial position, and a net interest-bearing debt to EDITDA ratio of 1.0.

SHAREHOLDERS' EQUITY

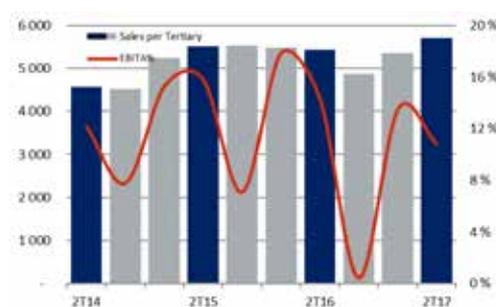
Shareholders' equity, including non-controlling interests, decreased during the first eight months of 2017 to NOK 8 009 million (31 August 2016: NOK 8 315 million). Positive profits of NOK 877 million was offset by negative currency translation effects and dividend distributions. The equity ratio remains strong at a level of 54 per cent (31 August 2016: 52 per cent).

CASH FLOW

Operating activities generated a positive cash flow of NOK 781 million as of 31 August 2017 (2016: NOK 1 109 million). The reduction in operating cash flow for the period is mainly attributed to lower operating profit and an increase in operating working capital.

SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and margin development per tertiary from August 2014 to August 2017 is as follows:



Operating revenue for the second tertiary in 2017 increased five per cent compared to the same tertiary in 2016. However, EBITA-margin decreased to 11 per cent compared to 14 per cent last year, and Jotun's profitability has eased compared to the strong levels seen in 2015 and the first half of 2016.

OUTLOOK

While growth and performance in Decorative Paints is expected to remain satisfactory, demand for Marine and Protective Coatings in the marine newbuilding and offshore markets is expected to remain weak, with an uncertain outlook. On the other hand, maintenance and repair sales in Marine and sales in other Protective markets are expected to continue to grow.

A significant increase in raw material prices has resulted in declining gross margins in all segments. Raw material prices are expected to further increase during the next tertiary and continue to negatively impact profitability. However, continued focus on cost control and profit improvement initiatives, including implementation of price increases in all segments and regions, will gradually contribute to offset these effects.

While performance in the last tertiary of 2017 is expected to improve over last year, operating profit for the year is expected to fall short of last year.

Jotun will continue its organic growth strategy and maintain focus on operational effectiveness by investing in production capacity in both existing and new markets, as well as further developing its systems and personnel.

1 JANUARY – 31 AUGUST 2017

JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

(NOK million)	1/1–31/8 2017	1/1–31/8 2016	31/12 2016
Operating revenue	11 048	10 917	15 785
Share of profit from associated companies and joint ventures	399	459	690
Cost of goods sold	5 984	5 535	8 142
Other operating expenses	3 854	3 849	6 023
Depreciation, amortisation and impairment	318	277	547
Operating profit	1 291	1 716	1 763
Net finance items	-53	-63	-169
Profit before tax	1 238	1 652	1 594
Income tax	362	398	462
Profit for the period	877	1 254	1 132

CONDENSED CONSOLIDATED BALANCE SHEET

(NOK million)	31/8 2017	31/8 2016	31/12 2016
Intangible assets	624	493	584
Property, plant and equipment	4 613	4 539	4 543
Financial fixed Assets	1 544	1 680	1 900
Total non-current assets	6 780	6 714	7 027
Inventories	2 320	2 187	2 041
Trade and other receivables	4 846	4 908	4 504
Cash and cash equivalents	1 000	2 180	1 586
Total current assets	8 167	9 274	8 132
Total assets	14 947	15 988	15 158
Share capital	103	103	103
Other equity	7 767	8 017	7 783
Non-controlling interests	139	195	149
Total equity	8 009	8 315	8 035
Non-current liabilities	2 552	2 744	2 679
Current interest-bearing debt	793	1 408	877
Other current liabilities	3 594	3 523	3 568
Total liabilities	6 939	7 674	7 124
Total equity and liabilities	14 947	15 989	15 158

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	1/1–31/8 2017	1/1–31/8 2016
Equity as at 1 January	8 035	7 932
Profit for the period	877	1 254
Dividend	-555	-586
Exchange differences	-348	-285
Equity as at end of period	8 009	8 315

CONDENSED CASH FLOW STATEMENT

(NOK million)	1/1–31/8 2017	1/1–31/8 2016
Profit before tax	1 238	1 652
Share of profit from associated companies and joint ventures	-399	-459
Dividend paid from associated companies and joint ventures	660	718
Tax payments	-160	-185
Depreciation, amortisation and impairment	318	277
Change in operating working capital	-801	-646
Change in accruals, provisions and other	-76	-247
Net cash flow from operating activities	781	1 109
Net cash flow used in investing activities	-607	-722
Dividends paid to Jotun A/S shareholders	-513	-257
Dividends paid to non-controlling interests	-42	-37
Net cash flow from loans	-205	568
Net cash flow from financing activities	-760	273
Net increase/decrease in cash	-586	660
Cash at beginning of period	1 586	1 521
Cash at end of period	1 000	2 180

Sandefjord, Norway, 29 September 2017

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.

Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Karl Otto Tvetter

Per Kristian Aagaard

Morten Fon
President and CEO

