

Jotun Group

Interim Financial Report

01 January - 30 April 2017

- ✓ Revenue slightly down year over year due to weaker sales in Performance Coatings and negative currency effects.
Satisfactory performance in Decorative Paints with profit slightly above last year
- ✓ Weaker market and lower selling prices in combination with higher raw material costs hampered profit for Performance Coatings towards the end of the first tertiary.
- ✓ On-going construction of new head office and R&D centre in Norway, and capacity investments in Malaysia, the Philippines and Myanmar

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 consolidated with the full amount independent of shareholding, while share of profits from joint ventures and associates are presented on a separate line based on the actual shareholding.

Operating revenue

Operating revenue decreased by three per cent to NOK 5 344 million over first four months of 2017 (2016: NOK 5483 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.

Operating profit

Operating profit for the first tertiary decreased from NOK 935 million in 2016 to NOK 670 million in 2017. The decline is explained by lower gross margin due to a reduction in average selling prices towards the end of the first tertiary, especially in the North-East Asia region combined with rising raw material costs across all segments. Other operating expenses also increased by three per cent compared to the same period last year.

Investments

Investments in tangible and non-tangible assets amounted to NOK 336 million for the first tertiary of 2017 (2016: NOK 323 million). This represents six per cent of operating revenue, and is in line with strategic ambitions. Construction of new factories and buildings in Malaysia, the Philippines and Myanmar, together with construction of a new head office and R&D centre in Norway, represents the major part of the investments.

Net interest-bearing debt

The net interest-bearing debt for the Group was NOK 2 177 million as of 30 April 2017, compared to NOK 1 523 million as of 31 December 2016. The increase in net interest-bearing debt is primarily related to weaker cash flow from operations, which is tied to a seasonal increase of working capital in Scandinavia as well as a general increase in working capital driven by underlying growth and investments. In addition, the first of two dividend payments, each of NOK 256.5 million, was made to Jotun shareholders during the first tertiary. The Group has a

solid financial position, and a net interest-bearing debt to EDITDA ratio of 1.1.

Shareholders' equity

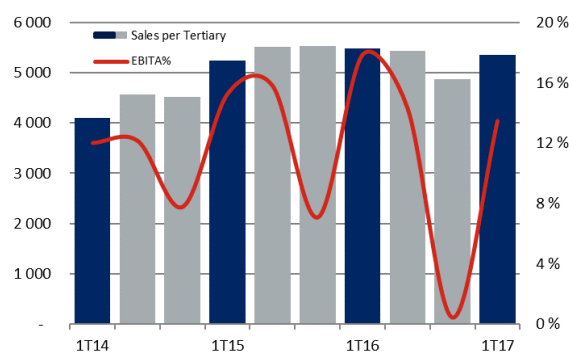
Shareholders' equity, including non-controlling interests, increased during the first four months of 2017 to NOK 8 128 million (30 April 2016: NOK 7 585 million). The strengthening of shareholders' equity is explained by the year-to-date profit of NOK 405 million combined with other equity changes of positive NOK 247 million, mainly relating to unrealised currency translation effects, which exceed the effects of dividends for 2016 (declared in 2017). The equity ratio remains strong at a level of 52 per cent (30 April 2016: 50 per cent).

Cash flow

Operating activities generated a positive cash flow of NOK 1 million as of 30 April 2017 (2016: NOK 13 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 April 2014 to April 2017 is as follows:



Outlook

Jotun's profitability has eased compared to the strong result seen in 2015 and first part of 2016. Weaker sales in Performance Coatings and shrinking gross margins have a negative impact on results. This development is tied to the cyclical downturn in the Marine newbuilding market and continued low activity within the offshore sector, which is expected to continue to impact business in the following tertiaries. Raw material prices are also increasing and are expected to continue to negatively affect gross margins in the months ahead. However, price increases and tight cost control will partly offset the effect of rising raw material costs.

While performance is expected to gradually improve in the second half of the year, it will be difficult to achieve results in line with 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.

Jotun Group - Financial consolidated information (Unaudited)
01. January - 30. April 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

<i>(NOK million)</i>	30/4 2017	30/4 2016	31/12 2016
Operating revenue	5 344	5 483	15 785
Share of profit from associated and joint ventures	214	247	690
Cost of goods sold	2 803	2 785	8 142
Other operating expenses	1 931	1 872	6 023
Depreciation, amortisation and impairment	153	138	547
Operating profit	670	935	1 763
Net financial items	-27	-16	-169
Profit before tax	643	918	1 594
Income tax	238	233	462
Profit for the period	405	685	1 132

CONDENSED CONSOLIDATED BALANCE SHEET

<i>(NOK million)</i>	30/4 2017	30/4 2016	31/12 2016
Intangible assets	597	473	584
Property, plant and equipment	4 806	4 235	4 543
Financial fixed assets	1 651	1 603	1 900
Total non-current assets	7 053	6 311	7 027
Inventories	2 270	2 123	2 041
Trade and other receivables	5 424	5 097	4 504
Cash and cash equivalents	1 026	1 601	1 586
Total current assets	8 721	8 820	8 132
Total Assets	15 773	15 131	15 158
Share capital	103	103	103
Other equity	7 900	7 316	7 783
Non-controlling interests	126	165	149
Total equity	8 128	7 584	8 035
Non-current liabilities	2 694	2 619	2 679
Current interest-bearing debt	961	1 647	877
Other current liabilities	3 990	3 282	3 568
Total liabilities	7 645	7 549	7 124
Total Equity and Liabilities	15 773	15 132	15 158

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(NOK million)</i>	30/4 2017	30/4 2016
Equity as at 1 January	8 035	7 932
Profit of the period	405	685
Dividends	-559	-547
Exchange differences	247	-486
Equity as at end of period	8 128	7 585

CONDENSED CASH FLOW STATEMENT

<i>(NOK million)</i>	30/4 2017	30/4 2016
Profit before tax	643	918
Share of profit from associates and joint ventures	-214	-247
Dividend paid from associates and joint ventures	492	484
Tax payments	-160	-185
Depreciation, amortisation and impairment	153	138
Change in operating working capital	-640	-268
Change in accruals, provisions and other	-273	-827
Net cash flow from operating activities	1	13
Net cash flow used in investing activities	-336	-323
Dividends paid to Jotun A/S shareholders	-257	-257
Dividends paid to non-controlling interests	-46	-34
Net proceeds from borrowings	78	680
Net cash flow from financing activities	-225	389
Net increase/(decrease) in cash	-560	80
Cash at beginning of period	1586	1521
Cash at end of period	1026	1601

Sandefjord, Norway, 29 May 2017

The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Per Kristian Aagaard

Karl Otto Tveter

Morten Fon
President and CEO