



JOTUN

Jotun Protects Property



FINANCIAL REPORT 1 JANUARY – 30 APRIL 2018

- Continued growth in both volume and operating revenues
- Operating profit significantly impacted by increasing raw material prices
- Satisfactory performance in Decorative Paints, while Performance Coatings is impacted by weak markets in Marine Coatings
- On-going construction of new head office and R&D centre in Norway, and commencing capacity investments in Turkey and Vietnam

The consolidated financial statement consists of Jotun A/S and its 54 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 six per cent to NOK 5 658 million over the first four months of 2018 (2017; NOK 5 344 million). While sales continue to grow in Decorative Paints, Protective Coatings and Powder Coatings, sales in Marine Coatings is still hampered by the downturn in the shipping industry. Currency translation effects also negatively impacted reported sales.

OPERATING PROFIT

Although operating profit in April isolated was significantly above last year, it decreased for the first tertiary, from NOK 670 million in 2017 to NOK 561 million in 2018. The decline is explained by lower gross margin, mainly due to rising raw material costs across all segments and lower sales in Marine Coatings. There has been no growth in operating expenses in the first tertiary despite continued growth in sales.

INVESTMENTS

Investments in tangible and non-tangible assets amounted to NOK 218 million for the first tertiary of 2018 (2017: NOK 336 million), equivalent to approximately four per cent of operating revenue. Construction of a new head office and R&D centre in Norway, represents the major part of the current investments. In addition, investments for added capacity in Vietnam and Turkey have commenced.

NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 2 468 million as of 30 April 2018, compared to NOK 2 029 million as of 31 December 2017. The increase is primarily related to a general increase in working capital driven by underlying growth, as well as a seasonal increase of working capital in Scandinavia. In addition, the first of two dividend payments, each of NOK 214 million, was made to Jotun A/S shareholders during the first tertiary. 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 four months of 2018 to NOK 7 804 million (30 April

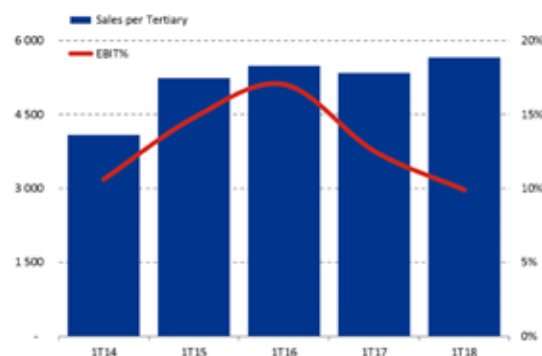
2017: NOK 8 128 million). Positive profits of NOK 251 million was offset by negative currency translation effects and dividend distributions. The equity ratio remains strong at a level of 50 per cent (31 April 2017: 52 per cent).

CASH FLOW

Operating activities generated a positive cash flow of NOK 31 million as of 30 April 2018 (2017: NOK 1 million). The increase in operating cash flow from last year is mainly attributed to lower growth in operating working capital.

SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and EBIT-margin development for the first tertiary from 2014 to 2018 is as follows:



Operating revenue for the first tertiary in 2018 increased by 6 per cent compared to the same tertiary in 2017. However, EBIT-margin decreased to 10 per cent compared to 13 per cent last year, and Jotun's profitability has eased compared to the strong levels seen in 2015 and the first half of 2016. The main reason for this is the sharp increase in raw material prices affecting cost of goods sold.

OUTLOOK

While growth and result in Decorative Paints is expected to remain satisfactory, results in Performance Coatings will continue to be impacted by lower gross margins and challenging markets, especially in the Marine segment. However, Protective Coatings has shown solid sales growth year to date, and the market outlook for the Offshore sector has improved.

The sharp increase in raw material prices experienced last year and the beginning of this year will continue to have a negative impact on gross margins over the next tertiary. However, continued focus on cost control and profit improvement initiatives, including sales price increases in all segments and regions, will gradually contribute to offset these effects. Raw material prices have recently also shown signs of flattening out.

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.

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JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

(NOK million)	1/1–30/4 2018	1/1–30/4 2017	31/12 2017
Operating revenue	5 658	5 344	16 401
Share of profit from associated companies and joint ventures	142	214	537
Cost of goods sold	3 142	2 803	9 078
Other operating expenses	1 923	1 931	6 016
Depreciation, amortisation and impairment	174	153	489
Operating profit	561	670	1 354
Net financial items	-97	-27	-118
Profit before tax	464	643	1 236
Income tax	213	238	439
Profit for the period	251	405	798

CONDENSED CONSOLIDATED BALANCE SHEET

(NOK million)	30/4 2018	30/4 2017	31/12 2017
Deferred tax assets	238	215	248
Intangible assets	438	382	430
Property, plant and equipment	4 795	4 806	4 892
Financial fixed assets	1 340	1 651	1 731
Total non-current assets	6 811	7 053	7 301
Inventories	2 584	2 270	2 576
Trade and other receivables	5 292	5 424	4 804
Cash and cash equivalents	1 033	1 026	1 027
Total current assets	8 909	8 721	8 407
Total assets	15 721	15 773	15 708
Share capital	103	103	103
Other equity	7 552	7 900	7 974
Non-controlling interests	150	126	178
Total equity	7 804	8 128	8 254
Non-current liabilities	2 754	2 694	2 382
Current interest-bearing debt	1 188	961	1 109
Other current liabilities	3 975	3 990	3 963
Total liabilities	7 917	7 645	7 454
Total equity and liabilities	15 721	15 773	15 708

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	1/1–30/4 2018	1/1–30/4 2017
Equity as at 1 January	8 254	8 035
Profit for the period	251	405
Dividends	-474	-559
Exchange differences	-227	247
Equity as at end of period	7 804	8 128

CONDENSED CASH FLOW STATEMENT

(NOK million)	1/1–30/4 2018	1/1–30/4 2017
Profit before tax	464	643
Share of profit from associated companies and joint ventures	-142	-214
Dividend paid from associated companies and joint ventures	511	492
Tax payments	-146	-160
Depreciation, amortisation and impairment	174	153
Change in operating working capital	-282	-640
Change in accruals, provisions and other	-549	-273
Net cash flow from operating activities	31	1
Net cash flow used in investing activities	-218	-336
Dividends paid to Jotun A/S shareholders	-214	-257
Dividends paid to non-controlling interests	-46	-46
Net cash flow from borrowings	453	78
Net cash flow from financing activities	193	-225
Net increase/(decrease) in cash	6	-560
Cash at beginning of period	1027	1586
Cash at end of period	1033	1026

Sandefjord, Norway, 01 June 2018

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

