



JOTUN

Jotun Protects Property



FINANCIAL REPORT 1 JANUARY – 31 AUGUST 2016

JOTUN GROUP – INTERIM FINANCIAL REPORT

- Revenue and volume growth
- Operating profit improved by 5 per cent
- On-going capacity investments in Oman, Philippines and Myanmar

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 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 increased by two per cent to NOK 10 917 million over first eight months of 2016. The modest growth is attributable to reduced growth rates for Marine newbuilding and continued low activity within the offshore sector. The main drivers of the growth are increased sales volumes in the Decorative Paint segment in the Middle East, South East Asia and Eastern Europe.

OPERATING PROFIT

The operating profit as of 31 August increased from NOK 1 630 million in 2015 to NOK 1 716 million in 2016. The increase in profit is driven by increased sales volume, better results from associates, and positive gross margin development.

INVESTMENTS

Total purchases of property, plant and equipment and intangible assets amounted to NOK 722 million as of 31 August 2016 (31 August 2015: NOK 547 million). This represents 7 per cent of operating revenue, and is in line with strategic ambitions. Construction of new factories and buildings in Oman, Philippines and Myanmar, together with construction of a new office building 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 1 502 million as of 31 August 2016, compared to NOK 1 591 million as of 31 December 2015. The decrease in net interest-bearing debt is primarily related cash flow from operations. The Group has a solid financial position, and a net interest-bearing debt to EBITDA ratio of only 0.8.

SHAREHOLDERS' EQUITY

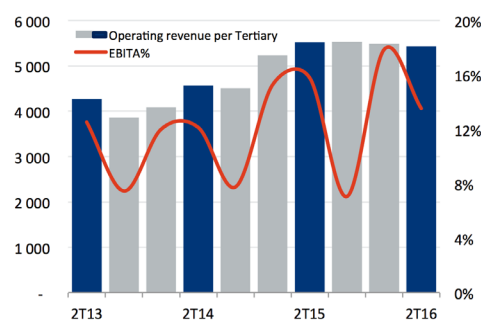
Shareholders' equity, including non-controlling interests, has increased during 2016 to NOK 8 315 million as the year-to-date profit of NOK 1 254 million exceeds the effects of dividends for 2015 (declared in 2016) and other equity changes of negative NOK 325 million, mainly relating to unrealised currency translation effects. The equity ratio remains strong at a level of 52 per cent (31 August 2015: 50 per cent).

CASH FLOW

Operating activities generated a positive cash flow of NOK 1 109 million as of 31 August 2016 (31 August 2015: 985). The improved operating cash flow for the period is mainly attributed to increased operating profit and higher dividends received from associates.

SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and margin development per tertiary from August 2013 to August 2016 is as follows:



OUTLOOK

Jotun's profitability has continued to improve, but sales growth has eased compared to the strong growth seen in 2015. Sales are expected to continue to develop positively based on our organic growth strategy and presence in growth economies. However, the underlying growth trend is expected to continue at a fairly low level in the forthcoming tertiary primarily due to reduced growth for Marine newbuilding.

Following a longer period with easing raw material prices, the prediction for the coming months is a gradual increase. Jotun will continue to further develop its organic growth strategy and maintain the 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) | 1/1–31/8 2016 | 1/1–31/8 2015 | 31/12 2015 |
|--------------------------------------------------------------|------------------|------------------|---------------|
| Operating revenue | 10 917 | 10 753 | 16 282 |
| Share of profit from associated companies and joint ventures | 459 | 383 | 562 |
| Cost of goods sold | 5 535 | 5 694 | 8 657 |
| Other operating expenses | 3 849 | 3 562 | 5 651 |
| Depreciation, amortisation and impairment | 277 | 250 | 473 |
| Operating profit | 1 716 | 1 630 | 2 064 |
| Net finance items | -63 | -87 | -146 |
| Profit before tax | 1 652 | 1 543 | 1 918 |
| Income tax | 398 | 326 | 502 |
| Profit for the period | 1 254 | 1 217 | 1 416 |

CONDENSED CONSOLIDATED BALANCE SHEET

| (NOK million) | 31/8 2016 | 31/8 2015 | 31/12 2015 |
|-------------------------------------|---------------|---------------|---------------|
| Intangible assets | 493 | 435 | 476 |
| Property, plant and equipment | 4 539 | 4 047 | 4 220 |
| Financial fixed Assets | 1 681 | 1 709 | 2 014 |
| Total non-current assets | 6 714 | 6 191 | 6 710 |
| Inventories | 2 187 | 2 219 | 2 198 |
| Trade and other receivables | 4 908 | 4 697 | 4 757 |
| Cash and cash equivalents | 2 180 | 1 673 | 1 521 |
| Total current assets | 9 275 | 8 588 | 8 476 |
| Total assets | 15 989 | 14 779 | 15 187 |
| Share capital | 103 | 103 | 103 |
| Other equity | 8 017 | 7 167 | 7 620 |
| Non-controlling interests | 195 | 170 | 210 |
| Total equity | 8 315 | 7 440 | 7 932 |
| Non-current liabilities | 2 744 | 2 791 | 2 648 |
| Current interest-bearing debt | 1 408 | 911 | 954 |
| Other current liabilities | 3 523 | 3 637 | 3 652 |
| Total liabilities | 7 674 | 7 339 | 7 254 |
| Total equity and liabilities | 15 989 | 14 779 | 15 187 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (NOK million) | 1/1–31/8 2016 | 1/1–31/8 2015 |
|-----------------------------------|------------------|------------------|
| Equity as at 1 January | 7 932 | 6 739 |
| Profit for the period | 1 254 | 1 217 |
| Dividend | -586 | -559 |
| Exchange differences | -285 | 43 |
| Equity as at end of period | 8 315 | 7 440 |

CONDENSED CASH FLOW STATEMENT

| (NOK million) | 1/1–31/8 2016 | 1/1–31/8 2015 |
|--------------------------------------------------------------|------------------|------------------|
| Profit before tax | 1 652 | 1 543 |
| Share of profit from associated companies and joint ventures | -459 | -383 |
| Dividend paid from associated companies and joint ventures | 718 | 466 |
| Tax payments | -185 | -159 |
| Depreciation, amortisation and impairment | 277 | 250 |
| Change in operating working capital | -646 | -570 |
| Change in accruals, provisions and other | -247 | -163 |
| Net cash flow from operating activities | 1 109 | 985 |
| Net cash flow used in investing activities | -722 | -547 |
| Dividends paid to Jotun A/S shareholders | -257 | -257 |
| Dividends paid to non-controlling interests | -37 | -41 |
| Net cash flow from loans | 568 | 111 |
| Net cash flow from financing activities | 273 | -183 |
| Net increase/decrease in cash | 659 | 252 |
| Cash at beginning of period | 1 521 | 1 421 |
| Cash at end of period | 2 180 | 1 673 |

Sandefjord, Norway, 29 September 2016

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.

Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Ingrid Luberth

Karl Otto Tvetter

Morten Fon
President and CEO

