

## Press release

# Increased sales, but earnings decline for Jotun

(Sandefjord, October 2, 2017) The Jotun Group recorded sales of NOK 11,048 million during the first eight months of the year. Results are impacted by weak demand in shipbuilding and the offshore industry.

Despite a nine per cent increase in volume, price pressure and currency effects caused Jotun's revenue to rise by only one per cent compared with the same period last year. Growth in the Decorative Paints segment is offset by weak demand for Jotun coatings in the maritime and offshore industries.

CEO Morten Fon notes that low oil prices have slowed development in the offshore industry, while tonnage overcapacity in shipping has depressed newbuilding orders, especially at shipyards in North East Asia.

"These conditions have persisted for some time, and we do not expect to see significant improvement in the short term," he says. "However, demand for our maintenance products for both ships and land-based industry has seen growth. We are also satisfied with good results in the Decorative Paints segment, especially in Southeast Asia."

### Rising raw material prices affect earnings

The Group's operating profit was NOK 1,291 million, compared to 1,716 million same period last year. The decline is primarily due to higher raw material prices, as well as lower average selling prices in some markets. In addition, the Norwegian krone has strengthened against the US dollar, impacting the result. "We are experiencing a demanding situation with increasing raw material prices and price pressure, which is significantly impacting Jotun's operating profit," says Fon.

### Good growth in decorative paints

The decorative paints segment continues to perform well, recording positive results in most regions. Growth was particularly strong in South East Asia, led by Indonesia and Vietnam. Over the past years, Jotun has emerged as a leading global trendsetter in colour and design. Recently, the company launched Global Colour Trends 2018, a series of carefully selected colour schemes to inspire designers, architects and consumers all over the world. Jotun has also developed innovative digital solutions to help users simplify colour selection.

"Jotun's remarkable success in the Decorative Paints segment has helped offset declines in other segments and markets," says Fon. "We anticipate our growth trend in the Decorative Paints will continue."

### Investing for future growth

Jotun has invested NOK 607 million as of 31 August, consistent with previous spending levels. This represents five per cent of operating revenue and is in line with the company's strategic ambitions. The largest investments are related to the construction of a new headquarters and R&D centre in Norway, as well as new factories in Malaysia, Myanmar and the Philippines.

### Highlights so far in 2017:

- Stable sales
- Lower profitability due to rising commodity prices and significant price pressure
- Significant investments in Norway, Malaysia, Myanmar and the Philippines continue

Financial key figures (million NOK)	T1 + T2 2017	T1 + T2 2016	Change
Operating income	11,048	10,917	+1%
Operating profit	1 291	1 716	-25%
Profit before tax	1,238	1,652	-25%

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