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Quarterly Update – Q1 2021

Continued growth and increased profitability

- ✓ Good sales growth
- ✓ Improved operating profit
- ✓ Continued uncertainty going forward

Operating income

Operating income continued to grow in Q1 and is up 8 per cent compared to the same period last year. Adjusted for negative currency translation effects due to a stronger Norwegian krone, the underlying sales growth was 17 per cent.

The strong underlying growth is mainly attributable to increased sales of Decorative Paints, particularly in the Middle East, Southeast Asia and Scandinavia. Sales growth in the Middle East and Southeast Asia is a result of less extensive infection control measures and increased economic activity, while in Scandinavia the COVID-19 pandemic continues to create increased demand for decorative paints.

Good sales growth in Powder Coatings is attributable to positive developments in all regions, whereas growth in Protective Coatings is mainly attributable to strong growth in China. Sales of Marine Coatings continue to fall due to lower market activity within newbuilding and maintenance of ships.

Operating profit

Operating profit improved in Q1 and is up 42 per cent compared to the same period last year. The improvement is due to increased sales, strong gross margin and good cost control.

Outlook

The positive sales trend in Q1 is expected to continue in Q2. Less comprehensive infection control restrictions, particularly in the Middle East and Southeast Asia, are expected to contribute to a recovery of economic activity in a number of important markets and increase demand for Jotun's products.

Developments in the second half of the year are more uncertain due to reduced newbuilding activity, a weaker oil and gas market, and uncertainty as to how the COVID-19 pandemic and containment measures will affect Jotun's markets. Raw material prices continue to rise sharply, which will increase pressure on gross margins in the coming quarters. However, all segments have implemented price increases to mitigate this.

Although it is difficult to predict the pace of sales in the second half of the year, Jotun expects top line growth in 2021 as a whole. The COVID-19 pandemic continues to create uncertainty, but Jotun's broad industry and geographical footprint means that the company is well positioned to achieve further profitable growth.

Financial key figures (NOK million)	Jan. – March	Jan. – March	Change
	2021	2020	
Operating income	5,485	5,082	7.9%
Operating profit	1,120	792	41.5%

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