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Quarterly Update – Q2 2021

Profitable growth year to date despite uncertain times

- ✓ Continued strong sales growth in Q2 driven by three of Jotun's four segments
- ✓ Operating profit marginally down compared to Q2 last year, primarily due to lower sales of marine coatings as a result of the cyclical downturn in marine newbuilding activity
- ✓ Continued good profitability, but increasing margin pressure from higher raw material prices

Operating income

Operating income continued to grow in Q2, and year to date sales growth is 9 per cent. Adjusted for negative currency translation effects from a stronger Norwegian krone, underlying sales growth was 19 per cent.

The increase in operating income is driven by strong underlying growth in three of Jotun's four segments; Decorative Paints, Protective Coatings and Powder Coatings. Marine Coatings, however, saw declining sales towards the end of the quarter due to the cyclical downturn in the marine newbuilding industry. This particularly affects newbuilding activity in South Korea.

The solid sales growth year to date is also attributable to reduced sales activity in the same period last year due to the COVID-19-outbreak and comprehensive containment measures imposed by local authorities. This hampered sales in all segments, and particularly the markets in the Middle East and Southeast Asia.

Operating profit

Operating profit is slightly down in Q2 due to lower sales in Marine Coatings and reduced gross margins. As previously communicated, raw material prices have increased significantly, putting increased pressure on gross margins towards the end of the quarter.

Despite reduced profitability and increased margin pressure in Q2, year to date operating profit is up 17 per cent compared to same period last year. The positive development is due to increased sales and low growth in fixed costs.

Outlook

While financial performance has been strong so far this year, the outlook for the second half is more uncertain. This is due to lower newbuilding activity in shipping, instability in raw material supply chains as well as an uncertain outlook on how the pandemic and containment efforts will affect Jotun's markets.

Higher raw material prices will put further pressure on gross margins in the coming quarters, and all segments have implemented price increases as well as ongoing measures to control costs.

The coronavirus pandemic continues to create significant uncertainty, but Jotun has managed well through the crisis to date. The company is well positioned to achieve further profitable growth through its broad industrial and international footprint. Jotun therefore maintains its long-term growth strategy and investment plans.

Financial key figures (NOK million)	Jan. – June	Jan. - June	Change
	2021	2020	
Operating income	11,297	10,405	8.6%
Operating profit	2,079	1,771	17.4%

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