



JOTUN

Jotun Protects Property



FINANCIAL REPORT

1 JANUARY – 31 AUGUST 2021

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JOTUN GROUP – INTERIM FINANCIAL REPORT

- Solid revenue growth
- Operating profit up 4 per cent
- Sharp increase in raw material costs

The condensed consolidated financial statements for the Jotun Group consist of Jotun A/S and 58 subsidiaries, three joint ventures in China and Korea and five associates in UAE and Saudi Arabia. Subsidiaries are fully consolidated independent of shareholding, while Jotun's share of profits from joint ventures and associates is presented on a separate line in the consolidated income statement.

On the 15th of September, there was a fire in an energy central at Jotun's premises in Sandefjord. No one was severely injured, and we expect the incident will have limited effect on deliveries.

OPERATING REVENUE

Operating revenue increased by eight per cent to NOK 14 975 million over the first eight months of 2021 (2020: NOK 13 916 million). Adjusted for negative currency translation effects due to a stronger Norwegian Krone, underlying sales growth was 16 per cent. The strong underlying growth is attributable to increased sales in Decorative Paints, Protective Coatings and Powder Coatings. Marine Coatings, however, saw declining sales due to the cyclical downturn in the marine newbuilding industry. This has particularly affected newbuilding activity in South Korea.

The 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 South East Asia.

OPERATING PROFIT

The paint and coatings industry has experienced an unprecedented increase in raw material prices, caused by global supply-demand imbalances. The increase started late 2020 and has had an increasingly negative impact on the cost of goods sold this year. Consequently, operating profit declined in the second tertiary from NOK 1 337 million in 2020 to NOK 1 027 million in 2021.

Despite lower earnings and profitability in the second tertiary, operating profit year to date increased from NOK 2 402 million in 2020 to NOK 2 496 million in 2021. The improvement is explained by strong revenue growth and continued cost control.

INVESTMENTS

Investments in tangible and intangible assets amounted to NOK 795 million as of August 2021 (2020: NOK 813 million). The most significant investments are the construction of new production facilities in Egypt and Vietnam, a new Regional office and R&D centre in Dubai and an upgrade of the Vindal factory in Norway.

NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 2 200 million as of 31 August 2021, compared to NOK 1 514 million as of 31 December 2020. The increase in net interest-bearing debt is mainly related to higher net working capital following the sharp rise in raw material prices. In addition, dividend payments of NOK 599 million have been paid to Jotun A/S shareholders. Despite an increase in net interest-bearing debt, the Group has a solid financial position with a net interest-bearing debt to EBITDA ratio of 0.5.

SHAREHOLDERS' EQUITY

Shareholders' equity, including non-controlling interests, increased during the first eight months of 2021 to NOK 12 151 million (31 December 2020: NOK 11 128 million), yielding an equity ratio of 53 per cent as of 31 August 2021 (31 December 2020: 54 per cent). The increase in shareholders' equity is driven by profit after tax of NOK 1 667 million.

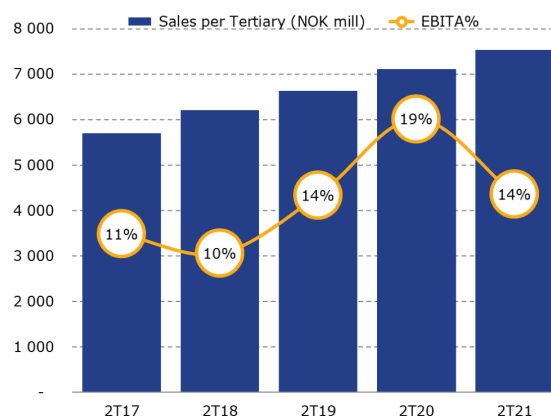
CASH FLOW

Operating activities generated a positive cash flow of NOK 946 million as of 31 August 2021 (2020: NOK 1 670 million). The decrease in operating cash flow compared to last year is attributable to increased working capital.

The Group's liquidity position remains solid. Jotun A/S has approximately NOK 1.2 billion in available cash and NOK 1.6 billion in unutilised credit facilities available as a reserve to further support potential liquidity needs in the Group.

SUMMARY OF HISTORICAL DEVELOPMENT

Operating revenue and EBITA margin development for the second tertiary from 2017 to 2021 is as follows:



EBITA margin for the second tertiary decreased to 14 per cent compared to 19 per cent last year. This development is mainly caused by increasing raw material costs.

OUTLOOK

While topline growth has been strong so far this year, development for the remainder of the year is uncertain due to lower newbuilding activity in shipping, instability in raw material supply chains, and continued uncertainty with respect to how the pandemic and containment measures will affect Jotun's sales.

The cost of goods sold has increased significantly in all segments and is expected to increase further as raw material prices are still trending upwards. This will have an unfavourable impact on operating profit over the next tertiary. Continued focus on cost control and profit improvement initiatives, including implementation of price increases in all segments and regions, have been made. However, it will take time before these fully offset the impact of increasing raw material costs.

Although there is significant uncertainty related to the future development of the pandemic, Jotun has a robust business model and 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.

1 JANUARY – 31 AUGUST 2021

JOTUN GROUP – FINANCIAL CONSOLIDATED INFORMATION (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT

(NOK million)	31/8 2021	31/8 2020	31/12 2020
Operating revenue	14 975	13 916	21 070
Share of profit from associates and joint ventures	343	427	746
Cost of goods sold	-7 933	-7 008	-10 643
Other operating expenses	-4 336	-4 410	-6 861
Depreciation, amortisation and impairment	-553	-522	-824
Operating profit	2 496	2 402	3 489
Net financial items	-181	-280	-331
Profit before tax	2 315	2 122	3 158
Income tax	-648	-579	-780
Profit for the period	1 667	1 543	2 378

CONDENSED CONSOLIDATED BALANCE SHEET

(NOK million)	31/8 2021	31/8 2020	31/12 2020
Intangible assets	1 118	1 103	1 099
Property, plant and equipment	7 326	6 703	6 985
Financial fixed assets	1 333	1 391	1 678
Total non-current assets	9 778	9 197	9 762
Inventories	4 047	2 854	2 877
Trade and other receivables	6 120	5 411	4 979
Cash and cash equivalents	2 924	2 745	2 956
Total current assets	13 091	11 010	10 812
Total assets	22 868	20 206	20 574
Share capital	103	103	103
Other equity	11 734	9 987	10 699
Non-controlling interests	314	283	326
Total equity	12 151	10 373	11 128
Non-current liabilities	4 407	4 036	3 675
Current interest-bearing debt	1 459	1 564	1 528
Other current liabilities	4 852	4 233	4 243
Total liabilities	10 717	9 833	9 446
Total equity and liabilities	22 868	20 206	20 574

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	31/8 2021	31/8 2020
Equity as of 1 January	11 128	9 584
Profit for the period	1 667	1 543
Dividends	-695	-608
Other comprehensive income	51	-146
Equity as of 31 August	12 151	10 373

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(NOK million)	31/8 2021	31/8 2020
Operating profit	2 496	2 402
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associates and joint ventures	-343	-427
Dividend paid from associates and joint ventures	719	569
Depreciation, amortisation and impairment	553	522
Change in accruals, provisions and other	-276	-314
Change in operating working capital	-1 486	-352
Cash generated from operating activities	1 663	2 401
Net financial items	-193	-280
Tax payments	-523	-452
Net cash flow from operating activities	946	1 670
Net cash flow used in investing activities	-769	-813
Dividends paid to Jotun A/S shareholders	-599	-274
Dividends paid to non-controlling interests	-96	-61
Payment of principal portion of lease liabilities	-92	-91
Net proceeds from borrowings	598	439
Net cash flow from financing activities	-189	14
Net increase / decrease (-) in cash	-12	871
Net currency translation effect	-20	-29
Cash at beginning of period	2 956	1 903
Cash at end of period	2 924	2 745

Sandefjord, Norway, 30 September 2021

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.

Chairman

Einar Abrahamsen

Terje Andersen

Nicolai A. Eger

Björg Engevik Nilsen

Jannicke Nilsson

Nina C. Hagen Sørli

Per Kristian Aagaard

Morten Fon
President and CEO

