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Quarterly Update – Q2 2022

Strong topline growth for Jotun

- ✓ Double-digit sales growth in all segments
- ✓ Solid profitability and earnings improvement in Q2
- ✓ Significant uncertainty in outlook

Operating income

Operating income year to date has increased by 19 per cent compared with the same period last year. The strong growth is primarily driven by price increases. However, an increase in sales volume has also contributed to the positive development.

All segments achieved double-digit sales growth, and sales increased in all regions, except Scandinavia. In the Scandinavian market, the overall demand for paint has gone down following the pronounced increase seen during the pandemic in 2020 and 2021.

A resurgence of shipbuilding activity in Northeast Asia contributes to the solid sales growth in the Marine segment. This follows the cyclical downturn in the newbuilding market that has negatively impacted sales growth in Marine the last two years.

Operating profit

Operating profit increased by 6 per cent in Q2 compared with the same period last year, driven by the strong sales growth. However, operating profit year to date is down by 8 per cent, mainly due to lower gross margins caused by higher raw material prices.

Raw material prices increased by more than 60% in 2021 and have continued to increase in 2022. Price increases implemented in all segments combined with focus on cost control, have contributed to dampen the impact on operating profit. Despite a decline year to date, operating profit is higher compared with the same period in both 2019 and 2020.

The suspension of Jotun's operations in Russia has also impacted operating profit negatively year to date. However, on an annual basis, the Russian operations only represent 2-3% of the Group's total profit.

Outlook

Jotun expects continued sales growth in all segments in the coming quarters. However, increasing inflation and a lower global growth outlook, the conflict between Russia and Ukraine, persistent global logistical challenges and the pandemic create considerable uncertainty in the time to come.

High raw material prices will remain a challenge in the near term, however price increases are expected to increasingly compensate for increased raw material costs. There are also signs that raw material prices have now peaked.

Jotun has a business model that has proven to be robust through global crises and cyclical downturns, and maintains its long-term growth strategy and investment plans.

Financial key figures (NOK million)	Jan. – June	Jan. – June	Change
	2022	2021	
Operating income	13,397	11,297	18.6%
Operating profit	1,914	2,079	-7.9%

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