

5 May 2022

Quarterly Update – Q1 2022

Strong sales growth, while profitability eased for Jotun

- ✓ Double-digit sales growth driven by volume and price increases
- ✓ Lower profitability mainly due to higher raw material prices
- ✓ Production in Russia suspended indefinitely
- ✓ Increased uncertainty in outlook

Operating income

Operating income continued to grow in the first quarter of 2022 with reported sales growth of 15 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%.

The strong top line growth was driven by both volume and price increases to compensate for the sharp rise in raw material prices. This contributed to double-digit sales growth in all segments compared to the same period last year.

Due to the conflict in Ukraine, on the 3rd of March, Jotun decided to suspend production in Russia indefinitely. Jotun has one factory and approximately 300 employees in Russia, as well as 4 employees in Ukraine. The suspension has had limited impact on the top line growth in the first quarter as the Russian operations only represent 2 to 3 per cent of operating income and profits for the Group.

Operating profit

Operating profit fell in the first quarter as a result of reduced gross margins. As previously reported, raw material prices rose sharply during 2021. All segments have implemented price increases as well as cost control initiatives. This has reduced the decline in operating profit.

Additionally, operating profit was negatively impacted by costs related to the suspension of production in Russia, but the impact has been limited so far.

Outlook

The conflict between Russia and Ukraine is expected to have greater financial consequences going forward. Furthermore, higher inflation, global logistical challenges and the current Covid situation in China create additional uncertainty. At the same time, positive development is expected in certain key markets, including the marine newbuilding market, which may contribute to further growth.

Jotun expects further increases in raw material prices and continued pressure on gross margin in the near term, hence additional price increases will be necessary.

Despite increased uncertainty and considerable challenges in many areas, Jotun has a robust business model and maintains its long-term growth strategy and investment plans.

Financial key figures (NOK million)	Jan. – Mar.	Jan. – Mar.	Change
	2022	2021	
Operating income	6,287	5,485	14.6%
Operating profit	895	1,120	-20.1%

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