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Quarterly Update – Q4 2021

Solid sales growth, while profitability eased for Jotun

In advance of Orkla's quarterly report for Q4 2021 and the announcement of the Jotun Group's annual results for 2021 on 15 February 2022, Jotun reports the following developments in Q4 2021:

- ✓ Solid sales growth driven by increased sales prices and positive development in all segments
- ✓ Lower profitability due to significant increase in raw material costs
- ✓ Continued uncertainty in outlook

Operating income

The positive sales development continued in the fourth quarter of 2021 with reported sales growth of 10 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 15 per cent.

The strong underlying growth is primarily driven by increased sales prices to compensate for the sharp rise in raw material costs over the past 18 months. This contributed to sales growth in all segments compared to the same period last year.

Sales growth was strongest in Protective Coatings and Powder Coatings due to positive development in all regions. Decorative Paints also delivered good growth, mainly driven by a significant increase in sales in Southeast Asia and Turkey. Marine Coatings is still affected by the cyclical downturn in newbuilding activity, but increased sales in maintenance markets contributed to growth also in this segment.

Operating profit

Operating profit fell in the fourth quarter as a result of reduced gross margins. Raw material prices increased nearly 60% through 2021, which negatively impacted profitability.

To counter the extraordinary increase in raw material prices, all segments have implemented price increases as well as cost control initiatives. This has contributed to reducing the decline in operating profit, but further price increases are required moving forward.

Outlook

Despite lower operating profit in the fourth quarter, Jotun expects to achieve the second-highest results ever in 2021. Furthermore, Jotun has entered the new year with positive sales momentum and expects to deliver continued growth in 2022.

The corona-situation and imbalances in supply chains for raw materials continue to pose challenges. While raw material prices are expected to be more stable in the coming period, continued pressure on gross margins is anticipated due to the sharp increase in raw material prices in 2021.

Jotun maintains its growth strategy and is well-positioned for continued profitable growth despite the pandemic.

Financial key figures (NOK million)	Oct. – Dec.		Change
	2021	2020	
Operating income	5,788	5,273	9.8%
Operating profit	370	626	-40.8%

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