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Quarterly update – Q2 2020

Continued growth and increased profitability despite stronger impact from the coronavirus pandemic

- ✓ Continued sales growth
- ✓ Operating profit year to date up 31 per cent
- ✓ Weaker sales outlook and extraordinary uncertainty going forward

Operating income

Operating income continued to grow in Q2, and the year to date sales growth is 10 per cent. Reported operating income is positively impacted by currency translation effects due to a general weakening of the Norwegian krone. Adjusted for these effects, underlying sales growth year to date is 1 per cent, compared to 4 per cent after Q1.

The low underlying sales growth is mainly attributable to the coronavirus pandemic. This has increasingly hampered sales growth in all segments, particularly for powder coatings where sales declined. Sales of protective coatings and decorative paints remain at approximately the same level as last year, while sales of marine coatings continue to grow, driven by increased activity in the ship maintenance market.

Extensive containment restrictions implemented by local authorities have led to reduced economic activity as well as closed dealers and distributors in several key markets, particularly in the Middle East and South East Asia. These restrictions have also led to temporary suspension of production facilities in several countries during parts of Q2. Operations have now resumed at all production facilities.

While sales in many important markets are hampered by the ongoing pandemic, there are also key markets that experience strong sales growth, like Norway and China.

Operating profit

Operating profit improved in Q2 and is up 31 per cent year to date compared to the same period last year. Operating profit margin year to date is 17.0 %, compared to 14.2 % last year. In addition to positive currency translation effects, the profit improvement is explained by a stronger gross margin due to previously implemented price increases and slightly lower raw material costs.

Outlook

Despite improved financial performance throughout the corona crisis so far, there is significant uncertainty related to the future outlook. In the short term, Jotun expects lower sales due to ongoing containment measures and weaker economic outlook in several key markets.

In the longer term, reduced market activity within offshore and newbuilding of vessels is expected, which might significantly affect sales in Marine Coatings and Protective Coatings. There is however considerable uncertainty related to how the pandemic will affect the long-term economic conditions going forward.

Financial key figures (NOK million)	Jan-June 2020	Jan-June 2019	Change
Operating income	10,405	9,472	9,9%
Operating profit	1,771	1,347	31,3%

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