

colart

First Quarterly Update

GLT

Hello everybody,

After a very good finish to 2020 in terms of financial and non-financial performance, I am sure you have understood by now that the start of this year has been very successful. We continue to see our beautiful creative brands outperform in the market. We have stepped up our game in sustainability investments, communication and digitalization. After years of building strength in our company, we were ready to deal with the pandemic crisis. So much so, we now have reached the maturity to step into a phase of sustainable growth. This brings, of course, challenges in itself. Hence our clear guidance on prioritization that was communicated to everybody recently. As we all release with so much passion and energy our will and skills to inspire every artist in the world, the high level of activity is a wonderful situation to manage.

Thank you for an outstanding first quarter of the year!

**Dennis van Schie,
CEO**





FINANCE

2020 financial results

and reporting to Lindengruppen and the Colart Board

Restructured monthly and quarterly Business Unit Reporting

to take a more holistic view of the business.



Finalised and translated the Code of Conduct

we expect our 3rd party partners to adhere to



Secured very favourable audit feedback

Successfully managed the audit process across the relevant companies



M3 in CTAM & Crown

Progressed the design and implementation of



Progress on P&L reporting through the brand lens.



COMMERCIAL



Q1 Brand Review

Look at the performance of each of our Brands for the first quarter.

Understand how the Brand strategy is broken down into individual initiatives.

How we link these to specific metrics and KPIs to understand "is the strategy working".



Discussions with the Tate to explore the opportunity of using images of some of the famous paintings made with W&N for some sets.



Launched the new Liquitex residency at Manufacturer's Village in New Jersey.



Negotiated and agreed on the first-ever European commercial agreement with Amazon.



Agreed on the purchase of the Charbonnel shop premises in Paris.

Beat Budget every month for the first 3 months beating the Q1 Budget by £6.8m.



Plan to accelerate the move to D2C on Snazaroo with an investment on:



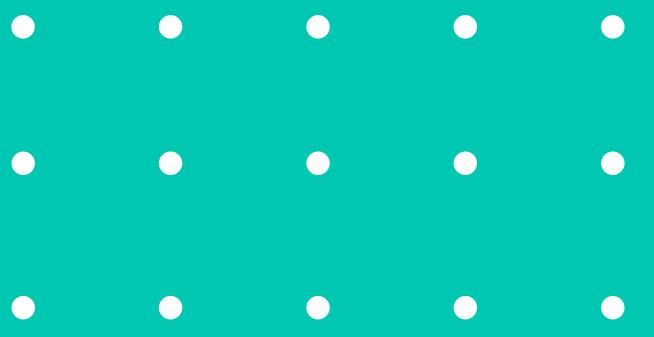
- Snazaroo.com.
- Drive more traffic to the website.
- Improve our visibility on Amazon and test a new way of working with Amazon.

Business Development

Continued the discussions with many future potential partners as part of our Business Development agenda and agreed on a distribution agreement with Viviva an exciting "on-the-go" watercolour brand.



OPERATIONS



UK factories



Lowestoft - brush demand is very high, and the factory is extremely busy. Some significant infrastructure investments to make the site safer and more energy-efficient.

Minehead – successful move to the new site in P1. The new factory is now fully active although demand of Snazaroo product is still severely impacted by COVID.

Sustainability



Energy initiatives – All UK sites & France all now on renewable electricity tariffs.

Sustainable Packaging guidelines rolled out. Sustainability now at the core of brand planning and embedded into business unit reporting.

Single-use plastic initiatives – individual projects are all in progress.

Many local initiatives through the ambassador program. These are reported regularly on The Wall.

I&D



Preparations for the transfer of the laboratory to France are well under way with the laboratory currently being stripped of materials & equipment.

NPD



New professional synthetic Watercolour & Oil colour brush ranges launched.

W&N paper range relaunch.

W&N introductory sets launched.

W&N professional watercolour sets launched.

Regulatory



Changes to European legislation for Titanium Dioxide and Biocides



Impacted 3500 items

The global team has reassessed and updated the way we manage our global product labelling



The project will result in better systems for managing market labelling requirements and set us up for future.

MANUFACTURING BUSINESS UNIT



Le Mans



Continued operations during the lockdown in a COVID-SAFE environment.

WEEKEND SHIFT in paste production.

Critical issues with the Kardex equipment generated delays in April.



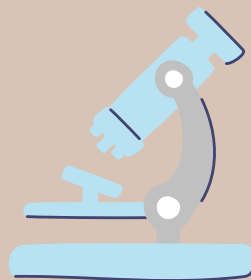
INSTALLED A NEW FILLING LINE FOR PLASTIC TUBES

MORE THAN 1.450 MILLION UNITS A WEEK IN APRIL

AGV (4 Automated Guided Vehicle) introduced delivering material to production lines.



NEW MIXER & TANKER PROJECT LAUNCHED to increase paste capacity by 2022.

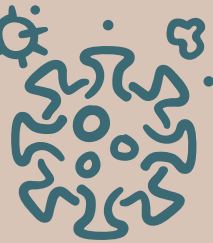


I&D

New laboratory refurb works in Le Mans - full transfer by end of June 2021.

Tianjin

92.2% employees and workers have been vaccinated against COVID



RENAISSANCE PROJECT on track = increased production.

JD PURE PLAYER new channel store JD.COM



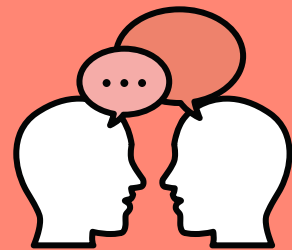
M3 on track for transition into production in September.





PEOPLE

Joining the family



Growth and development

Reward and recognition

5

2

New people joining Colart

New starter page

In development to help people navigate Colart.

9

Remote induction sessions held for new starters covering every aspect of the business

Leadership development

More than halfway through our leadership development programmes for all managers in Colart - 5 groups in all with a focus on self-reflection, collaboration, connectivity and communication. Positive feedback.

Colart Academy

Site in development and currently being tested and reviewed by a representative group of people.

Kickstart scheme

Being prepared with the Princes Trust to build on how we bring in young apprentices into the business. 9 apprentices already in place.

Succession planning

Business unit discussions currently taking place based on output from Splash Perform discussions.



292 raised in first quarter. More than double the quantity for same period last year.

Employment needs



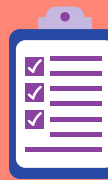
Continued improvements being made to the way we use the system including: service recognition, change to terms requests and an improved Splash Perform summary home page.



Communication calendar created for the year covering Brand, people, community and corporate.

7

Town Halls held since start of year.



Long Range Plan cascade communications -now complete with pulse survey RESULTS to follow.

Wellbeing and engagement

Employee assistance programme

Rolled out to everyone across the group from 1 May.

Diversity and inclusion

Manifesto written to represent our commitment to inclusivity. Senior management attended 2-part workshop to build awareness about D&I. D&I councils to be set up across each business region as the main step for us to identify areas for improvement.



Leaving the family

Employee turnover

3.7% rolling year for voluntary leavers remains consistent for last 6 months.

Leaving the family questionnaire

Being integrated to Splash to ensure better tracking of feedback.



TECHNOLOGY



Digital Democratisation project

WHICH WILL GROW AND SPREAD DIGITAL EXPERTISE AND SKILLS ACROSS THE BUSINESS.



Through allowing brand and market teams to own and run their digital strategies, campaigns, and consumer engagement whilst empowering the global digital team to provide the strategy, specialist skills, platforms and support for all areas of the business to drive their consumer digital agendas forward.

Deliver the M3 platform into Tianjin and Crown



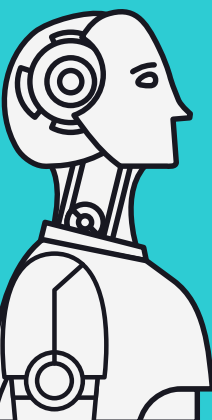
The projects are progressing well and on course for successful delivery in Q3. These projects represent a significant milestone for the business aligning all parts of our operation around a single platform creating a consistent way to do business and allow us to unify our data and improve our business visibility.

The analytics team continue to take significant strides

IN IMPROVING AND EXPANDING OUR ABILITY TO COLLECT, VISUALISE AND ANALYSE OUR COMPANY DATA.



This forms a key part of our businesses future as we expand our ability to analyse and understand our business information and start the move into a world of real-time data, AI, and Industry 4.0



SUPPLY CHAIN



Launch of the forecasting collaborative platform...

Enabling all stakeholders to have an accessible single source of data for our forecast, gain insight & ultimately drive better forecasts for all markets.

Trialling assembly of paint set at DC4...

toward a local ability to deliver sets.



“No packaging” initiative...

ZERO cardboard waste from Le Mans and Kidderminster for W&N ink set assembly for all semi-finished ink

New contract template for suppliers...

First contract signed.
Improved governance for our supply chain.

Brexit implementation...

with minimal disruption to our supply chain.

Approved exporter status for Colart Europe...

Leading to reduced export documentation.



Most importantly, we've been able to continue to produce to our fullest extent in the midst of an unprecedented situation regarding raw material availability & shipment difficulties!