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Over the past five years, Jotun has taken decisive action to effectively manage its existing global network while also investing in people, resources, systems and products to promote environmentally sustainable growth in the future.

As the Jotun Group continues to pursue an organic growth strategy to expand in new and existing markets, the company is working to align its business with its diverse global presence. In 2012, the Group added personnel worldwide, strengthened a number of Group Functions and announced a new organisational structure to enable regional personnel to respond more quickly to changes to local market demand.

By the end of 2012, the Jotun Group was comprised of 71 companies and 36 production facilities in 19 countries, 71 companies in 45 countries and represented in more than 90 countries around the world. Jotun expanded capacity in existing markets, entered a number of new markets and continued to identify and evaluate markets that represent strong potential in the paints and coatings segment.

Jotun will continue to pursue growth through strategic investments in parallel with an increased focus on health, safety and environment. And with a growing body of evidence indicating an expanded role for paints and coatings in saving fuel, reducing harmful emissions and long-term asset protection, Jotun is in a strong position to generate positive results for years to come.

The Jotun Group is a matrix organization divided into seven regions responsible for the sale of Decorative Paints and Performance Coatings (Marine, Protective and Powder Coatings). The company has 36 production facilities in 19 countries, 71 companies in 45 countries and is represented in more than 90 countries around the world.

**REGIONS:**
- Scandinavia
- West Europe
- East Europe and Central Asia
- Middle East, India and Africa
- South East Asia and Pacific
- North East Asia
- Americas

**SEGMENTS**

**Decorative Paints:** Jotun manufactures, sells and distributes interior and exterior paints to consumers and professionals worldwide.

**Marine Coatings:** Jotun is the world’s leading provider of marine coatings to shipowners and managers active in the newbuilding and dry-dock (maintenance) markets.

**Protective Coatings:** Jotun’s protective coatings are sold to companies active in industries related to offshore, energy, infrastructure, hydrocarbon processing and storage tanks.

**Powder Coatings:** Jotun Powder Coatings is a leading supplier to companies active in industries related to appliances, furniture, building components, pipelines and general industries.
Continued growth in the Decorative, Protective and Powder Coatings segments
Profits impacted by declining sales in Marine segment
Business restructured to empower regional businesses
Significant investment in production capacity in Norway, China, the US and Russia
Company added about 700 new employees worldwide to support future growth

Achieved record growth in Middle East, South East Asia
Jotun acquired land for a new factory in Oman and is expanding warehouse and logistic capacity in Saudi Arabia and Egypt
Successful Scandinavian launch of LADY Wonderwall
Jotun opened new production facility in Norway (Sandefjord)

Growth slowed due to declines in newbuilding market
Jotun strengthened dry-dock and sea-stock concepts to generate growth in maintenance market
Secured a number of contracts for Hull Performance Solutions (HPS) concept
Jotun launched an expanded range of premium silox acrylate anti-foulings

Recorded strong results in Korea, Europe, Singapore and the Middle East
Jotun expanded into new market segments (renewables, mining)
Launched Barrier Plus (corrosion protection of steel substrates) and Penguard Pro a primer for submerged surfaces
Jotun broke ground on a new factory in Russia and continues plans to build a factory in Brazil
AROUND THE WORLD

RIYADH, SAUDI ARABIA
Jotun celebrates another year of record sales, securing a number of high profile projects including the King Abdullah Financial District and the ITCC Complex.

ISTANBUL, TURKEY
Jotun secures Tupras Resid Upgrading Project, the largest refinery project of its kind in Turkey.

SANDEFJORD, NORWAY
Jotun completes construction of new state-of-the-art factory. The 13 000 square-meter facility includes automated in-line production systems that will improve efficiencies and create better working conditions.

MUMBAI, INDIA
Jotun secures its first contract for Jotashield Extreme (a heat reflective exterior paint) to coat the prestigious residential Sursha apartments, covering about 300 000 square meters.

SIBERIA, RUSSIA
Jotun wins contract to supply about 150 000 litres of protective coatings for a polypropylene plant owned by the Russian petrochemicals giant, Sibur.

ZHANGJIAGANG, CHINA
Jotun opens a 130 000 square metre powder coatings factory and a new R&D Centre to develop products in all segments.

HO CHI MINH CITY, VIETNAM
Jotun secures contracts for four major real estate development projects and launches Jotashield Anti-Fade exterior paint.

SANDEFJORD, NORWAY
Jotun completes construction of new state-of-the-art factory. The 13 000 square-meter facility includes automated in-line production systems that will improve efficiencies and create better working conditions.

HOUSTON, TEXAS
Jotun establishes a sales office in Houston to be closer to the Marine business in the Gulf of Mexico. The new factory at Belle Chasse, Louisiana was completed in 2012.

RIO DE JANEIRO, BRAZIL
Jotun Brasil starts construction of a factory for production of coatings to serve the growing offshore, industrial and marine activities in the country.

DYUBAI, U.A.E
Jotun opens a new 1800 square metre Regional Service Centre. The facility includes a training centre, an application area for painters, an inspirational concept centre and a Multicolor Servicing Area.

DHAKA, BANGLADESH
Jotun opens a new sales office to focus on meeting growing demand for protective coatings and decorative paints and winning contracts in the Marine market.

YANGON, MYANMAR
Jotun becomes the first paints company to open a Multicolor Centre in Myanmar. The company also announced plans to build a paint factory, the country’s first.

AROUND THE WORLD
## Group Key Figures

<table>
<thead>
<tr>
<th>Figure in USD million from consolidated Group accounts</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>1,952</td>
<td>1,902</td>
<td>1,617</td>
</tr>
<tr>
<td>Operating revenue outside Norway in %</td>
<td>80</td>
<td>77</td>
<td>75</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>194</td>
<td>171</td>
<td>205</td>
</tr>
<tr>
<td>Profit before tax expense</td>
<td>181</td>
<td>159</td>
<td>198</td>
</tr>
<tr>
<td>Net cash flow from operations</td>
<td>155</td>
<td>54</td>
<td>117</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital employed, in %</td>
<td>19.5</td>
<td>18.3</td>
<td>29.2</td>
</tr>
<tr>
<td>Operating margin, in %</td>
<td>9.9</td>
<td>9.0</td>
<td>12.7</td>
</tr>
<tr>
<td>Return on equity, in %</td>
<td>15.8</td>
<td>13.1</td>
<td>19.9</td>
</tr>
<tr>
<td><strong>Year-End Financial Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>1,670</td>
<td>1,522</td>
<td>1,329</td>
</tr>
<tr>
<td>Investments in intangible and fixed assets</td>
<td>106</td>
<td>144</td>
<td>95</td>
</tr>
<tr>
<td>Equity (including minority interests)</td>
<td>899</td>
<td>837</td>
<td>801</td>
</tr>
<tr>
<td>Equity / assets ratio, in %</td>
<td>53.8</td>
<td>55.0</td>
<td>60.3</td>
</tr>
<tr>
<td>Number of employees in Group</td>
<td>6,379</td>
<td>5,884</td>
<td>5,577</td>
</tr>
<tr>
<td>Number of employees in Group including 100 per cent in joint ventures and associated companies</td>
<td>8,740</td>
<td>8,296</td>
<td>7,819</td>
</tr>
</tbody>
</table>

### Definitions

1. Return on capital employed % = \( \frac{Operating\ profit - \text{amortisation of intangible assets}}{Average\ total\ assets - \text{non-interest-bearing liabilities}} \) \( \times 100 \)
2. Operating margin % = \( \frac{Operating\ profit}{Operating\ revenues} \) \( \times 100 \)
3. Return on equity % = \( \frac{Total\ comprehensive\ income\ for\ the\ year}{Average\ equity} \) \( \times 100 \)

From 2003 the sales and EBITA is according to IFRS. Before 2003 the figures are according to NGAAP. EBITA is earning before interest, tax and amortisation.
About one fifth of the world fleet is coated by Jotun’s marine coatings.
Jotun posted strong results again in 2012, continuing a trend that has seen the company’s sales more than double in the last six years. While expected declines in the Marine segment may impact the Group’s results going forward, Jotun’s regional and segment diversity are expected to support continued high growth.

Jotun’s strong performance in 2012 was driven mostly by rapid growth in the Decorative and Protective segments, especially in the Middle East and South East Asia. Sales of Decorative paints in Scandinavia exceeded expectations, while Powder Coatings also showed positive growth. Due to continuing tonnage over-capacity issues in the shipping industry, newbuilding activity slowed, impacting sales of marine coatings.

While the company will continue to compete for newbuilding contracts and has moved quickly to attract business in the repair and maintenance market, Jotun expects poor market conditions to persist, which may slow the pace of growth over the next one to two years.

It should be noted that Jotun is sensitive to the cost of raw materials, which represent about 60 per cent of the company’s total expenditures. In response to record-high price levels in 2011, Jotun implemented price increases. In 2012, costs for some raw materials dropped, while others stabilised. However, the company will continue working to manage raw material costs and adjust prices on selected products where appropriate. Another Group focus area is to reduce manageable costs. While some of these costs are related to projects necessary to facilitate the Group’s growth (e.g. factory construction, recruiting, competence development, etc.) Jotun is actively working to lower costs by improving supply chain efficiency, reducing stock, and trimming product assortment in all segments.

Looking ahead, Jotun continues to pursue a long-term organic growth strategy with a target to double production volume within a few years. To achieve this ambitious (but achievable) goal, the company is actively investing in increased capacity. In 2012, Jotun’s major investments included new factories in Norway, China, the US and Russia, acquiring land for planned construction in Oman, Indonesia, Vietnam and Brazil and a new regional service centre in the UAE (Dubai). The Group is also building the Jotun brand in new markets like Cambodia, the Philippines, Myanmar, Morocco, Algeria and Tunisia and is evaluating a broad range of other potential markets in South America, Africa and East Europe.

Jotun has the capital resources to support these investments, but to achieve its growth targets the company requires a skilled and experienced workforce. In 2012, the Group added about 700 new employees and increased spending on training and competence development. Jotun’s rapid growth over the past decade has already resulted in some significant changes to how the company operates. Indeed, Jotun announced plans to re-organise in 2012 to allow regional personnel to support local markets. To ensure this growth is aligned with Jotun’s core values, the company updated its Corporate Responsibility policy in 2011, and worked to implement the policy in 2012.

“Despite slow shipping markets and signs of weakness in the global economy, Jotun’s regional and segment diversity has allowed the company to continue its overall growth trend.”

Morten Fon, President and CEO
JOTUN’S DEVELOPMENT

DECORATIVE PAINTS (SCANDINAVIA)

Jotun Decorative Paints in Scandinavia (Norway, Sweden and Denmark) exceeded expectations in 2012, recording strong top line growth despite costs related to the start up of the new factory in Sandefjord. In the exterior market, Jotun performed well, supported by increased sales of Drygolin, Optimal, Demidekk and Butinox. In the interior paints market, Jotun experienced high demand for LADY, the region’s leading premium paint brand and improved sales of the related products, LADY Pure Color, LADY Interior Finish and LADY Supreme Finish, launched last year. In 2012, the company introduced LADY Wonderwall, a highly durable, stain-resistant interior paint that complements other paint systems in the LADY range. Jotun relies on a network of dealers throughout Scandinavia to drive sales. To support their efforts, Jotun introduced a new design for in-shop Multicoirer Kiosks specifically modelled to help simplify the colour selection process for the consumer. The company also produced a number of quality print and television commercials, launched an integrated web-based social media campaign to promote LADY brand paints, and organised a competition among 350 dealers that helped drive sales, especially for Optimal and Drygolin. 2012 also saw the opening of a new, state-of-the-art factory in Sandefjord (Vindal) to replace production in older factories in Fredrikstad, Manger and Gimle (Sandefjord). The new automated factory is equipped with the latest technology to improve safety, working conditions and environmental performance, consistent with the Jotun GreenSteps initiative. In addition to manufacturing decorative paints for the Scandinavian market, the new factory is also equipped to produce putty.

While most of Jotun Scandinavia’s earnings are derived from the consumer market, a growing share of the company’s revenue comes from the professional market. In Norway, growth in the professional market was supported by increased construction activity in 2012. In Sweden and Denmark, Jotun had success in targeting the professional market through their own shops.

The Scandinavian market is characterised by fierce competition, increasingly demanding consumers and strict regulations covering the use of certain chemicals. It is also a seasonal business, and volumes can be impacted by prolonged periods of harsh or rainy weather. To sustain Jotun’s strong results in 2012, the company will continue to invest in innovative products and integrated user-friendly paint systems and support dealers through multi-channel marketing campaigns.

DECORATIVE PAINTS (MIDDLE EAST/ NORTHERN AFRICA, SOUTH EAST ASIA)

Once again, Jotun recorded strong growth in the Middle East/North Africa and South East Asia in the Decorative segment, despite political unrest related to the Arab Spring and flooding in Thailand early in the year. In South East Asia, Jotun produces paint in Thailand, Malaysia, Indonesia, Singapore and Vietnam, and serves export markets in Cambodia, Bangladesh and Myanmar.

The company was successful in growing its dealer network throughout the region in 2012 and had excellent results in the project market, especially in Indonesia, Malaysia and Vietnam.

In the Middle East, Jotun has paint factories in four countries (Saudi Arabia, Egypt, Oman and the UAE - Dubai and Abu Dhabi) and sales companies/distribution centers Algeria, Morocco, Libya, Kuwait, Bahrain and Qatar. The company’s dealer network is expanding further in 2012. Buy-it-yourself (BIY) sales remain a critical part of Jotun’s business, but a large portion of Jotun’s revenue in the Decorative segment also come from the project market. To win more of these high value contracts, Jotun has committed more resources and personnel to manage specifications.

Jotun’s growth in the Middle East was impacted for a short period by political unrest in some countries but the market rebounded quickly, even in Egypt and Libya, which were most affected by the Arab Spring. However, these events encouraged many countries in the region to make significant investments in housing and civic infrastructure, which helped drive increased demand for Decorative paints. In anticipation of future growth, Jotun has acquired land for a new factory in Oman and is expanding the warehouse and logistic capacity in Saudi Arabia and Egypt. Further plans to upgrade capacity are taking place in other factories in the region.

To achieve the business objectives going forward, Jotun remains committed to product innovation, marketing and premium technical service. In 2012, Jotun successfully launched Jotashield Anti-Fade an exterior paint with improved UV-light protection, and Fenomastic Stain Resistant and Fenomastic Hygiene (anti-bacterial). Both paints are consistent with Jotun’s efforts to reduce the use of chemicals defined by the Jotun GreenSteps initiative. Jotun’s range of decorative effect products in the LADY range also helped meet growing demand for elegant interior designs.

Over the past decade, Jotun has grown rapidly in the Middle East and South East Asia, becoming a leading supplier of Decorative paints in all markets where Jotun is active. By continuing to invest in increased production capacity, product innovation and strong marketing concepts the company is confident that this growth trend will continue for years to come.

“Jotun’s achieved excellent results in Scandinavia, the Middle East and South East Asia, where sales of interior and exterior decorative paints reached record highs.”

Bård K. Tonning, Group Executive Vice President Decorative Paints
The Jotun Group has seen encouraging growth, as rising demand for energy has driven significant investment in the offshore industry and projects related to the hydrocarbon processing industry and energy infrastructure.

While Jotun is recognised as a strong player in the Protective segment, the company’s growth has been constrained by inadequate capacity in some markets. To help manage this issue, Jotun is building new factories in Russia and Brazil and has upgraded its factory in Louisiana in the US. Jotun’s new regionally focused organisational structure, announced in 2012, will enable the company to leverage a number of synergies between Marine and Protective, which share similar products, manufacturing, R&D and marketing processes to lower costs and improve profitability.

Jotun’s sales of marine and protective coatings continued to grow in line with a long-term growth trend, although at a slower pace than in recent years due to weaker market conditions in the Marine newbuilding segment. As a result, Marine volumes declined in 2012 but showed improvement in sales. In the Protective segment, overall growth has been positive, especially in the Middle East. Increased public spending is expected to continue to drive volume growth in the region for the next two to three years.

While Jotun’s performance in Marine and Protective coatings is in line with expectations, the company is working to improve Jotun’s working capital, where outstanding receivables remain the primary challenge, especially in China. The company has implemented new policies to ensure tighter credit controls and collection policies in regions where stock days and Days Sales Outstanding (DSO) have exceeded acceptable limits.

Looking ahead, Jotun will continue to pursue different growth strategies in both segments. Because Jotun already has a leading global market share in the Marine segment and operates in an industry that is highly sensitive to a broad range of uncertain macro-economic factors, short to medium-term growth expectations for the segment are modest. Growth expectations in the Protective segment are more encouraging, as rising demand for energy has driven significant investment in the offshore industry and projects related to the hydrocarbon processing industry and energy infrastructure.

While Jotun is recognised as a strong player in the Protective segment, the company’s growth has been constrained by inadequate capacity in some markets. To help manage this issue, Jotun is building new factories in Russia and Brazil and has upgraded its factory in Louisiana in the US. Jotun’s new regionally focused organisational structure, announced in 2012, will enable the company to leverage a number of synergies between Marine and Protective, which share similar products, manufacturing, R&D and marketing processes to lower costs and improve profitability.

**Powder Coatings**

Jotun posted strong results in 2012, recording sales and volume growth in the Industrial, Functional, and Architectural markets. Results were especially positive in the Middle East, where significant public and private investment in new construction has generated strong demand for powder coatings. Growth was also strong in South East Asia, where strong GDP growth in the region has created rising demand for powder coatings in all markets.

Jotun has also been successful in supplying powder coatings to large

“By investing to build capacity and competence to support growth in the Protective segment, Jotun expects to offset expected volume declines in Marine coatings over the next few years.”

Esben Hersve, Group Executive Vice President Performance Coatings
projects involving multinational stakeholders in the Functional and Architectural markets and for global companies in the Industrial market. To win a greater share of this business, Jotun has strengthened Key Account Management teams to help manage specifications and build long-term relationships with contractors, consultants and owners – often in cooperation with Jotun personnel in the Protective and Decorative segments.

To support future growth, Powder Coatings is in the process of optimising its supply chain structure in Asia and is applying a similar model to the company’s European operations. In June 2012, Jotun opened a new state-of-the-art Powder Coatings factory in Zhangjiagang, China. The new factory is among the first powder coatings facilities to be designed and constructed in line with Jotun GreenSteps. The factory includes many energy saving technologies, including skylights, heat recycling systems that will improve efficiencies and create better working conditions. The event was attended by about 1 300 Jotun employees, customers, shareholders and special guests who gathered for speeches, dinner and entertainment in a large tent erected on site.

In Saudi Arabia, Jotun personnel gathered in Indonesia to break ground on a new warehouse, while in Dubai, the company opened a new Service and Training Centre.

While Jotun recognises that organising these events takes time and can be expensive, the company remains committed to bringing people together to honour important milestones and enhance corporate culture (the Penguin Spirit).

“By building the capacity to serve the changing Powder Coatings market, Jotun is confident that the pace of growth will increase over the next few years.”

Ram Ramnath, Vice President Powder Coatings

JOTUN VALUES

We conduct our business with loyalty, care, respect and boldness, in the interest of customers, employees, owners and others with whom Jotun has relationships.

By loyalty, we mean that we are reliable, trustworthy and committed. When we care, we help and support others, display trust and empathy and protect the environment. We show respect by valuing the differences in people, being honest and fair and treating others the way they expect to be treated. Finally, we demonstrate boldness when we take initiatives to create the future and support change and communicate openly.

CELEBRATING JOTUN’S GROWTH – ENHANCING CORPORATE CULTURE

To strengthen Jotun’s corporate culture during a period of rapid growth, the Group continues to organise and sponsor events to bring people together.

In March 2012, Jotun celebrated the opening of a new factory in Sandefjord (Vindal) Norway. The 13 000 square-metre facility includes automated production systems that will improve efficiencies and create better working conditions. The event was attended by about 1 300 Jotun employees, customers, shareholders and special guests who gathered for speeches, dinner and entertainment in a large tent erected on site.

In China, the company opened a new Powder Coatings factory in Zhangjiagang, among the first powder coatings facilities to be designed and constructed in line with Jotun GreenSteps. The factory includes many energy saving technologies, including skylights, heat recycling machines and other equipment to reduce waste and carbon emissions. Jotun welcomed about 700 employees and guests for an event that included music and dance performances.

Jotun also organised a number of smaller events in 2012 to celebrate product launches, anniversaries, ground-breaking ceremonies and team-building exercises.
Jotun uses a broad range of media channels to market its products to consumers. Watch a TV ad specifically produced for the Middle East market: http://e1.no/9grmedp.
The sale of decorative paints represents about 35 per cent of Jotun’s total business. At present, Jotun markets decorative paint in Scandinavia, the Middle East, India and Africa (MEIA), Southern Europe (including Turkey), South East Asia and China.

OPERATING SUCCESSFULLY IN DIFFERENT MARKETS

Operating successfully in different markets requires local knowledge of the purchasing habits of consumers and professionals, a strong dealer network and continuous focus on product innovation and effective marketing campaigns.

MEETING MARKET DEMAND

The global interior decorative paints market has been driven by growing demand for healthier, more environmentally-friendly, solvent-free water-borne paints that are washable, easier to apply and dry faster. In the exterior paints market, users increasingly seek specialised products that offer long-term protection against harsh weather, heat, sunlight and bacteria that degrade exterior surfaces. To meet this market demand, Jotun continues to invest in product innovation and customises existing products to suit local market conditions.

In Scandinavia, Jotun has introduced a number of premium interior paints over the last three years to support its market-leading LADY brand, including LADY Pure Color, LADY Interior Finish, and LADY Supreme Finish. In 2012, the company added LADY Wonderwall, a highly durable, stain-resistant interior paint made for families with active children. Jotun supports these brands through traditional marketing (print and TV ads) and an integrated web-based social media campaign, including a dedicated blog site dedicated to the LADY brand, launched in 2012.

“OUR PRIMARY GOAL IS TO PROVIDE END-USERS ALL OVER THE WORLD WITH PAINTS THAT NOT ONLY PROVIDE A HIGH QUALITY FINISH, BUT ALSO BEAUTIFICATION THROUGH COLOUR AND VALUE-ADDED FEATURES.”

Bård K. Tønning, Group Executive Vice President Decorative Paints

“Closer to the Consumer”

In the Middle East and North Africa, Jotun secured its leading position by launching a campaign to get “Closer to the Consumer”, a strategic initiative to strengthen Jotun’s brand and increase footfall to Jotun shops. This effort included a redesign of paint cans and a series of TV ad campaigns. In addition, Jotun introduced LADY Brilliant Effects, which allows users to be more artistic in selecting the colours and textures to complement home design. In the interior segment, Jotun launched Fenomastic Stain Resistant, a washable and durable paint and Fenomastic Hygiene, a flexible coating with antibacterial features.

In South East Asia, Jotun launched Jotashield Anti-Fade, an exterior paint that offers improved UV protection to retain the vibrancy of colours on surfaces exposed to bright sunlight. Sales were also robust in the interior segment through sales of the Majestic product line, supported by innovative marketing campaigns.

PROJECT MARKET

While most of Jotun sales of decorative paints continue to be driven by the consumer market, the company has experienced increasingly large volumes in the project market. In the Middle East, South East Asia, China and India these projects (for example, housing mega-projects, commercial real estate developments, hotels and malls) are managed by dedicated teams who work across borders to track projects, manage specifications, coordinate technical support and win the confidence of owners, consultants and local contractors.

In countries where the project market is expanding rapidly (as in Saudi Arabia), the company has allocated more resources and personnel to ensure Jotun is in a good position to win these contracts. Jotun’s Single Source Solution concept, which includes Decorative paints, Protective coatings, and Architectural Powder coatings, has helped make Jotun a preferred supplier in the project market.

“Our primary goal is to provide end-users all over the world with paints that not only provide a high quality finish, but also beautification through colour and value-added features.”

Bård K. Tønning, Group Executive Vice President Decorative Paints

In the Middle East and North Africa, Jotun secured its leading position by launching a campaign to get “Closer to the Consumer”, a strategic initiative to strengthen Jotun’s brand and increase footfall to Jotun shops. This effort included a redesign of paint cans and a series of TV ad campaigns. In addition, Jotun introduced LADY Brilliant Effects, which allows users to be more artistic in selecting the colours and textures to complement home design. In the interior segment, Jotun launched Fenomastic Stain Resistant, a washable and durable paint and Fenomastic Hygiene, a flexible coating with antibacterial features.

In South East Asia, Jotun launched Jotashield Anti-Fade, an exterior paint that offers improved UV protection to retain the vibrancy of colours on surfaces exposed to bright sunlight. Sales were also robust in the interior segment through sales of the Majestic product line, supported by innovative marketing campaigns.

It should also be noted that most sales of Decorative paints are through the company’s extensive dealer network. In addition to working to build long-term relationships with Jotun dealers, the company remains committed to expanding its network in both existing and new markets. In 2012, Jotun added about 520 paint shops with Multicolor tinting machines in the Middle East and South East Asia, providing a strong foundation for future growth in these regions.
INVESTING IN FUTURE GROWTH

Rising investment in energy and civic infrastructure in many parts of the world represents a significant long-term growth opportunity for Protective Coatings.

Despite modest growth in world trade, the global economy improved in 2012, led mostly by developing and emerging economies. Structural debt issues in advanced economies (the Eurozone and the US) continued to act as a drag on global growth, but were partially offset by activity in Asia and the Middle East, where economic expansion has resulted in rising demand for energy, housing and civic infrastructure – key drivers for the Protective Coatings segment.

While the pace of Jotun’s growth in the Protective segment was slower in 2012 than last year due to modest declines in volume in India and China, the company recorded strong results in Korea, Europe, Singapore and the Middle East, most notably in civic infrastructure (bridges, flyovers) and hydrocarbon processing (refineries, gas processing). The company has also performed well in other segments, including tank farms and the energy, oil and gas, and offshore industries in various regions, including Brazil and Russia.

GROWING MARKET POTENTIAL

At present, Jotun derives more than twenty per cent of its revenues from the sale of protective coatings. However, growing investment in energy and civic infrastructure projects in rapidly developing economies represents significant growth potential for the company over the next five years. To manage this growth, Jotun is investing in new factories, recruiting and training personnel and developing new products and systems to stimulate higher volumes.

In 2012, Jotun broke ground on a new factory in Russia outside of St. Petersburg and continues to develop plans to build a factory near Rio de Janeiro, Brazil. The company has also launched several new products, among them Barrier Plus, a two-component zinc-rich epoxy primer to provide optimal corrosion protection of steel substrates for offshore structures, and Penguard Pro, a primer and mid-coat solution for use in both atmospheric and submerged conditions. 2013 will bring more concept focused products and solutions in support of our growth potential.

CONCEPT SPECIFIC TRAINING

While production capacity and product innovation remain critical to Jotun’s growth ambitions in the Protective segment, the global complexity and size of the market requires improved systems and concept-specific knowledge. To win contracts, new and existing Jotun personnel must understand the needs of customers operating in different industries – from offshore platforms to wind farms, storage tanks to coal mines. In 2012, Jotun recruited new personnel with expertise in different industries and invested in training programmes for existing personnel to help build knowledge in various sub-concepts.

THE ART OF INTERNATIONAL SPECIFICATION MANAGEMENT

While Jotun tenders for many protective coatings contracts locally, large projects often require that the company interface with international stakeholders to manage specifications. In 2009, Jotun worked with the German-based company, Linde Engineering Dresden GmbH and Tobolski-Polymer LLC on a project to build a polypropylene plant in Siberia on behalf of the Russian petrochemicals giant, Sibur.

Jotun’s relationship with Linde Group enabled the company to qualify as a nominated supplier for the project during the Front End Engineering and Design (FEED) stage in 2009. And in 2012, Jotun’s strong presence in Russia helped secure the contract to supply Penguard Express ZP, Penguard Express MIO, and Hardtop XP. The plant is scheduled to go on line in 2013.

“Jotun has the products, a strong global network and a reputation for quality to achieve our growth potential in the Protective Coatings segment.”

Bjørn Wallentin, Vice President Protective Coatings

In addition, Jotun has renewed its focus on project teams to win and supply multinational contracts. To compete for these mega-projects, Jotun must leverage its global presence to work with owners, project engineers, consultants and contractors to ensure that Jotun products are specified for the project and later, to secure the bid. Furthermore, Jotun must continue to provide “best in class” technical service. By expanding production capacity, recruiting and training skilled personnel, and introducing new products and systems to stimulate growth, Jotun is in a strong position to capture higher market share of the growing global protective coatings market.
THE NEW MARKET REALITY

As a recognised global leader in marine coatings, Jotun strengthened its reputation for quality and innovation in 2012 with the launch of innovative products and anti-fouling concepts. However, poor market conditions in the shipping industry are likely to depress earnings for the next few years.

According to the World Trade Organisation, global trade lost momentum in 2012 related to a series of shocks, such as the Arab Spring, the lingering impact of natural catastrophes such as the tsunami in Japan, and more significantly, the European debt crisis. These events introduced volatility into financial markets that discouraged bank lending and investment, so while global trade has shown some improvement over last year, it has increased at a slower pace than expected.

For shipowners, the slowdown in world trade, combined with persistent tonnage over-capacity issues, has lead to weak newbuilding orders in many segments, depressing the marine coatings market. Jotun has adjusted to the new market reality by focusing on product innovation, improved focused on ship repair and maintenance, and building customer loyalty.

FOCUS ON MAINTENANCE

While Jotun continues to work closely with shipowners and shipyards to compete for newbuilding contracts, the company has worked to build capacity to serve the dry-dock and maintenance market. Jotun has invested in “customer asset” training for sales personnel, strengthened Key Account Management teams to better serve global customers and has further developed the dry-dock and sea-stock concept, to help owners reduce costs related to planned and onboard maintenance.

Product development remains a key focus area for Jotun. To help shipowners and managers improve hull performance and reduce fuel costs, Jotun has expanded its range of premium silyl acrylate anti-foulings, launching SeaQuantum Ultra S, SeaQuantum Classic S and SeaQuantum Pro. Jotun has also renewed its focus on lucrative niche markets, like yachting and tank coatings, and continues to develop its Hull Performance Solutions (HPS) concept that combines premium marine coatings, priority technical service and reliable tools to measure hull performance over time.

PIONEERING HULL PERFORMANCE

In 2012, Jotun refined the electronic measurement tools in Hull Performance Solutions (HPS) to collect more accurate data and launched a system that allows owners to customise data-collection for individual trades. Also, the company worked together with a non-profit environmental organisation to present data to the International Maritime Organisation related to the impact of hull performance on carbon emissions. By promoting Jotun’s decades of experience in silyl acrylate anti-foulings and working with industry stakeholders to implement international marine coatings standards, Jotun is a strong position to retain its leadership role in the market.

WORKING TO IMPROVE THE ENVIRONMENTAL PERFORMANCE

Over the past two years, Jotun has worked closely with the Clean Ship Coalition, a global organisation focusing on maritime environmental issues and the Norway-based Bellona Foundation, a solutions-orientated environmental group, to raise awareness on the impact of hull performance on carbon emissions.

At the end of 2011, the Clean Ship Coalition submitted a proposal (titled “A Transparent and Reliable Hull and Propeller Performance Standard”) to the IMO’s Marine Environment Protection Committee. The proposal details how the industry could reduce the world’s fleet’s contributions to greenhouse gas emissions by seven to ten per cent. The proposal included a recommendation to establish a transparent and reliable standard to measure hull and propeller performance, which would support better decisions about marine coatings. Work continued in 2012 to build awareness about the impact of hull performance among industry stakeholders and regulators.

“Marine continues to strengthen its business by developing the products and concepts to meet the changing needs of the industry.”

Geir Bøe, Vice President Marine Coatings

Looking ahead, Jotun anticipates that weak market conditions will persist for the next two to three years. However, shipowners seeking to remain profitable in a market characterised by low freight rates are increasingly focused on improving operational efficiency (including hull performance) for new and existing vessels. By continuing to compete for newbuildings, offering innovative coatings solutions and focusing on helping owners reduce costs related to repair and maintenance, Jotun can build long-term relationships with owners that will be an advantage when the market improves.
A STRONG PLATFORM FOR FUTURE GROWTH

With an increasing global focus on environmental performance and growing demand for specialised products, Powder Coatings is in a strong position to gain market share going forward.

The powder coatings industry serves a diverse collection of companies active in real estate projects, pipeline projects, and a broad range of consumer products. In 2012, the powder coatings industry was affected by global market instability triggered by debt issues in the US and Europe, declining GDP growth in China and political unrest in the Middle East. However, despite these events, demand for powder coatings increased. Indeed, as more companies shift to more environmentally-friendly solutions, the future looks promising.

A GREEN ALTERNATIVE

Advances in technology have allowed some industry players (like Jotun) to grow volumes within existing markets and create opportunities in new industry segments. Powder coatings do not contain Volatile Organic Compounds (VOCs) or other hazardous materials, and are increasingly preferred in markets with strict environmental regulations limiting the use of certain chemical compounds. And with rising global concerns about environmental issues, Jotun is working to inform the market about the benefits of using our powder coatings.

Jotun provides powder coatings in three market segments: Industrial (consumer goods, such as appliances, metal furniture, metal fixtures, shelving and accessories) Architectural (building components such as louvers, facades, window and door frames) and Functional (pipelines, valves and rebar). In 2012, growth in the Industrial market was driven in part by increased sales of Guard Miles and Guard Miles+, a low heat and flexible curing product launched in 2011 that enables Original Equipment Manufacturers (OEMs) to coat more surface area with less powder (better mileage). The company also launched the Reveal range of products.

“OUR CHALLENGE IS TO MAKE A STRONGER CASE FOR THE VALUE-ADDED BENEFITS OF USING POWDER COATINGS TO SUPPORT THE BUSINESS AND ENVIRONMENTAL OBJECTIVES OF EXISTING AND NEW CUSTOMERS.”

Ram Ramnath, Vice President Powder Coatings

PRODUCT INNOVATION

New from Jotun Powder Coatings is a range of premium products, including Reveal Folio, a revolutionary thin film product launched in 2012. With superior mileage and optimal protection, this eco-friendly coating significantly reduces carbon footprint by allowing the user to apply less powder to coat the same surface area. Reveal Tempo was launched next as a new generation of low temperature curing products. Available in a wide range of colours, Reveal Tempo benefits include superior productivity, reduced energy costs and the ability to coat more heat sensitive objects.

Finally Jotun launched Reveal Smooth, within the new MDF product range. This Powder coating has a smooth high-end, semi-matte finish that protects MDF furniture from scratches and marks left by warm objects such as coffee cups. Cost effective when compared to some established technologies, Reveal Smooth also offers a positive eco and carbon footprint offering the MDF furniture market a new sustainable solution.
Yanbu, Saudi Arabia: Cristal is the world's second largest producer of titanium dioxide products and is both a customer and supplier to Jotun.
MANAGING RISK

As a global company with personnel and facilities in more than 90 countries, Jotun has adopted a comprehensive approach to managing the risk of business interruption related to political unrest.

Jotun’s remarkable growth in the last decade has been fuelled by the company’s long-term presence in countries experiencing rapid economic development. To achieve Jotun’s ambitious organic growth strategy, the company seeks to expand into new markets all over the world. However, Jotun recognises operating in some countries exposes the company to business risks. Therefore, Jotun carefully monitors political developments in countries where Jotun is already active and performs careful and structured evaluations of any country prior to committing resources to establishing a business in a new market.

MARKET INTELLIGENCE

When evaluating new markets Jotun gathers information from multiple sources on macro-economic indicators such as GDP growth, population, infrastructure, industrial capacity and the competitive landscape to gauge potential demand for paints and coatings. However Jotun also evaluates political, legal and social systems that might impact the business in future. In some cases Jotun has identified new markets with promising economic indicators but has declined to invest due to uncertain political conditions inadequate governance or poorly organised systems in place to ensure the rule of law.

While this evaluation process is critical in determining investment decisions the Jotun Group recognises that it is not immune to the impacts of political risk. In 2012, the Group’s results were affected by political unrest in the Middle East and North Africa. In Yemen, the company closed the factory in the capital of Sanaa and suspended its small operation in Syria.

CRISIS MANAGEMENT

In Egypt, where Jotun has been active since 1983, the company was forced to shut down operations during the height of the political protests that resulted in a change of government in 2012. Unable to ensure the safety of Jotun personnel in Egypt, Jotun’s local Crisis Management Team ordered the closure of the factory in the Ismailia Industrial Centre outside of Cairo and sales offices in Heliopolis and Alexandria. Jotun Egypt also hired security personnel, who, together with Jotun volunteers, guarded the factory against looters. It should be noted that no Jotun personnel were hurt during this period and no damage was done to any Jotun facility. The factory was re-opened after a week, and by the end of 2012, Jotun Egypt recorded modest growth.

In Libya, where Jotun has a long history, the company was forced to suspend sales operations and postpone the scheduled construction of a factory during the armed conflict that saw the end of the rule of Muammar Gaddafi. At the outbreak of hostilities in February, Jotun helped those employees who sought to leave the country and continued to pay salaries to Jotun personnel for the duration of the conflict, which came to an end in October 2011. While continued political unrest has delayed the factory construction, business has returned allowing Jotun Libya to record positive results in 2012.

DURABLE BUSINESS MODEL

While the Arab Spring continues to impact the Middle East and North Africa, Jotun remains committed to the region. Because the majority of Jotun’s sales are generated by personnel meeting local demand for paints and coatings, Jotun is integrated into local communities, allowing the company to minimise the risk of being a target of political unrest. Jotun’s regional diversity works to mitigate the risk of business interruption in countries facing political change.

“The company’s business model has proven to be remarkably resilient in the face of change.”

Svein Stolpestad, Group Vice President Strategy & Business Development
ENVIRONMENTAL PERFORMANCE

To create value for customers and help secure the Jotun Group’s business objectives, the company has aligned its long-term growth strategy with a commitment to improve environmental performance – both internally and in all the markets where Jotun is operates.

As a company active in the chemicals industry, Jotun recognises it has a special responsibility not only to minimise its impact on the environment, but also to work together with customers for a “greener”, more sustainable future. And to ensure that Jotun continues to generate growth in a manner consistent with its values, the company has refocused its efforts across the entire organisation to improve its environmental performance and communicate the benefits of Jotun products and services in a more structured way.

Jotun GreenSteps focuses on reducing VOC (Volatile Organic Chemicals) emissions, hazardous materials, energy consumption, carbon footprint and waste. Achieving these goals internally has long been a part of Jotun’s corporate policy, but Jotun GreenSteps has helped identify areas where the company can improve and provided a framework for setting targets and measuring results. Internally, Jotun GreenSteps is supported by a number of Group functions working with R&D, HSE, factory construction and management, purchasing, and supply chain logistics, among others. However, responsibility for meeting these targets is shared by all employees and reinforced via competence development training programmes.

Jotun relies on its global network of R&D laboratories to develop and refine products that contribute to a greener environment. In addition to developing more environmentally friendly products, Jotun remains committed to removing hazardous chemicals such as coal tar and lead chromium from our formulations to produce safer paints without compromising on quality. Also, Jotun performs Life Cycle Assessments for customers seeking to determine and document the long-term impact of asset protection.

With rising public concerns about the environment, Jotun provides paints and coatings that are healthier, improve energy efficiency, and extend the life of assets – features that help customers achieve long-term profitability and a high level of corrosion protection. Jotun also works with its network of suppliers to improve their environmental performance by conducting supplier audits that include environmental performance assessments.

With the Jotun GreenSteps programme now in place, Jotun has improved its own environmental focus through the regional sales and marketing functions. The company is therefore in a better position to support the efforts of customers to achieve long-term asset protection. And with growing interest in “green” solutions, Jotun is in a strong position to become a preferred supplier of high performance paints and coatings systems that contribute to a more sustainable environment.

“Our goal is to improve our own environmental performance and strengthen our reputation by increasing our competitiveness as a provider of green coatings solutions.”

Merete Aspaas, Group Vice President Corporate Affairs

BENEFITTING FROM INDUSTRY STANDARDS

As more companies seek to measure and improve their environmental performance, many request Life Cycle Assessments (LCAs), which measure the full range of environmental effects assignable to products and services. However, because raw materials suppliers apply different data when calculating sustainability measurements (such as carbon emissions), providing precise information has been difficult.

While Jotun has performed a number of LCAs for select customers in the past, the company welcomes efforts by the coatings industry to establish common standards. In 2012, the European Coatings Manufacturers trade association (CEPE) produced a Sustainability Charter to harmonise the data used to measure the sustainability of paints and their raw materials. This initiative will enable Jotun to apply these common standards to produce more accurate LCAs in future.
Active in 90 countries on all continents, the Jotun Group is a truly international company. However, the company’s continued success will not only be determined by how well the company manages its global brand, but how effectively it adapts to the specific demands of local markets.

With more than 50 years experience producing and marketing paints overseas, Jotun has long recognised that there are real differences in regions, countries and in some larger markets, districts within countries. Part of Jotun’s strategy is to rely on local personnel to tailor their business to meet the specific demands of their markets. Over time, this “differentiated approach” has lead to a decentralised business model that encouraged the entrepreneurial spirit of regional managers and local sales teams to grow the business in all segments.

DIFTERENTIATED APPROACH

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Jotun’s rapid international growth has resulted in some changes in the company. In 2012, the Jotun Group announced plans to reorganise internally, dividing the company’s activities into four segments and seven regions:

- Scandinavia
- West Europe
- East Europe and Central Asia
- Middle East, India and Africa
- South East Asia and Pacific
- North East Asia
- Americas

The new set-up creates a platform to better support the regions and encourages more efficient regional cooperation, thus freeing local managers to get closer to the markets they serve. In addition, local markets will receive more support from regional hubs, and less from Group functions in Sandefjord, Norway.

ADAPTING TO LOCAL MARKETS

While the company works to ensure personnel in different countries operate efficiently and in compliance with Jotun Values and Group practices, the company understands that each market is different. These differences may include local rules and regulations, economy, climate, business culture and consumer buying habits, all of which impact how Jotun products are developed, produced, distributed and sold.

For example, because retail consumers of decorative paint in the fast-moving Scandinavian market often prefer to do their own painting (DIY), Jotun focuses on premium quality, odourless paints that are easy to apply. However, in the Middle East, where consumers are more likely to hire painters (BIY), Jotun has found success offering specialised interior paints to create designer effects and textures that are usually applied by professionals. Other differences, such as can design, marketing campaigns and efforts by local R&D labs to adapt and customise products to appeal to local consumers vary considerably from region to region.

“One of Jotun’s strengths is the company’s ability to effectively market paints and coatings to users in local markets.”

Morten Fon, President and CEO

Jotun’s success in the Marine and Protective segments requires uniform products in all regions but is driven by Jotun personnel building strong long-term relationships with local businesses. The growth in Powder coatings has been fuelled by demand that varies considerably from market to market and region to region. For example, demand in South East Asia for more cost-efficient powder coatings has helped to drive sales in the Industrial market while rapid growth in housing and construction projects in the Middle East have supported strong sales in the Architectural market.

While Jotun will continue to develop common tools to help regions manage Human Resources, IT, Purchasing, Supply Chain (among other functions), the new organisational structure supports the “differentiated approach”. By allowing personnel in the regions to be more responsive to local markets, Jotun can build a stronger platform to generate rapid growth.

JOTUN INVESTS IN MYANMAR

After decades of political isolation, Myanmar implemented significant reforms over the past few years, helping to attract foreign investments. Consistent with Jotun’s organic growth strategy, where the company establishes production in countries with strong economic potential at an early stage of their development, Jotun became the first multinational coatings company to announce plans to build a factory in Myanmar. The five-year, USD 20 million investment will help secure Jotun’s market position in the years to come. On November 5th, Jotun opened the first Multicolor Centre in Yangon, Myanmar’s largest commercial city.

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INNOVATING FOR A BETTER FUTURE

In addition to managing product innovations in every segment, Jotun R&D works to support the Group’s business and environmental objectives to create a healthier, more sustainable environment.

With about 300 skilled workers located in regional labs in Europe (Norway and the Czech Republic), the Middle East (Dubai), South East Asia (Malaysia), North Asia (Korea and China) and the Americas, Jotun’s R&D department represents a critical element to Jotun’s growth strategy. While the R&D department’s primary focus is to develop innovative products in all segments to meet market demand, it also supports Jotun’s business by testing raw materials, removing harmful substances from existing products, offering Life Cycle Assessments and providing claims and verification services when required.

INNOVATION BOARDS

Internally as Innovation Boards, these development teams subject new products to exhaustive testing and analysis to ensure that new products meet market demand and can be manufactured and distributed in a cost effective manner.

For example, in the consumer-driven decorative paint segment, Jotun R&D has focused on healthier, odourless interior paints with unique features, such as LADY Wonderwall, a stain resistant washable paint launched in 2012 for the Scandinavian market. For the Performance Coatings market, Jotun Innovation Boards are working to develop coatings systems that help customers achieve their business objectives.

HEALTHIER, MORE SUSTAINABLE COATINGS

Jotun R&D is also working to eliminate the use of a number of hazardous chemicals found in Jotun paints and replace them with less hazardous chemicals, consistent with Jotun’s Chemical Policy. Jotun’s policy exceeds requirements outlined by national and international regulations on the impact of hazardous materials on health and the environment.

For example, in Norway, a statutory requirement to apply the Substitution Principle entered into force on January 1, 2000. Under the law, chemicals companies must evaluate existing formulations to determine if they can replace hazardous substances with less hazardous alternatives. Since then, Jotun has phased out and replaced a number of hazardous materials while the use of other potentially harmful substances have been severely restricted.

“Jotun R&D remains committed to producing coatings systems that improve the environmental performance of our customers in every segment.”

Bent W. Haflan, Group Vice President Research & Development

JOTUN’S CHEMICAL POLICY

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About 60 per cent of Jotun’s total costs are related to the purchase of raw materials, such as epoxies, zinc and titanium dioxide. To help manage these costs, Jotun R&D is working to replace some of these raw materials with more cost-effective alternatives. Group R&D cooperates with regional labs to evaluate the quality of raw materials sourced locally, to save on costs related to import duties.

While Jotun will continue to work to develop next generation paints and coatings, the role of Group R&D is not confined exclusively to lab work. By working across the organisation, R&D personnel help the company achieve its business objectives and improve environmental performance, while producing paints and coatings that support a healthier, more sustainable environment.

Jotun R&D has seven regional hubs located around the world.
Jotun's powder coatings are used on a broad range of industrial products, including springs used in the automobile industry.
The Jotun Group’s strong performance over the past decade has helped make possible the most ambitious investment programme in the company’s history. While these investments are necessary to secure future growth, the Group’s success will not be determined by profits alone but by how the company behaves in an increasingly complex world.

In 2012, Jotun’s strong performance is consistent with the company’s remarkable growth rate over the past decade. The origins of this growth can be found in bold decisions made in the past, such as entering new markets in The Middle East and North Africa (Libya 1962, Dubai 1975, Saudi Arabia 1990) and in South East Asia (Thailand 1968, Malaysia 1969, Singapore 1976). While some of these markets took time to become profitable, Jotun’s patience has been rewarded. Today, these regions generate almost a third of Jotun’s total revenues.

The success of these (and other) decisions taken in the past has provided Jotun with a strong capital base to expand further. Over the past three years, the Board has approved a number of investments to increase capacity in existing markets, such as Brazil and Russia, and establish sales offices in new markets, such as Morocco and Tunisia. These and other investments (for example, in R&D, global ERP systems, and recruiting and competence development), have been conceived to secure Jotun’s growth for future generations.

While Jotun will continue to evaluate new investment proposals going forward, The Board remains focused on ensuring that Jotun’s growth is sustainable and aligned with Jotun values. Today, Jotun is active in more than 90 countries and made up of a highly diverse workforce representing different national, ethnic and religious backgrounds. At the same time, rising concerns about the environment, and the introduction of strict global and regional regulations covering everything from carbon emissions to anti-corruption initiatives, have encouraged the company to renew its focus on corporate responsibility.

Jotun has long recognised that the company’s activities have an impact on the environment and the communities where we are active and has acted accordingly. However, it should also be noted that behaving responsibly is critical to building and protecting the Jotun brand in all segments. Indeed, the success of the business relies as much on quality products and services as it does on how Jotun interacts with employees, customers, suppliers, regulators and society. The Board will continue to support organic growth through investments and has also reaffirmed its commitment to financing a broad range of initiatives to improve the company’s performance in health, safety and the environment.

1. MAIN ACTIVITIES

By the end of 2012 Jotun’s business activities included development, production, marketing and sales of a range of paint and coatings systems and products for surface treatment and protection. In 2012, the Jotun Group was organised into four Divisions.

Jotun Dekorativ: Decorative paints, stains and varnishes for the professional and DIY markets in Norway, Sweden, Denmark and Iceland, as well as production of binding agents.

Jotun Paints: Decorative paints in the Middle East and South East Asia, including Marine and Protective coatings for local customers in the same regions.

Jotun Coatings: Marine and Protective coatings for shipping, industry and offshore in Europe, the USA, South Africa, Australia and North Asia, as well as decorative products for local customers in the same regions.

Jotun Powder Coatings: Architectural, Functional and Industrial powder coatings in Scandinavia, Europe, the Middle East and Asia.

Jotun has a worldwide network and is represented on every continent by subsidiaries and/or joint ventures. The Group, including joint ventures and associates, consists of 71 companies in 45 countries, including 56 production facilities. In addition, Jotun has agents, sales offices and distributors in a number of countries. The parent company, Jotun A/S, has its head office in Sandefjord, Norway.

2. REVIEW OF THE ANNUAL ACCOUNTS

In accordance with Section 4-5 of the Norwegian Financial Reporting Act, the Board of Directors finds that conditions are present for a going concern and the accounts for 2012 are rendered on this assumption.
The Group’s total operating income was NOK 11,351 million in 2012 compared with NOK 10,659 million in 2011. The company’s tax and other liabilities continued in 2012 with improved sales in most regions, with the exception of the European markets which struggled with slow GDP growth. The gross margin has improved over the year, partly due to some easing in raw material prices, combined with price increases. Geographically, Scandinavia growth trend continued with growth in the Middle East and Asia contributed to the improved sales and margins.

The Group achieved a consolidated profit for the year of NOK 795 million compared to NOK 634 million in 2011. Group operating profit amounted to NOK 1,126 million, compared with NOK 956 million in 2011. Net financial costs totalled NOK 70 million, and pre-tax profit amounted to NOK 1,055 million. Jotun’s activities are subject to ordinary company tax in the countries in which the Group operates. The tax amounted to NOK 261 million for 2012, slightly up from NOK 290 last year.

The parent company, Jotun A/S, achieved 20.4% company tax in the countries in which Jotun’s activities are subject to ordinary company tax. In addition, Jotun’s procedures and measures in this respect are considered satisfactory in relation to the Group’s exposure to risk.

Allocation of profit for the year
The allocation of the total comprehensive income for 2012 is presented in the statement of changes in equity. Additionally, the Board of Directors proposes a dividend of NOK 513 million for 2012. Free equity after the proposed dividend amounts to NOK 2,379 million.

Jotun's Research and Development department is made up of 300 employees working in regional labs located in Europe (Norway and the Czech Republic), the Middle East (Dubai), South East Asia (Malaysia), North Asia (Korea and China) and the Americas. This de-centralised model allows for a more quick and effective response to local market demand. The R&D Department is headquartered in Sandefjord.

In addition to being responsible for product innovation in all segments, Jotun’s R&D department also plays a crucial role in supporting the company’s business and environmental objectives. Responsibilities include testing raw materials, removing harmful substances from products and improving Life Cycle Assessments and providing claims and verification services when required.

The Group was NOK 870 million at year end 2012 compared to NOK 688 million as of 31 December 2011. During 2012 Jotun A/S used the short term certificate loan market in Norway as its main funding source. At year end 2012 Jotun A/S had NOK 1,200 million of certificate loans outstanding. External borrowing in the subsidiaries is primarily short term and through local banks.

Jotun A/S has NOK 2,000 million of long-term credit lines. This committed funding serves as a back-stop for the certificate loans as well as a strategic reserve for short-term financing of the Group. At year-end NOK 1,900 million of these credit lines were unused.

In its regular business operations Jotun is exposed to risks relating to credit, interest rates, commodity prices and currency exchange rates, and has established procedures for currency and commodity hedging as well as customer credit rating. The Group hedges net currency exposures of cash flows in USD, USD-related currencies and EUR through forward and swap contracts, options and foreign currency loans. Jotun’s procedures and measures in this respect are considered satisfactory in relation to the Group’s exposure to risk.

Jotun’s quality product portfolio in the Architectural segment has helped secure sales growth in the Middle East and South East Asia throughout the past decade. By continuing to invest in product innovation, production capacity and strong marketing concepts, the company is confident that this growth trend will continue in the years to come.

Jotun’s Tax Policy
Jotun’s tax policy is determined in cooperation with the company’s tax advisors and tax lawyers.

Jotun’s Research and Development (R&D) department is made up of 300 employees working in regional labs located in Europe (Norway and the Czech Republic), the Middle East (Dubai), South East Asia (Malaysia), North Asia (Korea and China) and the Americas. This de-centralised model allows for a more quick and effective response to local market demand. The R&D Department is headquartered in Sandefjord.

In addition to being responsible for product innovation in all segments, Jotun’s R&D department also plays a crucial role in supporting the company’s business and environmental objectives. Responsibilities include testing raw materials, removing harmful substances from products and improving Life Cycle Assessments and providing claims and verification services when required.

Over the past five years production innovation has been driven by increased public concerns about health and environmental issues and increasingly strict regulations on the use of certain chemicals and additives. Jotun has structured its innovation process to include chemical engineers and Jotun personnel active in sales and marketing, factory operations, purchasing and supply chain logistics. To stay ahead of emerging regulations, Jotun has invested in its global Key Account Management, Jotun Powder Coatings is in a strong position to capture a larger global market share going forward.

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5. COMPETENCE DEVELOPMENT

Competence development is a critical part of Jotun’s growth strategy, and the company invests a considerable amount each year in competence development initiatives. A wide range of life-long learning programmes are offered for employees, starting with on-the-job training and continuing through various

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training programmes organised by Jotun Academy, in 2006, the Jotun Academy brings together all company training, including human resources, marketing, sales, purchasing, R&D, operations, technical sales support, logistics and management. In 2012 the company trained more than 3,000 employees undertaking over 200 Jotun Academy training programmes around the world.

The Jotun Academy portfolio is anchored in Jotun’s Competence Board, responsible for developing and disseminating new training initiatives throughout the company. This board has been integral to maintaining a strong training momentum. Over time, the company has established a culture whereby employees value long-term learning to encourage employees to grow and maintain their enthusiasm for developing Jotun and themselves. This is one of the key reasons the company has sustained a low global staff turnover level.

6. HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Goals and activities
All our activities shall be carried out in accordance with local laws and regulations and Jotun HSE standards. Occupational diseases shall be prevented. Physical and psychological health shall be maintained. The working environment in all areas through a satisfactory and safe working environment. Jotun continues its anti-corruption work throughout the whole network of companies in 2012. Furthermore Jotun GreenSteps, which is Jotun’s long-term commitment to continuous implementation and focus. High HSE focus, supplier audits and tools supporting the well-being of employees, as important initiatives that have developed during the last year.

8. DIVERSITY

Jotun recognises that cultural understanding and diversity make the company stronger. Our understanding of diversity includes race, gender, personal differences, lifestyle, age, religion, sexual orientation, marital status and geography. Over the years, Jotun has had a special focus on bringing people of different ethnic origins, religions and nationalities together in our offices, factories and networks. Jotun considers discrimination to be unacceptable. The company operates with institutions that facilitate job-training for people who, for different reasons, are unable to fulfill their working commit- ments. In addition, Jotun works to ensure that women are provided with equal opportunities as men. Transparent and professional recruitment policies, tools and practices are used to secure equal opportunities.

Two of the nine senior management positions that report to the President & CEO are female. Of those with personnel responsibility in Jotun’s A/S, 24.1 per cent are women (22.6 per cent in 2011). Women make up 11 per cent of skilled workers (9 per cent in 2011), while the corresponding percentage among office staff is 34 per cent (33 per cent in 2011).

9. FUTURE PROSPECTS

As a global company, Jotun’s results are influenced by both macro-economic events (e.g. debt issues in Europe, the price of raw materials, currency fluctuations) and local events (e.g. political unrest, severe weather, shocks to local economies). These events are unpredictable, but because Jotun has operations in about 90 different countries and is active in four paints and coatings segments, the company’s exposure to financial risk is spread and thereby limited. Jotun also manages risk by adapting to specific markets, countries and regions that have different rules and regulations, climate, business culture and consumer buying habits. These differences impact how Jotun products are developed, produced, distributed and sold. This “differentiated approach” has led to a decentralized business model that supports the efforts of regional companies and local sales teams to grow the business in all segments.

Jotun is also working to minimise business risk through material investments of 60 per cent of Jotun’s total costs. While prices stabilised and dropped in 2012, the company continues to manage this cost by securing long-term relationships with suppliers and working to find safer, more affordable alternatives. Jotun also anticipates declines in Marine sales in the new building market, and has shifted focus to the maintenance and dry-dock market.

In 2012, the company announced plans to reorganise internally, dividing the company’s activities into four segments and regions. The new structure creates a platform to better support the companies and encourages more efficient regional cooperation.

Regional achievements
The green footprint analysis based on Scope 1 and 2 of the International Greenhouse Gas Protocol was carried out. The total emissions from our activities were 77,500 tonnes carbon dioxide equivalents. Compared to the production volume this is an increase of one per cent compared to 2011.

The total electrical consumption was 70,449 MWh in 2012, 6.9 per cent higher. When measured against production volume, the electricity consumption has risen slightly compared to 2011. The reason for the increase is firstly due to runs overlapping polluting factories in Norway, and secondly that production of powder coatings (energy demanding process) has increased more than wet paint.

The group generated 17,600 tonnes of waste in 2012, 11,000 tonnes classified as hazardous waste. The corresponding figure for 2011 was 18,000 tonnes, of which 10,900 tonnes were hazardous waste. The volume of waste generated relative to the volume produced was 2.3 per cent in 2012, compared to 2.4 per cent in 2011.

There were no discharges to water or soil causing any significant pollution to the environment in 2012.

Safety
Some initial stages of fire or small fires were reported, though none of these were considered serious. The incidence did not result in injuries to personnel or significant damage to property. All incidents were handled by Jotun’s own staff.

All incidents related to fires are unacceptable. Special actions regarding incidents caused by electrical equipment and hot work will be carried out.

Challenges ahead
Jotun takes a very serious view of all HSE deviations, and has a vision of zero tolerance in relation to serious incidents. Fewer injuries mean improved quality in all areas through a satisfactory and safe working environment. Jotun continues to communicate the importance of HSE throughout the organisation to ensure a safe and healthy working environment for all employees.

7. CORPORATE RESPONSIBILITY

Jotun conducts its business operations with Loyalty, Care, Respect and Boldness in the interest of customers, suppliers, employees, stakeholders, the environment and society at large. This Corporate Responsibility (CR) commitment is well anchored in the Board of Directors and Group Management. Jotun’s policies and attitudes are based on UN Human Rights, ILD convention and UN’s Global Compact principles as well as local regulations in the regions where Jotun operates.

For a responsible company, it is crucial to make the right decisions in the right way. Jotun’s Business Principles are instrumental in this respect, and in 2012 the company continued to develop its corporate culture through different awareness and training initiatives in different areas. Jotun firmly believes that a strong corporate culture, acting responsibly and being transparent in all locations contributes significantly to the development of the company as well as in all the countries where we operate.

Jotun’s production facilities in 2012. The company is evaluating a broad range of other potential markets, countries and regions. The new structure creates a platform to better support the companies and encourages more efficient regional cooperation.

Overall, the company is confident that demand for paints and coatings will continue to grow and that the company is in a strong position to adapt to the regional growth trend. By building capacity and developing personnel and systems to manage this growth effectively, Jotun is well positioned for the future.

Chairman
Einar Abrahamsen

President & CEO
Ingrid Luberth

President and CEO
Ingrid Luberth
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The income statement presents revenues and expenses for the companies consolidated in the Group and measures the results for the accounting period in accordance with current IFRS standards as adopted by the EU. All internal matters have been eliminated. The income statement distinguishes between what is deemed to be the Group's operations and what is deemed to be of a more financial nature. The result of investments in associates is presented on a single line. The notes explain the content of the various accounting lines.

The statement of other comprehensive income is presented as a separate table in connection with the income statement. The table shows all income and expenses that are not included in the "profit for the year".

JOTUN GROUP

<table>
<thead>
<tr>
<th>1 JANUARY - 31 DECEMBER</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>11 350 602</td>
<td>10 658 991</td>
</tr>
<tr>
<td>Share of profit of associated companies and joint ventures</td>
<td>339 728</td>
<td>265 002</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>-6 301 822</td>
<td>-6 220 856</td>
</tr>
<tr>
<td>Payroll expenses</td>
<td>-1 876 583</td>
<td>-1 674 822</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>-2 138 024</td>
<td>-1 825 061</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment</td>
<td>-248 090</td>
<td>-247 573</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>1 125 810</td>
<td>955 680</td>
</tr>
<tr>
<td>Finance income</td>
<td>69 323</td>
<td>99 455</td>
</tr>
<tr>
<td>Finance costs</td>
<td>-139 746</td>
<td>-162 180</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>1 055 387</td>
<td>852 955</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-260 582</td>
<td>-258 650</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>794 805</td>
<td>634 305</td>
</tr>
</tbody>
</table>

Other comprehensive income

- Loss on hedge of net investments in foreign operations -15 467
- Actuarial losses on defined benefit pension plans -67 978
- Translation differences on net investments in foreign operations -67 371
- Currency translation differences 77 071

**Other comprehensive income for the year, net of tax** -262 583 26 054

**Total comprehensive income for the year** 532 222 660 359

**Profit for the year attributable to:**

- Equity holders of the parent company 749 635 602 791
- Non-controlling interests 45 170 31 514

**Total** 794 805 634 305

**Total comprehensive income attributable to:**

- Equity holders of the parent company 494 435 625 668
- Non-controlling interests 37 787 34 691

**Total** 532 222 660 359

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The statement of financial position presents the Group’s total assets and shows how they have been financed, broken down into equity and liabilities. All internal matters between companies in the Group have been eliminated. According to the system of classification applied to the balance sheet, current assets and liabilities belong to a normal operating cycle, are cash and cash equivalents or have a useful liferepayment time of less than one year. Other assets and liabilities are classified as non-current. IFRS are balance-sheet oriented and only items that satisfy the criteria for definition as assets and liabilities may be recognised in the balance sheet. Equity is a residual. The various standards determine how the items are to be treated. The valuation of the balance sheet items is therefore a combination of fair value (Derivative financial instruments), amortised cost (trade receivables), cost (inventories), cost minus depreciation (property, plant and equipment), and recoverable amount (certain written down assets). The balance sheet items are explained in the notes to the financial statements.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>31.12.12</th>
<th>31.12.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>110 724</td>
<td>142 755</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>567 249</td>
<td>138 318</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>2 559 367</td>
<td>2 331 819</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1 012 373</td>
<td>945 912</td>
</tr>
<tr>
<td>Investments in associated companies and joint venture</td>
<td>8 248</td>
<td>8 248</td>
</tr>
<tr>
<td>Other investments</td>
<td>264 125</td>
<td>168 890</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>4 122 087</td>
<td>3 742 157</td>
</tr>
</tbody>
</table>

**Current assets**

- Inventories 1 569 434 1 839 452
- Trade and other receivables 2 823 569 2 940 537
- Cash and cash equivalents 802 012 617 923

**Total current assets** 5 195 016 5 397 912

**TOTAL ASSETS** 9 317 103 9 140 069

**EQUITY AND LIABILITIES**

**Equity**

- Share capital 102 600 102 600
- Other equity 4 824 495 4 846 891
- Non-controlling interests 88 641 78 411

**TOTAL EQUITY** 5 015 736 5 027 902

**Non-current liabilities**

- Pension liability 177 333 173 090
- Deferred tax 22 826 14 106
- Provisions 41 227 155 823
- Interest-bearing debt 1 022 464 2 285 448
- Total non-current liabilities 3 222 952 3 750 500

**Current liabilities**

- Interest-bearing debt 1 875 471 1 451 219
- Other current liabilities 2 102 944 2 285 448

**Total current liabilities** 3 978 415 3 736 668

**TOTAL LIABILITIES** 4 301 367 4 112 167

**TOTAL EQUITY AND LIABILITIES** 9 317 103 9 140 069
CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows how the Group’s cash flows are broken down into cash flow from operating, investing and financing activities, according to the indirect method. The cash flow statement explains the general changes in the Group’s liquidity since the previous accounting period.

(NOK thousand)

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>1,055,387</td>
<td>892,955</td>
</tr>
<tr>
<td>Share of profit of associated companies and joint ventures</td>
<td>-339,728</td>
<td>-265,002</td>
</tr>
<tr>
<td>Dividend paid from associated companies and joint ventures</td>
<td>204,094</td>
<td>226,269</td>
</tr>
<tr>
<td>Tax payments</td>
<td>-187,432</td>
<td>-177,802</td>
</tr>
<tr>
<td>Gains/losses on sale of fixed assets</td>
<td>-47,375</td>
<td>8,734</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment</td>
<td>248,090</td>
<td>247,573</td>
</tr>
<tr>
<td>Change in inventories, trade receivables and trade creditors</td>
<td>122,096</td>
<td>-582,598</td>
</tr>
<tr>
<td>Change in accruals, provisions and other</td>
<td>-153,438</td>
<td>-46,793</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>901,695</td>
<td>303,336</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>47,149</td>
<td>7,033</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>-590,227</td>
<td>-867,024</td>
</tr>
<tr>
<td>Purchase of shares from non-controlling interests</td>
<td>-5,231</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flow used in investing activities</td>
<td>-548,310</td>
<td>-859,991</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from borrowings</td>
<td>714,204</td>
<td>937,139</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>-240,865</td>
<td>-167,615</td>
</tr>
<tr>
<td>Dividend paid to equity holders of the parent</td>
<td>-513,000</td>
<td>-256,500</td>
</tr>
<tr>
<td>Dividend paid to non-controlling interests</td>
<td>-26,157</td>
<td>-41,781</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td>-65,819</td>
<td>471,243</td>
</tr>
</tbody>
</table>

| Net currency translation effect                                                                      | -103,476| -13,217 |
| Net increase/(decrease) in cash and cash equivalents                                                 | 287,566  | -85,412 |
| Cash and cash equivalents at 1 January                                                                | 617,923  | 716,552 |

| Cash and cash equivalents at 31 December                                                              | 802,012  | 617,923 |

The Group had unused credit facilities of NOK 1,900 million as at 31 December 2012 (2011: NOK 1,425 million).

There are no restrictions on the use of these cash and cash equivalents.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity from one period to the next in accordance with the Group’s profit or loss. Transactions with owners will be specified and applies to matters such as dividends to shareholders and share issues. Fluctuations in foreign exchange rates will affect equity in the form of currency differences on translation of foreign operations.

(NOK thousand)

<table>
<thead>
<tr>
<th>Attributable to parent company equity holders</th>
<th>Share capital</th>
<th>Other equity</th>
<th>Translation differences</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity as at 1 January 2011</td>
<td>102,600</td>
<td>4,338,766</td>
<td>138,957</td>
<td>4,580,323</td>
<td>-85,501</td>
<td>4,665,824</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td>-256,500</td>
<td>-41,781</td>
<td>-298,281</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit of the period</td>
<td>602,791</td>
<td>602,791</td>
<td>31,514</td>
<td>634,305</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-11,017</td>
<td>73,804</td>
<td>22,877</td>
<td>3,177</td>
<td>26,054</td>
<td></td>
</tr>
<tr>
<td>Equity as at 31 December 2011</td>
<td>102,600</td>
<td>4,634,040</td>
<td>212,851</td>
<td>4,946,891</td>
<td>78,411</td>
<td>5,027,302</td>
</tr>
<tr>
<td>Dividends</td>
<td>-513,000</td>
<td>-513,000</td>
<td>-26,157</td>
<td>-539,157</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit of the period</td>
<td>749,635</td>
<td>749,635</td>
<td>45,170</td>
<td>794,805</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-74,168</td>
<td>-181,032</td>
<td>-255,201</td>
<td>-7,383</td>
<td>-262,583</td>
<td></td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>-3,831</td>
<td>-3,831</td>
<td>-1,400</td>
<td>-5,231</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity as at 31 December 2012</td>
<td>102,600</td>
<td>4,792,677</td>
<td>31,819</td>
<td>4,924,496</td>
<td>88,641</td>
<td>5,015,736</td>
</tr>
</tbody>
</table>

The Group had unused credit facilities of NOK 1,900 million as at 31 December 2012 (2011: NOK 1,425 million).

There are no restrictions on the use of these cash and cash equivalents.
EXHIBIT
EXECUTIVE SUMMARY OF THE FINANCIAL STATEMENT FOR 2012

GENERAL

The consolidated financial statement consists of Jotun A/S and fifty-eight subsidiaries, four joint ventures in China and Korea and seven associated companies in U.A.E., Saudi Arabia and Yemen. Subsidiaries are consolidated with the full amount independent of shareholding while joint ventures and associates are presented as net interest based on the actual shareholding. Jotun Bangladesh Ltd. was established as a new subsidiary during the year.

The Jotun Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

REVENUE

Operating revenue for the Group was NOK 11 351 million. The growth of seven per cent is primarily ascribable to improved markets particular in Scandinavia, Asia and parts of the Middle East. Considering the full revenues in associates and joint ventures, total sales of Jotun branded products was NOK 15 852 (2011: NOK 14 742 million).

OPERATING PROFIT

Operating profit in 2012 increased with 18 per cent to NOK 1 126 million compared with 2011, ending up with an operating margin of 10 per cent (2011: 9 per cent). The year was influenced by decreasing raw material prices, combined with price increases. Furthermore revenues from the Marine segment declined due to cyclical downturn in the industry.

Jotun Group’s share of net result after tax in associates and joint ventures totalling at NOK 340 million (2011: NOK 265 million) are reported in a single line of the consolidated income statement as an operating item.

PROFIT FOR THE YEAR

The profit for the year amounted to NOK 795 million, an increase of NOK 161 million from 2011. Net financing charges for the year are still at a low level but increasing from last year. This is mainly related to high level of invested capital. Net financial costs ended at NOK 70 million (2011: NOK 63 million).

INVESTMENTS

Total purchase of property, plant and equipment (PPE) and intangible assets amounted to NOK 990 million for 2012 (807 million for 2011). This represents 5 per cent of operating revenue. Total investment in PPE for the purpose of producing Jotun branded products was NOK 796 million. New factories in the US, China, Russia and Brazil represent the major part of the investments.

Jotun Group has NOK 2 000 million of long-term credit lines. This committed funding serve as a back stop for the certificate loans as well as a strategic reserve for short-term financing of the group. At year-end NOK 1 900 million of these credit lines was unused.

SHAREHOLDERS EQUITY

Total equity including non-controlling interests amounted to NOK 5 016 million (2011: NOK 5 016 million) due to the net effect of profit of the period of NOK 795 million, other comprehensive income of NOK -267 million, payment of the dividend for 2011 (declared in 2012) of NOK 537 million. The equity ratio is still strong at a level of 54 per cent (2011: 55 per cent).

The proposed dividend for Jotun A/S for 2012 amounting to NOK 513 million will not be recognised in equity until finally declared in 2013.

CASH FLOW

Operating activities in 2012 resulted in a cash inflow of NOK 902 million (2011: NOK 802 million). The change compared with 2011 is due to improved profit before tax and changes in working capital.

WORKFORCE

At year-end 2012, Jotun Group had 6 379 employees related to on-going business in Jotun A/S and its subsidiaries (2011: 5 884 employees). In addition another 2 361 employees were employed in associates and joint ventures. The increase in total workforce has mainly been in Asia, where the growth in business is higher.
In addition to the companies listed above, the Jotun Group also owns a number of holding and inactive companies.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>COMPANY</th>
<th>SHARE HOLDING</th>
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<tbody>
<tr>
<td>ALGERIA</td>
<td>Jotun Algérie SARL, Algiers</td>
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<td>Jotun Australia Pty. Ltd, Victoria</td>
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<td>BRAZIL</td>
<td>Jotun Brasil Imp. Exp. &amp; Indústria de Tintas Ltda., Rio de Janeiro</td>
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<td>Jotun Bulgaria EOOD, Sofia</td>
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<td>Jotun (Cambodia) Ltd., Phnom Penh</td>
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<td>Jotun Coatings (Shanghai) Co. Ltd., Shanghai</td>
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<td>Jotun COSCO Marine Coatings (Gu) Co. Ltd., Guangzhou</td>
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<td>Jotun Paints (H.K.) Ltd., Hong Kong</td>
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<td>Jotun Cyprus Ltd, Limassol</td>
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<td>CZECH REPUBLIC</td>
<td>Jotun Powder Coatings (CZ) a.s., Ústí nad Labem</td>
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<td>Jotun Danmark A/S, Kolding</td>
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<td>El-Mohandes Jotun S.A.E., Cairo</td>
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<td>GREECE</td>
<td>Jotun Hellas Ltd, Piraeus</td>
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<td>INDIA</td>
<td>Jotun India Pvt. Ltd., Pune</td>
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<td>P.T. Jotun Indonesia, Jakarta</td>
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<td>P.T. Jotun Powder Coatings Indonesia, Jakarta</td>
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<td>Jotun (Ireland) Ltd., Cork</td>
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<td>Jotun B.V., Spijkenisse</td>
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<td>Jotun Powder Coatings (N) AS, Larak</td>
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<td>Jotun Romania S.R.L., Otopeni</td>
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<td>Jotun Paints DDO, St. Petersburg</td>
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<td>Chokwang Jotun Ltd., Kyungnam</td>
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<td>SPAIN</td>
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<td>SWEDEN</td>
<td>Jotun Sverige AB, Gothenburg</td>
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<td>USA</td>
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<td>YEMEN</td>
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</tbody>
</table>

In addition to the companies listed above, the Jotun Group also owns a number of holding and inactive companies.

In addition to legal companies Jotun has branch offices, agents, distributors and licensees in Argentina, Azerbaijan, Bahrain, Belgium, Canada, Chile, Croatia, Dominican Republic, Ecuador, Estonia, Ghana, Haiti, Hungary, Iceland, Iran, Japan, Jordan, Kenya, Kuwait, Latvia, Lebanon, Lithuania, Malta, Mauritius, Mexico, Monaco, Montenegro, Namibia, Netherlands Antilles, New Zealand, Nigeria, Panama, Peru, Puerto Rico, Qatar, Slovak Republic, Slovenia, Sri Lanka, Sudan, Suriname, Switzerland, Syria, Taiwan, Trinidad, Tunisia, Ukraine and Uruguay.
In 2012, The Jotun Group announced plans to reorganise dividing the company’s activities into four segments and seven regions: The new structure went into effect January 1 2013.