



JOTUN

Jotun Protects Property



GROUP REPORT 2012

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JOTUN 2012

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 with representation (agents, branch offices, distributors) and sales offices in 90 countries all over 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.



OUR BUSINESS

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.



Coatings by Jotun protect some of the world's most high profile structures, including the Eiffel Tower, the Burj Khalifa and the Canton Tower.



HIGHLIGHTS 2012



JOTUN GROUP

- 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

DECORATIVE PAINTS

- 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)

MARINE COATINGS

- 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 sylil acrylate anti-foulings

PROTECTIVE COATINGS

- 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

POWDER COATINGS

- Opened a new state-of-the-art powder factory and R&D centre in China
- Secured contract for Queensland-Curtis LNG project in Australia using new 3 layer FBE technology (J-Trac)
- Supply chain optimisation projects in progress in Europe and Asia.
- Launched 'Reveal' range of powder coatings.

AROUND THE WORLD



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.

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.

MUMBAI, INDIA

Jotun India 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.

ZHANGJIAGANG, CHINA

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

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.

HO CHI MINH CITY, VIETNAM

Jotun secures contracts for four major real estate development projects and launches Jotashield Anti-Fade exterior paint.

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.

ISTANBUL, TURKEY

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

RIYADH, SAUDI ARABIA

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

DUBAI, U.A.E

Jotun opens a new 1 800 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.

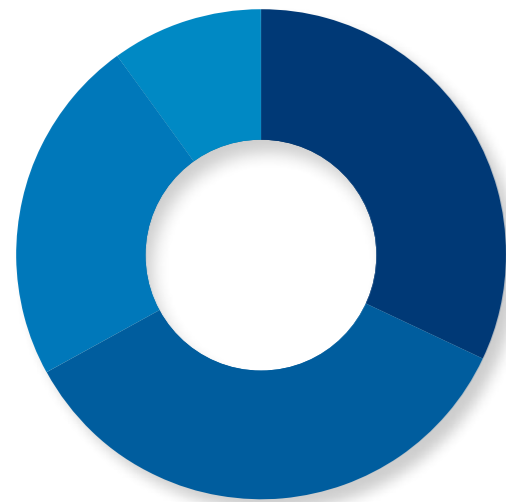
DHAKA, BANGLADESH

Jotun opens a new sales office to focus on meeting rising 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.

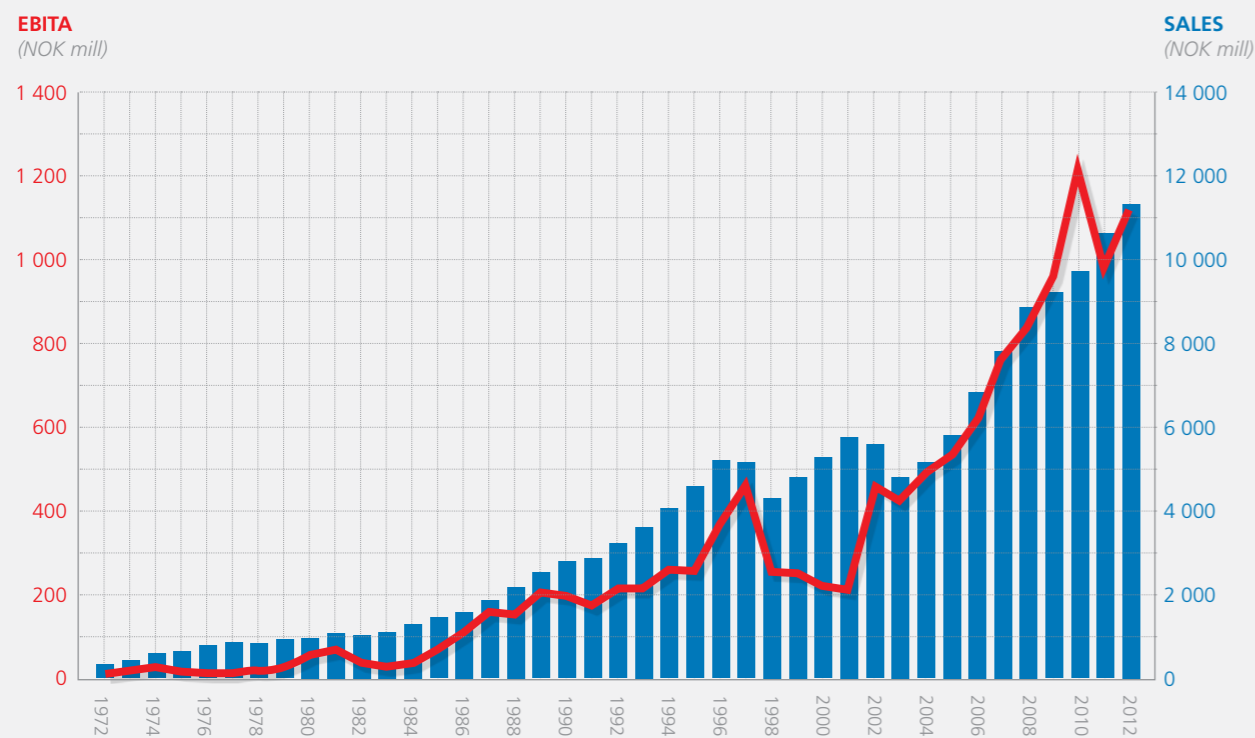
SALES SUMMARY



BUSINESS SEGMENTS

- 32% Marine Coatings
- 35% Decorative Paints
- 23% Protective Coatings
- 10% Powder Coatings

SALES AND EBITA DEVELOPMENT



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.

GROUP KEY FIGURES

(Figures in USD million from consolidated Group accounts)

	2012	2011	2010
REVENUE			
Operating revenue	1 952	1 902	1 617
Operating revenue outside Norway in %	80	77	75
COMPREHENSIVE INCOME			
Operating profit	194	171	205
Profit before tax expense	181	159	198
Net cash flow from operations	155	54	117
PROFITABILITY			
Return on capital employed, in %	1) 19.5	18.3	29.2
Operating margin, in %	2) 9.9	9.0	12.7
Return on equity, in %	3) 15.8	13.1	19.9
YEAR-END FINANCIAL POSITION			
Total assets	1 670	1 522	1 329
Investments in intangible and fixed assets	106	144	95
Equity (including minority interests)	899	837	801
Equity / assets ratio, in %	53.8	55.0	60.3
Number of employees in Group	6 379	5 884	5 577
Number of employees in Group including 100 per cent in joint ventures and associated companies	8 740	8 296	7 819

DEFINITIONS

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

About one fifth of the world fleet is coated by Jotun's marine coatings.



THE JOTUN GROUP

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,



Left to right: Esben Hersve, Vidar Nysæther, Morten Fon, Bård K. Tonning

“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*

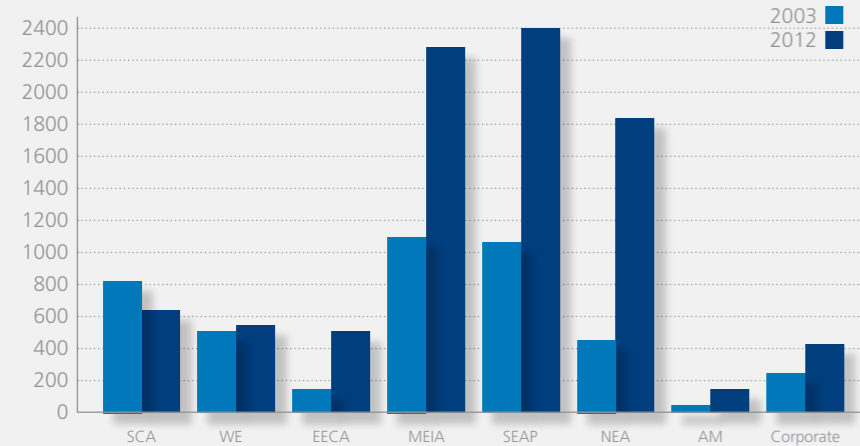
reducing stock, and trimming product assortment in all segments.

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.

JOTUN'S DEVELOPMENT

Full time employees

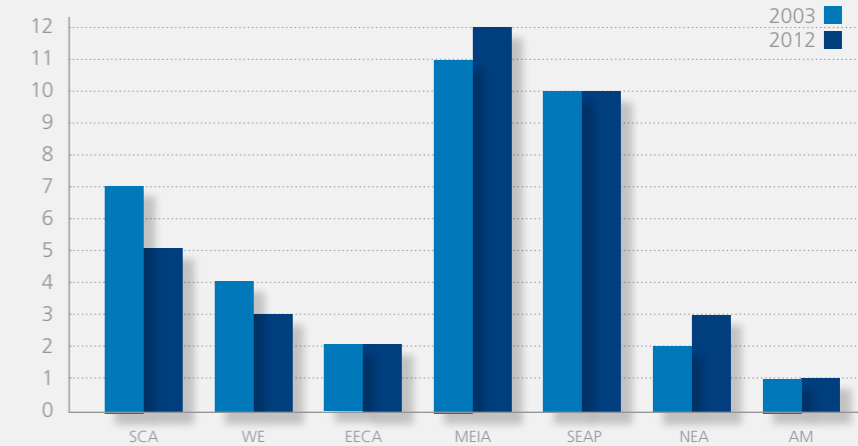


- SCA Scandinavia
- WE West Europe
- EECA East Europe and Central Asia
- MEIA Middle East, India and Africa
- SEAP South East Asia and Pacific
- NEA North East Asia
- AM Americas



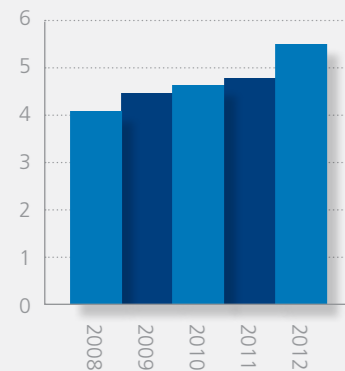
- SCA Scandinavia
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Production facilities

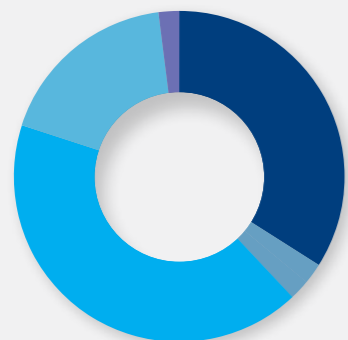


DECORATIVE PAINTS

Sales in billion NOK



Sales per region



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 Norway (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 Multicolor Centres 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/NORTH 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. Most sales of decorative paint are through the company's dealer network, which expanded further in 2012. Buy-it-yourself (BIY) sales remain a critical part of Jotun's business, but a large portion of Jotun revenues 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

"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

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 warehouse and logistic capacity in Saudi Arabia and Egypt. Further plans to upgrade of capacity are taking place in other factories in the region.

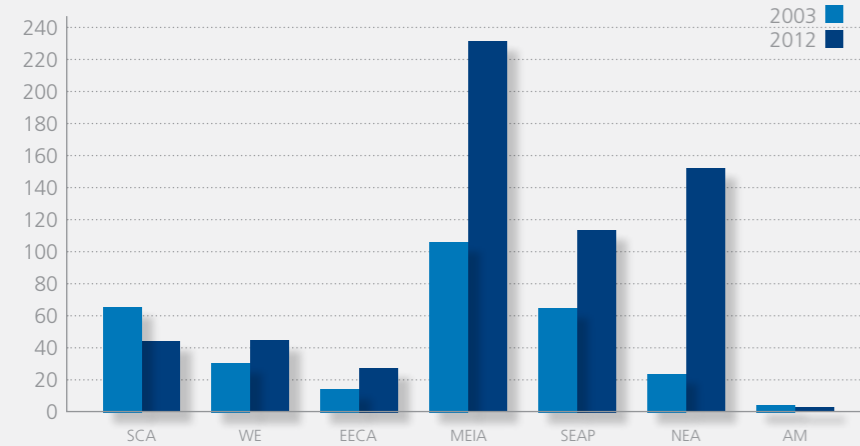
To achieve the business objectives going forward, Jotun remains committed to product innovation, marketing and premium technical service. In 2012, Jotun successfully launched Jotashield Anti-Fade an exterior paint with improved UV-light protection, and Fenomastic Stain Resistant and Fenomastic Hygiene (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.

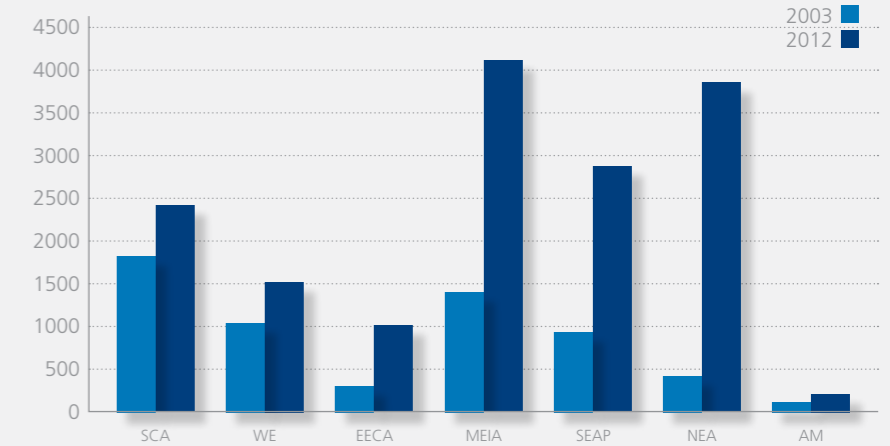
JOTUN'S DEVELOPMENT

Production volume (litres/kilos) (1 000 tonnes)



SCA Scandinavia
 WE West Europe
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 SEAP South East Asia and Pacific
 NEA North East Asia
 AM Americas

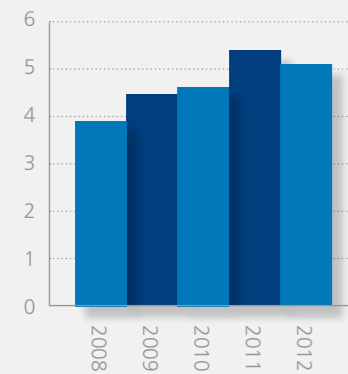
Total Sales (in NOK mill)



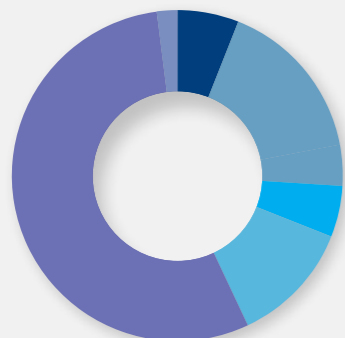
SCA Scandinavia
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 AM Americas

MARINE COATINGS

Sales in billion NOK

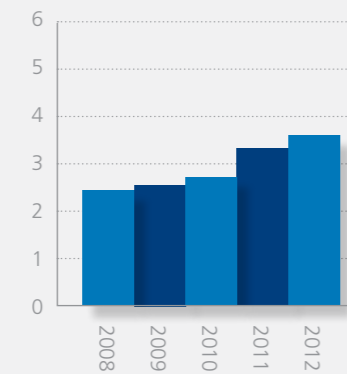


Sales per region

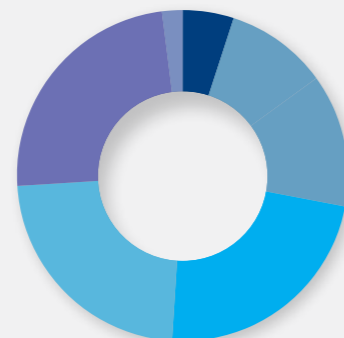


PROTECTIVE COATINGS

Sales in billion NOK



Sales per region



MARINE AND PROTECTIVE COATINGS

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

Watch a short film with Morten Fon, President and CEO of Jotun, talking about the Group's development in 2012.



<http://e1.no/9grfon>



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.

“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

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.

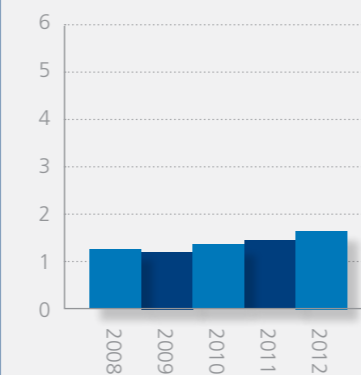
To support future growth, Powder Coatings is in the process of optimising its supply chain structure in Asia and is applying a similar model to the company's European operations. In June 2012, Jotun opened a new state-of-the-art powder factory and R&D Centre in Zhangjiagang, China. The new factory is among the first powder coatings facilities to be designed and constructed in line with Jotun GreenSteps. At the same time, Jotun celebrated the successful launch of a number of new products to enable Original Equipment Manufacturers (OEMs) to be more productive, save on energy costs and be able to coat heat-

sensitive objects like Medium Density Fibreboard (MDF).

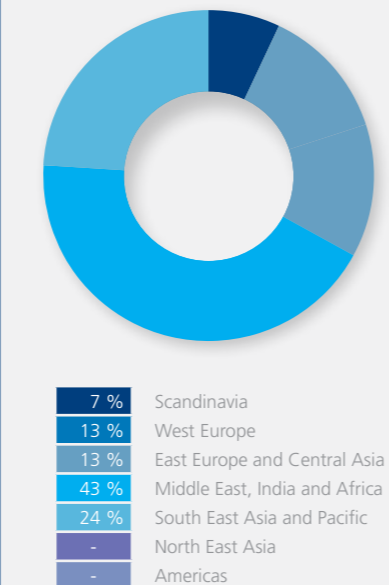
Jotun's growth trend in Powder Coatings over the last few years has been supported by the company's continued investment in products, personnel, factories and systems to improve sales and operational efficiency. More recently, the company has taken decisive action to increase production in key markets, invest in targeted marketing campaigns and focus on product innovation to reach new market segments. A growing global demand for more sustainable coatings solutions represents a genuine growth opportunity for the segment in future. By continuing to build the capacity to serve this changing market, Jotun is confident that the pace of growth will increase over the next few years.

POWDER COATINGS

Sales in billion NOK



Sales per region



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.

In Saudi Arabia, Jotun employees gathered to celebrate achieving record year-to-date sales figures, while Jotun employees in Hong Kong met to commemorate 30 years of successful operations. 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).

Jotun uses a broad range of media channels to market products to consumers. Watch a TV ad specifically produced for the Middle East market: <http://e1.no/9grmedp>



COLOURS FOR THE WORLD

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 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 waterborne paints that are washable, easier

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

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.

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

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.

Princess Nora Bint Abdulrahman University for Women near Riyadh, Saudi Arabia



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.

Watch a TV ad produced to market LADY Wonderwall in Scandinavia:

<http://e1.no/9grwnwl>



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.



Ouseburn Viaduct, UK. Steel protection represents an increasingly important market for Protective Coatings.

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 Tobolsk-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 secured 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 led 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-fouling, 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-fouling 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 green house 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.



Jakarta Shipyard, Indonesia. With the newbuilding market expected to slow, Jotun is focusing on the dry-dock and maintenance market

“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



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.



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 (OEM)'s to coat more surface area with less powder (better mileage). The company also launched the Reveal range of products.

GAINING GROUND IN THE ARCHITECTURAL AND FUNCTIONAL SEGMENT

Jotun's focus on Key Account Management in the Architectural segment helped to win several projects and supplies to Permasteelisa, the world's largest facade fabricator, and Schuco and Sapa, two of the largest and more advanced architectural global system designers. Jotun is also the main supplier of a broad range of powder coatings to ALUPCO, the leading manufacturer of aluminium extrusion products in the Middle East. In the Functional market, Jotun secured a number of high-value pipeline contracts in the Middle East, India, Gulf of Mexico, Vietnam and Australia. Of particular interest is the Queensland-Curtis LNG project in Australia, where Jotun's premium system J-Trac was specified and a project for the Indian Oil Corporation Limited (IOCL), where Jotun's Dual-Layer system was specified.

“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

ITCC Complex, Riyadh, Saudi Arabia

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



Cairo Egypt. Tahrir Square has become a potent symbol of political change in the Middle East

Watch a short film about Jotun Egypt:
<http://e1.no/9grcceg>



CRISIS MANAGEMENT AND BUSINESS CONTINGENCY PLANNING

Jotun's global network of personnel and property are exposed to a broad range of risks, from political unrest to severe weather events, factory incidents to threats to Jotun's brand.

Previously, Jotun relied on the good judgment of country managers to develop and implement emergency response plans locally. However, in 2008 Jotun launched

a more structured system to support local managers to protect people and property during crises (Crisis Management Planning) and to restore normal business operations after a disruptive event (Business Contingency Planning.) These plans clearly define roles and responsibilities, provide a framework for action and include a broad range of exercises, including simulated crisis media training.

The exercises have instilled confidence and structure to local crisis planning, ensuring managers receive evaluation training so that all issues are considered and decisions are made quickly.

For events that represent a genuine threat to Jotun's business or brand, the company has also implemented a structured Group Crisis Management Plan.

"The company's business model has proven to be remarkably resilient in the face of change."

Svein Stolpestad, Group Vice President Strategy & Business Development

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.

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,

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

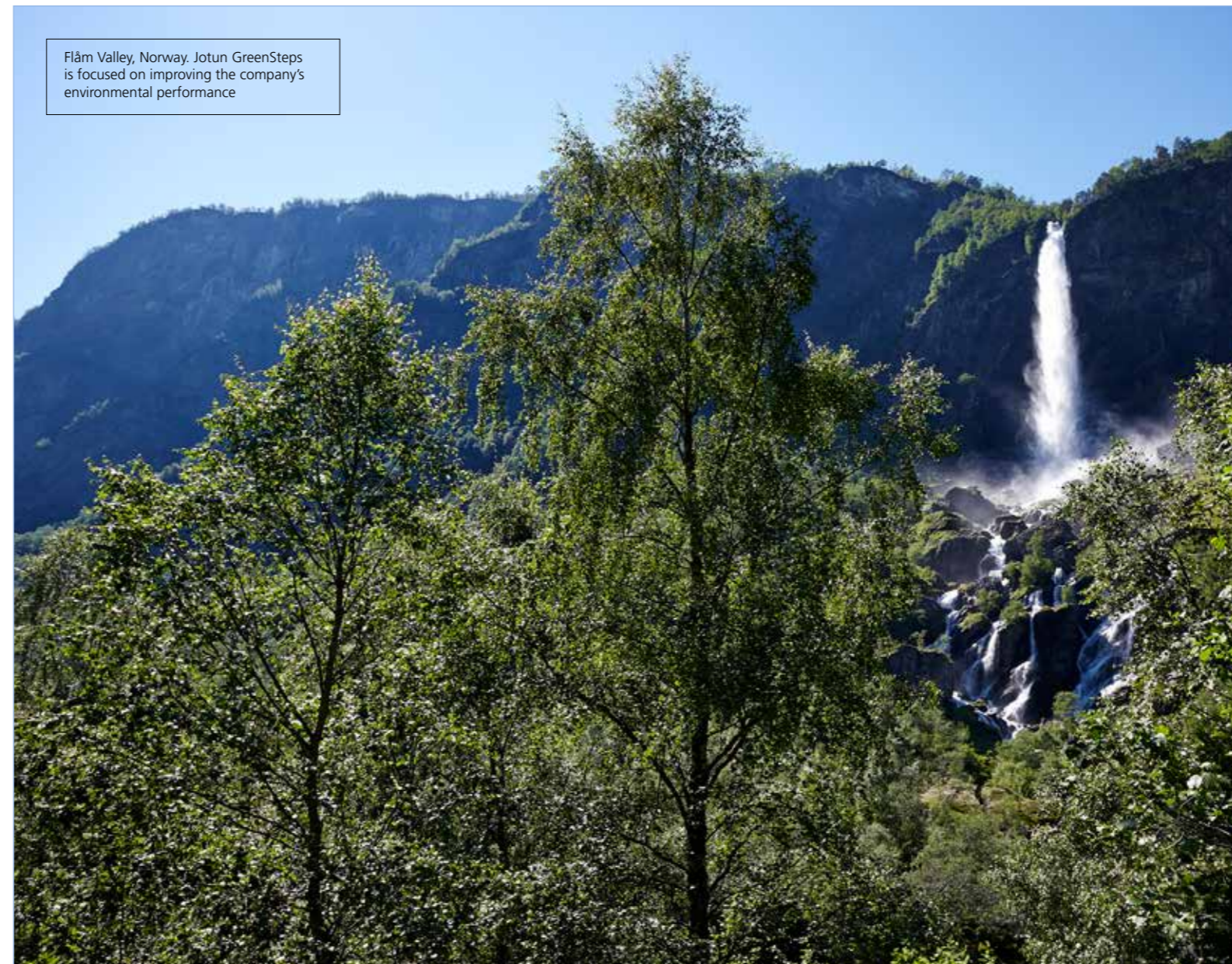
Merete Aspaas, Group Vice President Corporate Affairs

JOTUN GREENSTEPS

Jotun introduced a more structured Corporate Responsibility concept in 2011. A part of this effort is GreenSteps, a programme conceived both as a platform to improve our environmental performance and a framework to help strengthen Jotun's corporate profile as an environmentally responsible company.

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-



Flâm Valley, Norway. Jotun GreenSteps is focused on improving the company's environmental performance

BENEFITTING FROM INDUSTRY STANDARDS

As more companies seek to measure and improve their environmental performance, many request Life Cycle Assessments (LCA), 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.

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.

THE BUSINESS OF ENVIRONMENTAL PERFORMANCE

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.

DIFFERENTIATED APPROACH

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 led to a decentralised business model that encouraged the entrepreneurial spirit of regional managers and local sales teams to grow the business in all segments.

- 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

“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 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:



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.



Riyadh, Saudi Arabia. Jotun has a regionally focused approach to marketing paints.

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.

BUILDING RELATIONSHIPS

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.

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.

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.

“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*

INNOVATION BOARDS

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. Known

For example, Jotun has expanded its range of premium silyl-based antifoulings (SeaQuantum series) to help shipowners save on fuel costs and comply with emerging emissions regulations.



JOTUN'S CHEMICAL POLICY

Over the past decade, Jotun has worked to phase out 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.

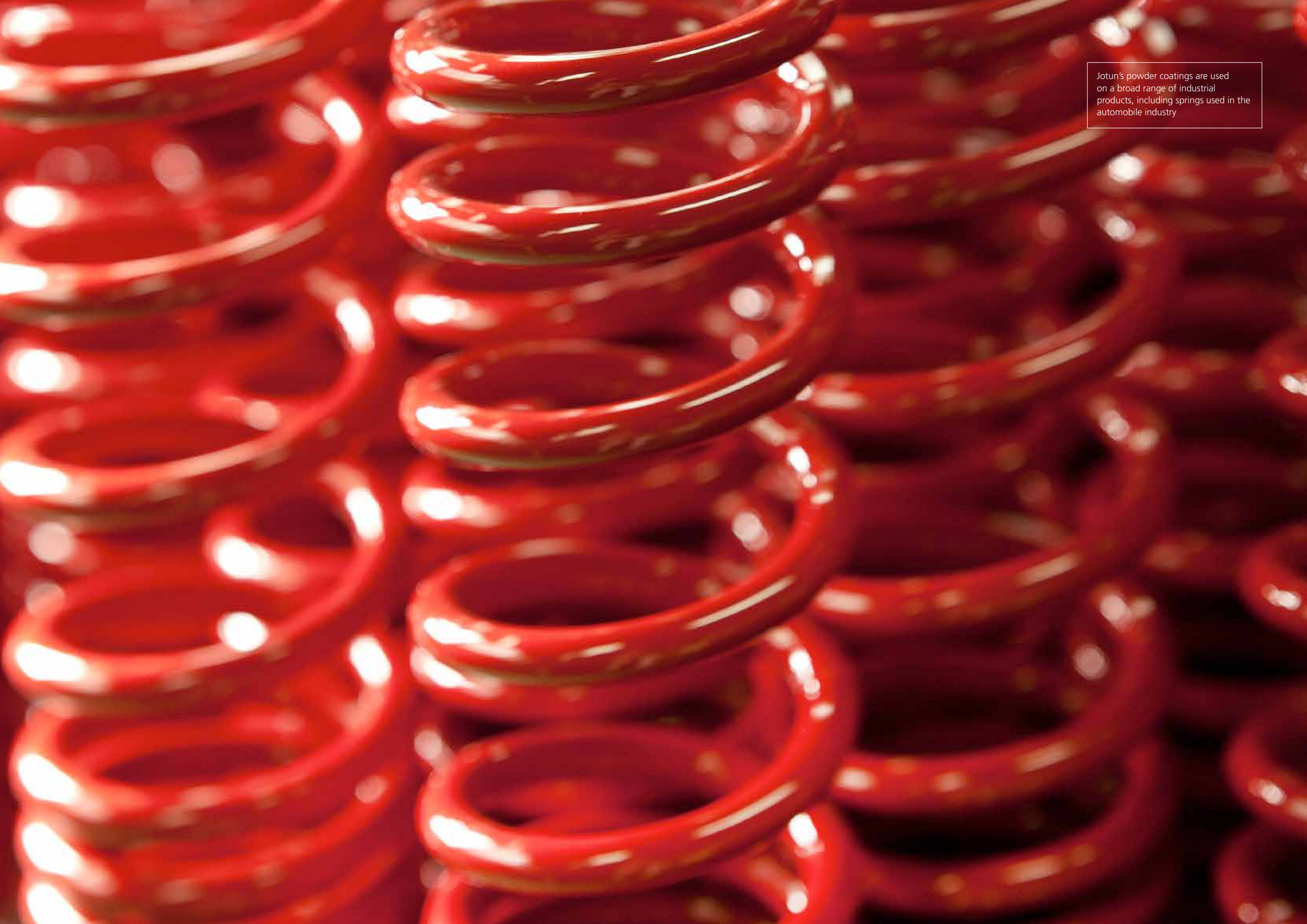
HEALTHIER, MORE SUSTAINABLE COATINGS

Jotun R&D is also working to eliminate the use of a number of hazardous chemicals found in Jotun paints, consistent with the Jotun GreenSteps initiative. The Group has phased out a number of potentially dangerous substances, such as lead oxide, carbendazim, aromatic amines and coal tars. This work will continue in the future: By 2014, Jotun will phase out lead chromates and will eliminate the use of triglycidyl isocyanurates (TGIC).

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

A MATTER OF PRIORITIES

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 the US, China and Scandinavia, build production facilities in relatively new 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



Odd Gleditsch d.y.
Chairman of the Board

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.

DIRECTORS' REPORT



Left to right: Richard Arnesen, Paul Jordahl, Einar Abrahamsen, Odd Gleditsch d.y., Ingrid Lubberth, Birger Amundsen, Nicolai A. Eger, Stein Erik Hagen.

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 36 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.

Profits

The Group's total operating income was NOK 11,351 million in 2012 compared with NOK 10,659 million in 2011. The company's long-term growth trend continued in 2012 with improved sales in most regions, with the exception of the European markets which struggled with slow economic growth. The gross margin has improved over the year, partly due to some ease in raw material prices, combined with price increases. Geographically Scandinavia, 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 259 last year.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 212 million, compared with NOK 422 million in 2011. The decrease is in part attributable to a reduction in dividends from subsidiaries of NOK 128 million and losses related to foreign currency.

Associated companies and joint ventures consist of Jotun's equity interests in South Korea, China, the UAE, Saudi Arabia and Yemen. These investments are presented according to the equity method on the line for associated companies and joint ventures. The Group's share of the net result ended at NOK 340 million compared with NOK 265 million in 2011.

Financial position, capital structure and risk

The Group had an equity ratio of 54 per cent at year-end, as opposed to 55 per cent the previous year. The reduction in equity ratio can be attributed to a higher level of net interest bearing debt, an increase in dividend paid out by Jotun A/S and foreign currency effects on balance sheet items. The Group is in a sound financial position.

The net interest bearing debt for the

Group was NOK 870 million at year end 2012 compared to NOK 668 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 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.

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.

The Board of Directors proposes the distribution of an ordinary dividend of NOK 1,500 per share for the 2012 financial year.

3. THE MARKET

Jotun Dekorativ (Scandinavia)

Jotun Dekorativ posted strong top-line growth in 2012. In addition to positive sales figures in both interior and exterior paints, Jotun showed improved profitability by achieving more effective control of costs, despite the construction of a new factory. Jotun also implemented price management procedures that helped offset high prices of raw materials.

A new, state-of-the-art factory (Vindal, Sandefjord) was opened to replace older factories in Fredrikstad, Manger and Gimle. The new, fully automated factory has been designed to improve safety, working conditions, production efficiency and environmental performance. The factory serves as Jotun's primary production facility for all of Scandinavia.

In Norway, Jotun is the overall market leader in both exterior and interior paints. Jotun also performed well in Denmark and Sweden where Jotun recorded double-digit growth in sales and volume in 2012. In the interior paints market, Jotun experienced high demand for LADY products. In 2012, the company introduced LADY Wonderwall, an interior paint that complements other paint systems in the LADY range. Jotun's exterior brands also performed well.

Most of the sales of Jotun's products in Scandinavia are sold through a network of dealers. To support their efforts, Jotun introduced a new design for in-shop Multicolor centres, specifically modelled to support sales personnel and help simplify the colour selection process for the consumer. The company also produced a number of print and television commercials and launched an integrated web-based social media campaign to promote LADY.

The Scandinavian market is highly competitive and characterised by increasingly demanding consumers. It is also a seasonal business and volumes can be impacted by prolonged periods of harsh or cold weather. However, with the new factory at Vindal and a number of exciting new products in the pipeline, Jotun Scandinavia has created a strong platform for continued growth.

Jotun Paints (Middle East, South East Asia)

Jotun recorded very good results in the Middle East and South East Asia. In addition to record figures in both volume and sales in the Decorative segment, Jotun also improved gross margins despite the rising cost of raw materials. The division also produced strong results in the Protective segment and satisfactory results in the Marine segment.

Jotun's growth in the Middle East was impacted by political unrest for a short

period of time, but the market rebounded quickly, even in the countries most affected by the Arab Spring. To meet future growth expectations, Jotun has acquired land for a new factory in Oman and is expanding warehouse and logistic capacity in Saudi Arabia and Egypt.

In South East Asia, Jotun has production units in Thailand, Malaysia, Indonesia and Vietnam, serves export markets in Cambodia and the Philippines and has taken steps to expand into Bangladesh and Myanmar. The company was successful in growing its dealer network throughout the region in 2012 and delivered good results in the project market, especially in Indonesia, Malaysia and Vietnam.

Jotun has experienced almost uninterrupted 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 Coatings

The Division posted strong results for the year, continuing a long-term growth trend. However, the pace of this growth slowed in 2012 due to weaker market conditions in the Marine segment. While the growth in the Protective segment was slower in 2012 than last year (due mostly to modest declines in volume in India and China), the company recorded strong results in South Korea, Europe and Singapore.

While Jotun expects to retain its leading global market share in Marine, short to medium-term growth expectations for the segment are modest. Jotun works closely with shipowners and shipyards to secure newbuilding contracts, but the company has renewed its focus on the dry-dock and maintenance markets. In addition, Jotun has expanded its range of premium silyl acrylate anti-fouling and continues to develop its Hull Performance Solutions (HPS) concept.

The Board of Directors sees a positive outlook in the Protective segment. To support growth, Jotun is building production capacity in regions where investments in construction projects are high. In 2012, Jotun began construction

of a new factory in Russia (St. Petersburg) and continues plans to build a factory in Brazil (Rio de Janeiro). In addition, the company has upgraded its factory in the United States (Belle Chasse, Louisiana). Several new products have been launched and concept specific products have been developed in support of growth ambitions.

By improving efficiencies, expanding production capacity, and introducing new products and systems to stimulate growth, Jotun is in a good position to defend and expand market share in the Marine and Protective segments.

Jotun Powder Coatings

In 2012, the division performed well in the Industrial, Functional, and Architectural segments. Results were especially notable in the Middle East, where significant investment in new construction has generated strong demand for Architectural powder coatings, while pipeline projects supported growth in the Functional segment. In South East Asia, growth was achieved in all segments.

Jotun's 2012 success in the Powder Coatings segment has been driven by product innovation, improved supply chain management and the ability to supply large projects involving multi-national stakeholders. In 2012, the company strengthened its Key Account Management teams to manage specifications and build long-term relationships with contractors, consultants and owners. Jotun also implemented price management measures to protect margins.

Jotun's quality product portfolio in the Architectural segment has helped secure strong relationships with multinational companies, while growth in the Industrial segment was driven in part by increased sales of Guard Miles and Guard Miles+, a low heat and flexible curing product launched in 2011. In 2012, the division also launched the "Reveal" range of products. In the Functional segment, Jotun secured a number of high-value pipeline contracts in the Middle East, India, Gulf of Mexico, Vietnam and Australia.

Jotun Powder Coatings is in the process of optimising its supply chain structure in Asia and Europe, and in June 2012, Jotun opened a new powder coatings factory and R&D centre in Zhangjiagang, China. With a continued focus on product

innovation, quality technical service and global Key Account Management, Jotun Powder Coatings is in a strong position to capture a larger global market share going forward.

4. RESEARCH AND DEVELOPMENT

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 enables the company to adapt more quickly 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 critical role in supporting the company's business and environmental objectives. Responsibilities include testing raw materials, removing harmful substances from existing products, offering Life Cycle Assessments and providing claims and verification services when required.

Over the past five years product 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 R&D is working to eliminate the use of a number of hazardous chemicals found in Jotun paints and coatings, phasing out potentially dangerous substances such as lead oxide, carbendazim, aromatic amines and coal tars, among others.. This work will continue in the future.

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

training programmes organised by Jotun Academy. Established 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 Jotun's international expansion 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 and physical and psychological health promoted. Life and property shall be safeguarded, and the company's environmental footprint minimised.

All production companies are now certified according ISO 14001 and OHSAS 18001, with the exception of the US due to construction of new factory in 2012. In addition, Jotun has an internal HSE standard compulsory for all sites and personnel.

Group HSE carried out 14 HSE audits of Jotun's production facilities in 2012. The results from these audits indicate that most of the factories have a satisfactory HSE level. However, there is a need for improvements in some units. A colour score rating system for the sites was introduced in 2012.

Training

Developing knowledge is a key parameter for Jotun to achieve sustainable long-term growth. The Jotun Operations Academy

is an umbrella for several training courses in which HSE plays a major role. In 2012, 340 employees attended at least one of these training courses.

All production companies in Jotun have an HSE coordinator. In 2012, all coordinators received two days training arranged regionally.

All producing companies shall as a minimum have an "HSE Day", with training in different aspects relevant to the company. In 2012, each Jotun employee received an average of 9.4 hours specific HSE training.

Web-based HSE training was introduced in 2012; seven courses were released.

Working environment

A tragic accident took place at an external site in Belarus. A coating advisor was killed when scaffolding inside a storage tank collapsed. The safety for Jotun employees at external sites is a challenge, and the Board of Directors has expressed the need for increased focus in this area.

There were 64 injuries reported resulting in lost-time due to injury (LTI) absences in 2012, compared with 82 in 2011. The number of injuries resulting in an absence of one day or more per one million working hours (H1 value) was 4.4 (5.5 in 2011). The H1 value for Jotun A/S was 3.5, compared with 4.3 in 2011.

Absence due to sickness for the Group in 2012 was 1.6 per cent, the same as in 2011. Absence due to sickness in Jotun A/S was 4.1 per cent in 2012 compared with 4.5 per cent in 2011.

Environment

Air emissions from the factories mainly consist of solvents and marginal emissions of dust. Some factories have abatement systems for wastewater, and they are all operating in line with local requirements.

A carbon 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 116,045 MWh. When measured against production volume, the electricity consumption has risen slightly compared to 2011. The reason for the increase is firstly due to running overlapping 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, with 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 incidents 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, shareholders, 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, ILO 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 arenas. 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 continued its anti-corruption work throughout the whole network of companies in 2012. Furthermore Jotun GreenSteps, which is Jotun's long-term efforts to contribute to the environment in all parts of the value chain, is subject to continuous implementation and focus. High HSE focus, supplier audits and tools supporting the well-being of employees, are also 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 fulfil usual working commitments. 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 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 per centage for women 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 decentralised business model that supports the efforts of regional managers and local sales teams to grow the business in all segments.

Jotun is also working to minimise business risk. Raw materials represent about 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 newbuilding 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 seven regions. The new structure creates a platform to better support the companies and encourages more efficient regional cooperation.


To achieve its ambitious organic growth targets, Jotun remains focused on improving operational efficiency and production 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 company is also building the Jotun brand in new markets such as Bangladesh, Cambodia, the Philippines, Myanmar, Morocco and Tunisia and is evaluating a broad range of other potential markets in South America, Africa and East Europe. In 2012, Jotun added about 700 new employees and increased spending on training programmes.

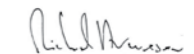
Overall, the company is confident that demand for paints and coatings will continue to grow and that the company is in a strong position to continue its long-term growth trend. By building capacity and developing personnel and systems to manage this growth effectively, Jotun is well positioned for the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


Sandefjord, Norway, 13 February 2013
Board of Directors
Jotun A/S

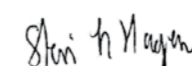

Odd Gleditsch d.y.
Chairman


Einar Abrahamsen



Birger Amundsen


Richard Arnesen


Nicolai A. Eger


Stein Erik Hagen


Paul Jordahl


Ingrid Lubert


Morten Fon
President & CEO

JOTUN GROUP

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".

1 JANUARY - 31 DECEMBER (NOK thousand)	2012	2011
Operating revenue	11 350 602	10 658 991
Share of profit of associated companies and joint ventures	339 728	265 002
Cost of goods sold	-6 301 822	-6 220 856
Payroll expenses	-1 876 583	-1 674 822
Other operating expenses	-2 138 024	-1 825 061
Depreciation, amortisation and impairment	-248 090	-247 573
Operating profit	1 125 810	955 680
Finance income	69 323	99 455
Finance costs	-139 746	-162 180
Profit before tax	1 055 387	892 955
Income tax expense	-260 582	-258 650
Profit for the year	794 805	634 305
Other comprehensive income		
Loss on hedge of net investments in foreign operations	-	-15 467
Actuarial losses on defined benefit pension plans	-6 798	-35 550
Translation differences on net investments in foreign operations	-67 371	-
Currency translation differences	-188 415	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 life/repayment 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.

(NOK thousand)	31.12.12	31.12.11
ASSETS		
Non-current assets		
Deferred tax assets	110 724	142 755
Other intangible assets	167 249	138 318
Property, plant and equipment	2 559 367	2 331 819
Investments in associated companies and joint venture	1 012 373	945 912
Other investments	8 248	8 248
Pension assets	-	6 214
Other interest-bearing receivables	264 125	168 890
Total non-current assets	4 122 087	3 742 157
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	60 424	4 067
Interest-free long term debt	21 144	28 415
Total non-current liabilities	322 952	375 500
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.

<i>(NOK thousand)</i>	2012	2011
Cash flow from operating activities		
Profit before tax	1 055 387	892 955
Share of profit of associated companies and joint ventures	-339 728	-265 002
Dividend paid from associated companies and joint ventures	204 094	226 269
Tax payments	-187 432	-177 802
Gains/losses on sale of fixed assets	-47 375	8 734
Depreciation, amortisation and impairment	248 090	247 573
Change in inventories, trade receivables and trade creditors	122 096	-582 598
Change in accruals, provisions and other	-153 438	-46 793
Net cash flow from operating activities	901 695	303 336
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	47 149	7 033
Purchase of property, plant and equipment	-590 227	-867 024
Purchase of shares from non-controlling interests	-5 231	-
Net cash flow used in investing activities	-548 310	-859 991
Cash flows from financing activities		
Proceeds from borrowings	714 204	937 139
Repayment of borrowings	-240 865	-167 615
Dividend paid to equity holders of the parent	-513 000	-256 500
Dividend paid to non-controlling interests	-26 157	-41 781
Net cash flow from financing activities	-65 819	471 243
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.

<i>(NOK thousand)</i>	Attributable to parent company equity holders				Non-controlling interests	Total equity
	Share capital	Other equity	Translation differences	Total		
Equity as at 1 January 2011	102 600	4 338 766	138 957	4 580 323	85 501	4 665 824
Dividends		-256 500		-256 500	-41 781	-298 281
Profit of the period		602 791		602 791	31 514	634 305
Other comprehensive income		-51 017	73 894	22 877	3 177	26 054
Equity as at 31 December 2011	102 600	4 634 040	212 851	4 949 491	78 411	5 027 902
Dividends		-513 000		-513 000	-26 157	-539 157
Profit of the period		749 635		749 635	45 170	794 805
Other comprehensive income		-74 168	-181 032	-255 201	-7 383	-262 583
Acquisition of non-controlling interests		-3 831		-3 831	-1 400	-5 231
Equity as at 31 December 2012	102 600	4 792 677	31 819	4 927 095	88 641	5 015 736

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 (PP&E) and intangible assets amounted to NOK 590 million for 2012 (867 million for 2011). This represents 5 per cent of operating revenue. Total investment in PP&E 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's share of total equity in associates and joint ventures amounts to NOK 1 012 million (2011: NOK 946 million), and is reported as non-current assets in the balance sheet.

WORKING CAPITAL

To facilitate revenue growth, net investment in operational working capital (inventory, trade receivables and suppliers) amounted to NOK 3 295 million (2011: NOK 3 438 million).

NET INTEREST BEARING DEBT

The net interest bearing debt for the group was NOK 870 million at year end 2012 compared to NOK 668 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 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.



Jotun paints and coatings factory in Yanbu, Saudi Arabia

SHAREHOLDERS EQUITY

Total equity including non-controlling interests amounted to NOK 5 016 million (2011: NOK 5 028 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 303 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.

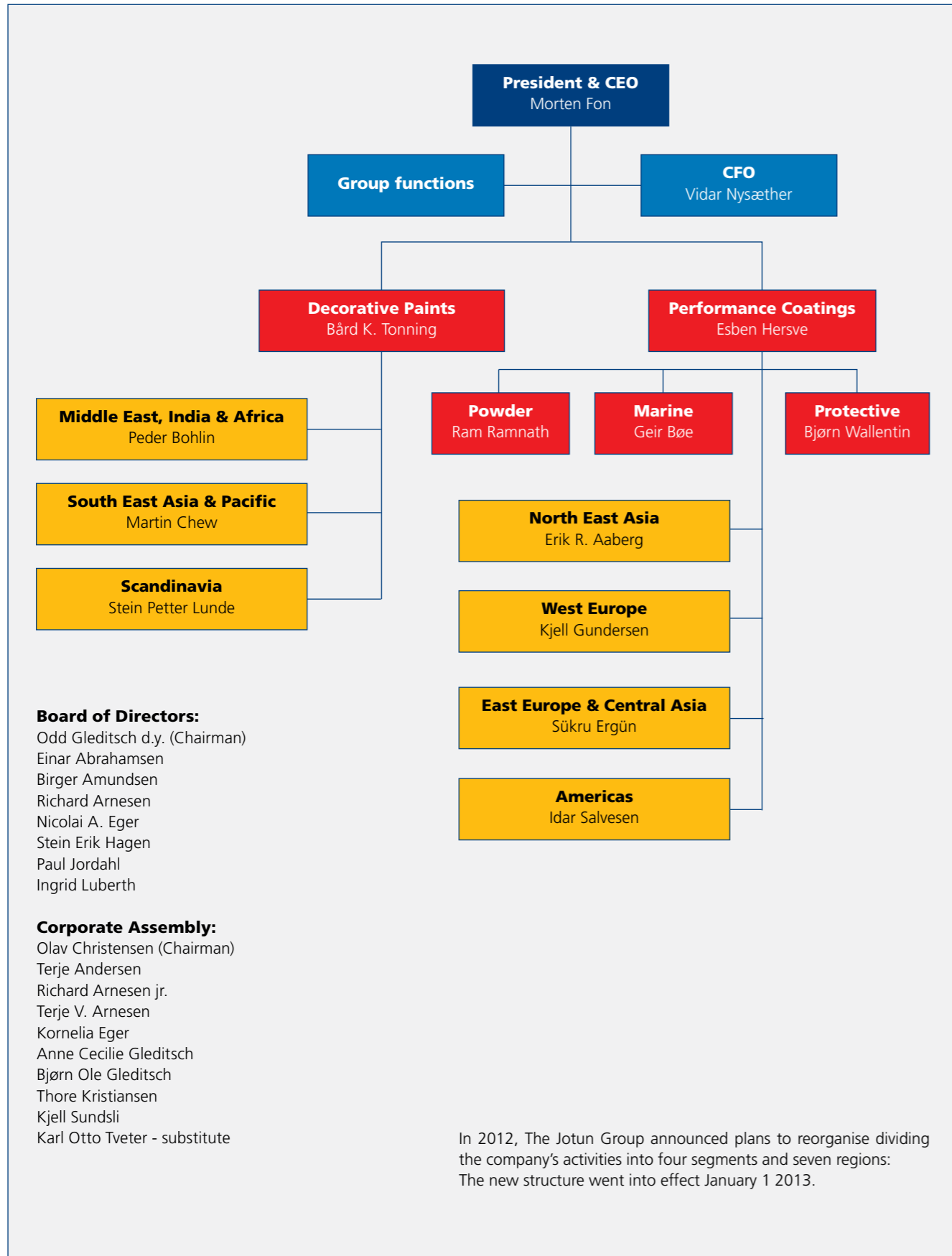
COUNTRY	COMPANY	SHARE HOLDING %				
ALGERIA	Jotun Algerie SARL, Algiers	70	S	●	○	○
AUSTRALIA	Jotun Australia Pty. Ltd., Victoria	100	P	○	●	●
BANGLADESH	Jotun Bangladesh Ltd., Dhaka	100	S	●	○	○
BRAZIL	Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	S	○	●	○
BULGARIA	Jotun Bulgaria EOOD, Sofia	100	S	●	●	●
CAMBODIA	Jotun (Cambodia) Ltd., Phnom Penh	100	S	●	○	○
CHINA	Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang	100	P	●	○	○
	Jotun COSCO Marine Coatings (GZ) Co. Ltd., Guangzhou	50	P	○	●	○
	Jotun COSCO Marine Coatings (HK) Co. Ltd., Hong Kong	50	S	○	●	○
	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd., Qingdao	50	S	○	●	○
	Jotun Paints (H.K.) Ltd., Hong Kong	100	S	○	○	○
CYPRUS	Jotun Cyprus Ltd, Limassol	100	S	○	●	○
CZECH REPUBLIC	Jotun Powder Coatings (CZ) a.s., Usti nad Labem	100	P	○	○	○
DENMARK	Jotun Danmark A/S, Kolding	100	S	●	●	○
EGYPT	El-Mohandes Jotun S.A.E., Cairo	70	P	●	●	○
FINLAND	Nor-Maali OY, Lahti	33	P	○	●	○
FRANCE	Jotun France S.A.S., Paris	100	S	○	●	○
GERMANY	Jotun (Deutschland) GmbH, Hamburg	100	S	●	●	○
GREECE	Jotun Hellas Ltd. Piraeus	100	S	○	●	○
INDIA	Jotun India Pvt. Ltd., Pune	100	P	●	●	○
INDONESIA	P.T. Jotun Indonesia, Jakarta	99	P	●	●	○
	P.T. Jotun Powder Coatings Indonesia, Jakarta	100	P	○	○	○
IRELAND	Jotun (Ireland) Ltd., Cork	100	S	○	●	○
ITALY	Jotun Italia S.p.A., Trieste	100	S	○	●	○
KAZAKHSTAN	Jotun Kazakhstan L.L.P. Almaty	100	S	●	○	○
LIBYA	Jotun Libya J.S.Co., Tripoli	80	S	●	○	○
MALAYSIA	Jotun (Malaysia) Sdn. Bhd., Shah Alam	100	P	●	●	○
	Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	100	P	○	○	○
	Jotun Paints Sdn.Bhd., Nilai	100	P	●	●	○
MOROCCO	Jotun Maroc SARL/AU, Casablanca	100	S	●	○	○
NETHERLANDS	Jotun B.V., Spijkenisse	100	S	○	●	○
NORWAY	Jotun A/S, Sandefjord	100	P	●	●	○
	Jotun Powder Coatings (N) AS, Larvik	100	P	○	○	○
	Scanox AS, Drammen	100	S	●	○	○

COUNTRY	COMPANY	SHARE HOLDING %				
OMAN	Jotun Paints Co. L.L.C., Muscat	62	P	●	●	○
PAKISTAN	Jotun Pakistan (Pvt.) Lda., Karachi	100	S	●	○	○
	Jotun Powder Coatings Pakistan (Pvt.) Lda., Lahore	94	P	○	○	○
PHILIPPINES	Jotun (Philippines) Inc., Manila	100	S	○	●	○
POLAND	Jotun Polska Sp.zo.o., Gdynia	100	S	○	●	○
ROMANIA	Jotun Romania S.R.L., Otopeni	100	S	●	●	○
RUSSIAN FEDERATION	Jotun Paints OOO, St. Petersburg	100	S	○	●	○
SAUDI ARABIA	Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	49	P	○	○	○
	Jotun Saudia Co. Ltd., Jeddah	40	P	●	●	○
SINGAPORE	Jotun (Singapore) Pte. Ltd., Singapore	100	S	●	●	○
SOUTH AFRICA	Jotun Paint South Africa (Pty) Ltd., Cape Town	100	P	○	●	○
SOUTH KOREA	Chokwang Jotun Ltd., Kyungnam	50	P	○	●	○
SPAIN	Jotun Ibérica S.A., Barcelona	100	P	●	●	○
SWEDEN	Jotun Sverige AB, Gothenburg	100	S	●	●	○
THAILAND	Jotun Powder Coatings (Thailand) Ltd., ChonBuri	100	P	○	○	○
	Jotun Thailand Ltd., Samutprakarn	95	P	●	●	○
TURKEY	Jotun Boya San. ve Tic. A.S., Istanbul	100	P	●	●	○
UNITED ARAB EMIRATES	Jotun Abu Dhabi Ltd. (L.L.C.), Abu Dhabi	52	P	●	○	○
	Jotun Powder Coatings U.A.E. Ltd. (L.L.C.), Dubai	47	P	○	○	○
	Jotun U.A.E. Ltd. (L.L.C.), Dubai	42	P	●	●	○
	Jotun F.Z.E., Jebel Ali Free Zone	100	S	●	○	○
UNITED KINGDOM	Jotun Paints (Europe) Ltd., Flixborough	100	P	●	●	○
	Jotun Powder Coatings Ltd., Flixborough	100	S	○	○	○
USA	Jotun Paints Inc., Belle Chasse, LA	100	P	○	●	○
VIETNAM	Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P	●	●	○
YEMEN	Jotun Yemen Paints Ltd., Aden	26	S	●	●	○

● Decorative Paints ● Marine Coatings ● Protective Coatings ● Powder Coatings

P Production S Sales Office

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, Netherland Antilles, New Zealand, Nigeria, Panama, Peru, Portugal, Puerto Rico, Qatar, Slovak Republic, Slovenia, Sri Lanka, Sudan, Suriname, Switzerland, Syria, Taiwan, Trinidad, Tunisia, Ukraine and Uruguay.



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Jotun AS
P.O. Box 2021
3202 Sandefjord
Norway
www.jotun.com

