JOTUN

Jotun Protects Property

ANNUAL REPORT **2012**

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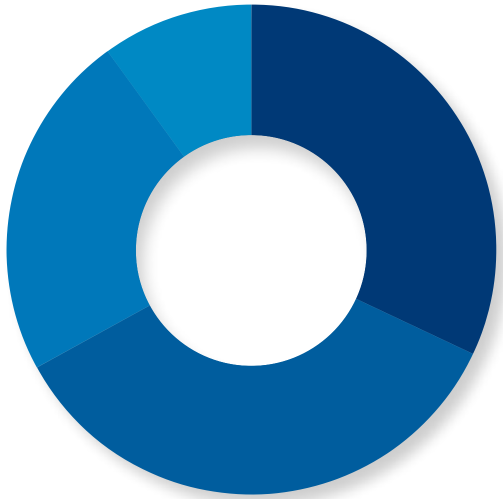
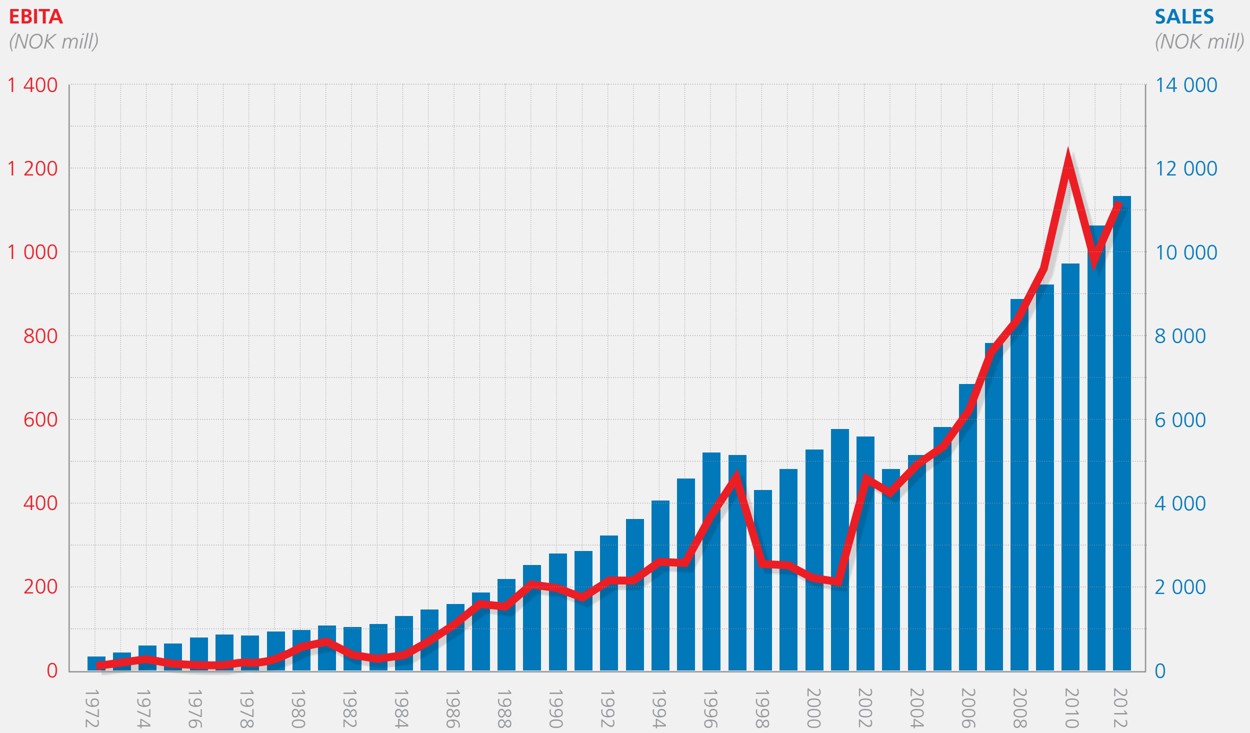
SALES SUMMARY



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 % = $\frac{\text{Operating profit - amortisation of intangible assets}}{\text{Average total assets - non-interest-bearing liabilities}} \times 100$

2) Operating margin % = $\frac{\text{Operating profit}}{\text{Operating revenues}} \times 100$

3) Return on equity % = $\frac{\text{Total comprehensive income for the year}}{\text{Average equity}} \times 100$

INTRODUCTION

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.

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 acrelate 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 it 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.

Jotun paints and coatings factory in Yanbu, Saudi Arabia

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.

Odd Gleditsch d.y.
Chairman of the Board

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 that 90 countries and made up of a highly diverse workforce representing different national, ethnic and religious backgrounds. At the same time, rising concerns about the environment, and the introduction of strict global and regional regulations covering everything from carbon emissions to anti-corruption initiatives, have encouraged the company to renew its focus on corporate responsibility.

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

DIRECTORS' REPORT

Left to right: Richard Arnesen, Paul Jordahl, Einar Abrahamsen, Odd Gleditsch d.y., Ingrid Luberth, 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-foulings 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 multinational 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 Luberth

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)*	Note	2012	2011
Operating revenue		11 350 602	10 658 991
Share of profit of associated companies and joint ventures	9	339 728	265 002
Cost of goods sold		-6 301 822	-6 220 856
Payroll expenses	2, 3	-1 876 583	-1 674 822
Other operating expenses	4, 22	-2 138 024	-1 825 061
Depreciation, amortisation and impairment	6, 7	-248 090	-247 573
Operating profit		**1 125 810**	**955 680**
Finance income	4	69 323	99 455
Finance costs	4	-139 746	-162 180
Profit before tax		**1 055 387**	**892 955**
Income tax expense	5	-260 582	-258 650
Profit for the year		**794 805**	**634 305**
Other comprehensive income			
Loss on hedge of net investments in foreign operations	21	-	-15 467
Actuarial losses on defined benefit pension plans	3	-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	8	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	8	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)	Note	31.12.12	31.12.11
ASSETS			
Non-current assets			
Deferred tax assets	5	110 724	142 755
Other intangible assets	6	167 249	138 318
Property, plant and equipment	7	2 559 367	2 331 819
Investments in associated companies and joint ventures	9	1 012 373	945 912
Other investments	10	8 248	8 248
Pension assets	3	-	6 214
Other interest-bearing receivables	10	264 125	168 890
Total non-current assets		**4 122 087**	**3 742 157**
Current assets			
Inventories	11	1 569 434	1 839 452
Trade and other receivables	10, 12	2 823 569	2 940 537
Cash and cash equivalents	10, 13	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	14	102 600	102 600
Other equity		4 824 495	4 846 891
Non-controlling interests	8	88 641	78 411
TOTAL EQUITY		**5 015 736**	**5 027 902**
Non-current liabilities			
Pension liability	3	177 333	173 090
Deferred tax	5	22 826	14 106
Provisions	18, 19	41 227	155 823
Interest-bearing debt	10, 15, 21	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	10, 16, 21	1 875 471	1 451 219
Other current liabilities	5, 10, 17	2 102 944	2 285 448
Total current liabilities		**3 978 415**	**3 736 668**
TOTAL LIABILITIES		**4 301 367**	**4 112 167**
TOTAL EQUITY AND LIABILITIES		**9 317 103**	**9 140 069**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

(NOK thousand)	Note	2012	2011
Cash flow from operating activities			
Profit before tax		1 055 387	892 955
Share of profit of associated companies and joint ventures	9	-339 728	-265 002
Dividend paid from associated companies and joint ventures	9	204 094	226 269
Tax payments	5	-187 432	-177 802
Gains/losses on sale of fixed assets	6, 7	-47 375	8 734
Depreciation, amortisation and impairment	6, 7	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	6, 7	47 149	7 033
Purchase of property, plant and equipment	6, 7	-590 227	-867 024
Purchase of shares from non-controllling interests		-5 231	-
Net cash flow used in investing activities		**-548 310**	**-859 991**
Cash flows from financing activities			
Proceeds from borrowings	15, 16	714 204	937 139
Repayment of borrowings	15, 16	-240 865	-167 615
Dividend paid to equity holders of the parent	14	-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	13	617 923	716 552
Cash and cash equivalents at 31 December	13	**802 012**	**617 923**

The Group had unused credit facilities of NOK 1 900 million as at 31 December 2012 (2011: NOK 1 425 million).
There are no restrictions on the use of these cash and cash equivalents.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

(NOK thousand)		Attributable to parent company equity holders					
Note		Share capital	Other equity	Translation differences	Total	Non-controlling interests	Total equity
	Equity as at 1 January 2011	**102 600**	**4 338 766**	**138 957**	**4 580 323**	**85 501**	**4 665 824**
14	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**
14	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**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The Jotun Group consists of Jotun A/S and its subsidiaries. The consolidated financial statement consists of the Group and Group's net interests in associated companies and jointly controlled entities.

Jotun A/S is a limited company incorporated in Norway. The Jotun Group's headquarter is in Sandefjord, Norway, and the Group employs around 6 400 people in 45 countries.

1. STATEMENT OF COMPLIANCE

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).

2. BASIS FOR PREPARATION OF THE ANNUAL ACCOUNTS

The consolidated financial statements are based on historical cost, with the exception of financial instruments at fair value through profit or loss and loans, receivables and other financial liabilities which are recognised at amortised cost.

The consolidated financial statements have been prepared on the accrual basis of accounting and going concern assumption.

3. BASIS FOR CONSOLIDATION

The Jotun Group's consolidated financial statements comprise Jotun A/S and companies in which Jotun A/S has a controlling interest. The financial statements of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. All intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Interests in joint ventures and associates

The Group has interests in joint ventures, which are jointly controlled entities, whereby the ventures have contractual arrangements that establish joint control over the economic activities of the entities. The agreements require unanimous agreements for financial and operating decisions among the ventures.

The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.Under the equity method the investments in the joint ventures and associated companies are recognized in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture and associate. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.The income statement reflects the Group's share of the result of operation of the joint venture and associated company. This is the profit attributable to equity holders of the joint venture and associated company, after tax and non-controlling interests in the subsidiaries of the joint venture and associated company.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Non-controlling interests

The non-controlling interests in the consolidated financial statements are the minority's share of the carrying amount of the equity. In a business combination the non-controlling interests are measured at the non-controlling interest's proportionate share of the acquirer's identifiable net assets.

4. FOREIGN CURRENCY

The Jotun Group's presentation currency is Norwegian krone (NOK). This is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statement of each entity are measured using that functional currency.

Transactions in foreign currency

Transactions in foreign currency are initially recorded by the Group entities at the functional currency rates prevailing at the date of transition. Monetary items in a foreign currency are translated into functional currency using the exchange rate applicable at the balance sheet date. Non-monetary items in foreign currency are translated into functional currency using the exchange rate applicable at transaction date. Non-monetary items measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable at the balance sheet date. Changes to exchange rates are recognised in the statement of income as they occur during the accounting period.

Translation to NOK of foreign operations

Assets and liabilities in entities with other functional currencies than NOK are translated into NOK using the exchange rate applicable at balance sheet date. Their income statements are translated at exchange rates prevailing at the date of the transaction. Exchange rate differences are recognised in other comprehensive income.

On disposal of a foreign operation the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

5. THE USE OF ESTIMATES WHEN PREPARING THE ANNUAL ACCOUNTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and the underlying assumptions are reviewed on a continuous basis. Amendments to accounting estimates are recognised in the period in which the estimate is revised if the amendment affects only that period, or in the period of the amendment and future periods if the amendment affects both current and future periods. See note 1 for further details regarding the most significant estimates, assumptions and judgements made when preparing the financial statement for the Group.

6. IMPAIRMENT OF FINANCIAL AND NON-CURRENT ASSETS

Financial assets stated at amortised cost are written down when it is probable, based on objective evidence, that the instrument's cash flows have been negatively affected by one or more events occurring after the initial recognition of the instrument. The impairment loss is recognised in the statement of income.

7. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenues are presented net of value added tax and discounts.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividend

Revenue is recognised when the Group's right to receive the payment is established.

8. INCOME TAX

Income tax expense comprises both current and deferred tax, including effects of changes in tax rates.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax and deferred tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current assets (non-current liabilities) in the balance sheet. Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. Deferred tax liabilities and deferred tax assets are offset as far as this is possible under taxation legislation and regulations.

Other comprehensive income

Taxes payable and deferred taxes are recognised in other comprehensive income to the extent that they relate to items in other comprehensive income. Items in other comprehensive income are presented net of tax.

9. TANGIBLE ASSETS

Tangible assets are recognised at their cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the statement of income. The cost of tangible non-current assets is the purchase price, including all costs directly linked to preparing the asset for its intended use.

Depreciation is calculated by estimating the useful life of the assets. The depreciation period and method are assessed each year. Residual value is estimated at each year end, and changes to the estimated residual value are recognised as a change in an estimate.

Assets under construction are classified as fixed assets and recognised at cost until the assets are ready for its intended use. Assets under construction are not depreciated until the asset is ready for its intended use.

Borrowing costs are capitalised to the extent that they are directly related to the purchase, construction or production of a non-current asset that takes a substantial period of time to get ready for it's intended use. The interest costs are accrued during the construction period until the non-current asset is capitalised. Borrowing costs are allocated to respective asset and depreciated over the estimated useful life of the asset.

10. INTANGIBLE ASSETS

Intangible assets are measured at cost less any amortisation and impairment losses.

Development expenditures attributable to an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

The economic life of an intangible asset is either definite or indefinite. Intangible assets with a definite economic life are amortised over their economic life and tested for impairment if there are any indications of impairment. The amortisation method and period are assessed at least once a year. Changes to the amortisation method and/or period are accounted for as a change in estimate. Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually. Amortisation is calculated based on the useful life of the asset.

11. LEASES

Operating leases

Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Jotun Group are classified as operating leases. Lease payments are classified as operating costs and recognised in the statement of income in a straight line during the contract period.

Financial leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Jotun Group. Assets held under financial leases are recognised as assets and depreciated over the shorter of useful life or the lease term.

12. BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method and reported in the financial statements from the date the Group has control. Assets and liabilities, included intangible assets are valued at fair value at the time of acquisition. The residual value is classified as goodwill.

13. GOVERNMENT GRANTS

Grants are deducted from the cost which the grant is meant to cover. Investment grants are recognised as a deduction from the cost of the related asset.

14. FINANCIAL INSTRUMENTS

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and current deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 10.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of commodity contracts that meet the definition of a derivative as defined by IAS 39 are recognised in the income statement in cost of sales. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement as financial items, except for hedges of net investments in subsidiaries, which are recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement in finance costs. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as a finance item (unrealized) or operating income (realized). Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. Refer to note 9 and 19 for more details.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement. The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to notes 10 and 21 for more details.

15. INVENTORIES

Inventories are recognised at the lowest of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials

The cost of inventories (raw materials) is determined using the weighted average cost method as an overall principle within the Group. This involves the computation of an average unit cost by dividing the total cost of units by the number of units.

Finished goods

Finished goods include cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. This value is used for the cost of goods sold in the income statement.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowances are made for inventories with a net realisable value less than cost, or which are slow moving.

16. CASH AND CASH EQUIVALENTS

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that immediately can be converted into a known amount of cash and have a maximum term to maturity of three months.

17. POST EMPLOYEE BENEFITS

Post-employment benefits are recognised in accordance with IAS 19 Employee Benefits. The Group has both defined contribution plans and defined benefit pension plans, primarily in Norway and the UK. The defined contribution plans represents the majority of the Groups pension plans.

Defined contribution plans

The pension cost related to a defined contribution plan is equal to the contributions to the employee's pension savings in the accounting period. The annual contributions related to the defined contribution pension plan have been made for all employees and equal the agreed percentage of the employee's salary (in Norway the rate is 3-5 per cent). The pension premiums are charged to expenses as they are incurred. The return on the pension funds will affect the size of the employees' pension.

Defined benefit plans

In the defined benefit plans the company is responsible for paying an agreed pension to the employee based on his or her final pay. Defined benefit plans are valued at the present value of accrued future pension obligations at the end of the reporting period. Pension plan assets are valued at their fair value.

The capitalised net liability is the sum of the accrued pension liability minus the fair value of the associated pension fund asset.

Actuarial gains and losses are recognised in other comprehensive income. Introduction of new or changes to existing defined benefit plans that will lead to changes in pension liabilities are recognised in the statement of income as they occur. Gains or losses linked to changes or terminations of pension plans are also recognised in the statement of income when they arise.

Multi-employer plans

Multi-employer plans are accounted for as defined contribution plans.

Other severance schemes

Obligations under "other severance schemes" comprise mainly obligations to employees in other countries that fall due for payment when employees leave a Jotun company. The size of the obligation depends on how many years the employees have worked in the company. Obligations related to other severance schemes are recognised as other non-current liabilities.

18. PROVISIONS

A provision is recognised when the Jotun group has an obligation (legal or constructive) as a result of a past event, it is probable that a financial settlement will take place and the size of the amount can be measured reliably. The amount recognised is the best estimate of the expenditure required. If the effect is material, the future cash flows will be discounted using a pre-tax interest rate reflecting the risks specific to the obligation.

A provision for claim is recognised when it is probable that there will be a financial settlement that has been measured reliably. The provision is measured and based on evaluated information from customer, technical, legal and sales department.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plans main features.

Environmental provisions are made when there is a present obligation, it is probable that expenditures for remediation work will be required, and the cost can be measured within a reasonable range of possible outcomes. Generally, the timing of recognition coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

19. CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets (unless virtually certain) are not recognised in the annual accounts but are disclosed if the inflow of economic benefits is probable.

20. EVENTS AFTER THE REPORTING PERIOD

New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

21. STANDARDS ISSUED BUT NOT YET EFFECTED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance Jotun Group's financial statements, are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Jotun Group adopted IFRS for the first time in 2011 and has since then recognised actuarial gains and losses in other comprehensive income and the removal of the corridor mechanism will not affect the financial statement. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. According to Jotun Group's accounting policy joint ventures are accounted using the equity method, consequently IFRS 11 is not expected to have any impact on the Group's financial statement.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012
These improvements will not have an impact on the Group, but include:

- IAS 1 Presentation of Financial Statements. This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- IAS 16 Property Plant and Equipment. This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- IAS 32 Financial Instruments, Presentation. This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

These improvements are effective for annual periods beginning on or after 1 January 2013.

NOTE 1
SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

General
In the process of applying Jotun Group's accounting policies, management has made the following judgements, estimates and assumptions which may have significant effect on the amounts recognised in the consolidated financial statements:

Environmental provisions
Provisions for remediation cost are made based on currently available facts;

- Laws and regulations presently or virtually certain to be enacted
- Conducted inspections, either been taken on own initiative or implemented on the order of local authorities. Inspections and measurements are made by independent specialist in the field
- Prior experience in remediation of contaminated sites
- Technology expected to be available at the time of the clean up

The future expenditures for remediation work depends on a number of uncertain factors which include, but not limited to, the extent and type of remediation required. Environmental laws and regulations may change, and such changes may require the Group to make investments and/or increase costs. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term, refer to note 18.

Deferred tax
Uncertainties exist with respect to determining the Group's deferred tax assets and deferred tax liabilities. Deferred tax assets are recognised for all unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Jotun Group has tax loss carry forwards amounting to NOK 402 million (2011: NOK 330 million). These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group.

These subsidiaries have neither taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. Jotun Group's operations in the US, Spain and Brazil have substantial tax reducing timing differences that have not been recognised due to uncertainty with regard to utilisation. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by NOK 130 million.

Further details on taxes are disclosed in note 5.

Inventory
Inventories are measured at the lowest of cost and net realisable value. Jotun Group's products are sold in markets where there are limited observable market references available and this requires judgement in determining net realizable value. Management has used its best estimate in setting net realizable value for inventory. The carrying amount of inventory at 31 December 2012 is NOK 1 569 million and write-down at year-end is NOK 58 million. See note 11 for more information.

Pension benefits
The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are given in note 3.

NOTE 2
PAYROLL EXPENSES

Payroll expenses are the total disbursements relating to remuneration of personnel employed by the Group. These expenses comprise direct salaries and holiday pay, bonuses, pension costs and public taxes/charges relating to the employment of personnel. Any benefits in kind such as a company car, telephone or the like are reported for tax purposes as wages, but are presented as operating expenses according to the nature of expense.

WAGES AND OTHER SOCIAL COSTS

(NOK thousand)	2012	2011
Wages including bonuses	1 505 945	1 330 522
Social costs	167 094	156 446
Pension costs defined contribution plans	101 698	90 095
Pension costs defined benefit plans, ref. note 3	25 370	22 221
Other personell costs	76 476	75 538
Total salaries and personnel expenses	**1 876 583**	**1 674 822**
Number of employees	6 379	5 884

Bonus systems
The Jotun Group has a system of annual bonuses that rewards improvement (operational excellence) under this system, an "excellent performance", which is specifically defined for the various elements, can result in an annual bonus of maximum 20 per cent of annual basic salary. This bonus system applies to approximately 100 senior executives.

REMUNERATION TO PRESIDENT & CEO

(NOK thousand)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	3 778	354	196	772	**5 100**

The President & CEO are part of a pension scheme that includes employees in the Group top management. The retirement age is 67 years, with mutual opportunity to discontinue employment in whole or in part up to five years earlier.

Further the Group Management is also part of a profit-dependent bonus system limited upward to 50 per cent of ordinary salary. Should his employment discontinue, the President and CEO has a clause in his contract stipulating that one-year "competition quarantine" may be imposed with compensation.

Beyond this, the Jotun Group has no obligation to give the President and CEO or the Chairman of the Board special remuneration upon discontinuance or change of the employment office.

The Group has given no loans or guarantees to the President and CEO or the Chairman of the Board. Nor has the Group given loans or guarantees to shareholders or members of Board and Corporate Assembly.

REMUNERATION TO THE BOARD OF DIRECTORS

(NOK thousand)	
Board of Directors	2 370
Corporate Assembly	181
Total	**2 551**

Shares owned by Board of Directors and Group Management are specified in note 14.

EXTERNAL AUDITOR REMUNERATION

(NOK thousand)	2012	2011
Statutory audit	7 733	6 792
Other attestation services	141	108
Tax services	3 358	2 316
Other services	969	980
Total	**12 201**	**10 195**

NOTE 3
PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

The Group has both defined contribution and defined benefit pension plans. In the defined contribution plans, the cost is equal to the contributions to the employees' pension savings in the accounting period. The future pension will be determined by the amount of the contributions and the return on the pension savings. In the defined benefit plan, the company is responsible for paying a pension to the employee based on pensionable salary. The cost for the accounting periods shows the employees' pension entitlement of the agreed future pensions in the accounting year. The majority of the Jotun Group's pension plans are defined contribution plans.

Defined contribution plans
Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the future pension is determined by the accounts of the contributions and the return on the pension plan assets. Employees in the Jotun Group are mainly covered by pension plans that are classified as contribution plans. Costs associated with defined contribution plans are specified in note 2 Payroll expenses.

Defined benefit plans
The Jotun Group has pension plans that are classified as funded benefit plans and unfunded benefit plans, recognised in the Group's balance sheet. A large part of the Group's benefit plans are in Norway and the UK, about 80 per cent of the total net obligation as at 31 December 2012.

Norway

The schemes define a pension benefit of up to 60 per cent of final salary at retirement, limited up to twelve times the social security basic amount (G). As of 31 December the basis amount (1G) is NOK 82 122. The pension liability of the company is linked to changes in Norwegian social security benefits. Other schemes with net pension obilagtion include the contractual-pension scheme (AFP) and end financing of old AFP scheme (early retirement). In addition comes unfunded pension obligations related to social security benefits.

Other schemes with net pension obligations include the related to old-age pensions, early retirement for Jotun Group's senior executives and book liabilities related to contribution-based plans for employees who earn more than twelve times the social security basic amount (G).

Settlement of defined benefit plan in Norway

During 2012 the Jotun Group has changed the pension policy related to the defined benefit plans for Norwegian employees and pensioners. All categories of pensioners were transferred to individual insurance policies per 1 June 2012. All active employees having reached the age of 67 after 1 June 2012 have also been transferred to individual insurance policies. The transaction eliminates all future legal or constructive obligations for the benefits provided under the defined benefit plan, and the define benefit plan is considered as settled.

The settlement had the following effect on income statement and the pension liabilities and assets:

Reduction of pension obligation	260 406
Reduction of plan assets	266 623
Net cost recognised in income statement	**6 217**

United Kingdom

The defined benefit schemes in the UK are closed for all members. The net pension obligation represent defined benefit plans related to employees that entered this scheme prior to close. Contribution schemes are established for new employees.

Middle East and South East Asia

In other countries like Indonesia, Thailand and Oman there are pension schemes, based on the final salary principle. These are included in net pension obligations.

Other severance schemes
Obligations indicated under "Other severance schemes" (see below) comprise mainly statutory obligations to employees in its companies elsewhere in the world. The obligations fall due for payment when employees leave a Jotun company. The size of the obligations depend on how many years the employees have worked in the company, among other things. Also included are Jotun's operating pension schemes in the Norwegian companies regarding a pension base exceeding 12 times the basic amount (G).

Assumptions relating to the defined benefit plans
The discount rate is fixed at the rate on high quality corporate bonds with the same lifetime as the pension liabilities. For the Schemes in UK the ibex Sterling Corporates AA 15+ index is used as basis for the discount rate. The index showed an annual yield on its corporate bonds of 4.07 per cent pa at 31 December 2012. However, the average term of the collection of bonds within the ibex index is significantly shorter than the term of the liabilities of the Scheme, consequently the discount rate have been adjusted accordingly.

In countries where there is no deep market in such bonds, the market yields on 10 years government bonds are used, adjusted for actual lifetime of the pension liabilities. The discount rate related to the Schemes in Norway is based on the assumption that there exists no deep market for high quality corporate bonds in Norway. As a rule, parameters such as wage growth, growth in G and inflation are set in accordance with recommendations in the various countries.

The mortality estimate is based on up-to-date mortality tables for the various countries (K2005 in Norway).

Accounting of actuarial losses and gains
All actuarial losses and gains related to pensions are presented under other comprehensive income in the income statement.

Pension plan assets
Pension plan assets are mainly in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets.The actual return and breakdown of pension plan assets may be seen in the notes below. Contributions to pension plan assets during 2013 is expected to be approximately NOK 7 million.

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AS OF 31 DECEMBER	2012	2011
Cash and cash equivalents in %	1	1
Bonds in %	46	44
Share in %	46	43
Property in %	7	12
Total pension plan assets in %	**100**	**100**

ACTUARIAL ASSUMPTIONS	Norway		UK		Indonesia	
	2012	2011	2012	2011	2012	2011
Discount rate in %	2.2	2.6	4.3	4.7	5.7	7.0
Expected return in %	3.6	4.1	5.5	5.4	6.0	7.0
Wage adjustment in %	3.0 - 3.25	3.25-3.50	3.1	3.2	8.0	9.0
Inflation / increase in social security basic amount (G), in %	3.0	3.25	2.8	2.7	4.3	4.0
Pension adjustment in %	0.5-3.50	0.5-3.50	3.1	3.1	-	-

JOTUN GROUP	2012		2011	
(NOK thousand)	Schemes with net pension assets	Schemes with net pension obligations	Schemes with net pension assets	Schemes with net pension obligations
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY				
Pension obligation at the beginning of the period	317 881	356 207	309 421	330 657
Translation difference at the beginning of the period	-	-8 998	1 175	6 187
Curtailment in future increase in wages	-	-64	-	-8 186
Pension earning for the year	1 487	13 814	-	23 332
Interest cost on pension obligations	1 396	13 737	11 170	16 452
Settlement	-260 406	-	-	-
Transfer to/from schemes with net pension liabilities	-47 081	47 081	-	-
Actuarial loss/(gain)	-163	11 821	18 719	15 715
Social security upon paying pension premiums	-1 484	-674	-959	-609
Pension payments	-11 630	-28 743	-21 645	-27 341
Pension obligation at the end of the period	**-**	**404 181**	**317 881**	**356 207**
CHANGES IN PLAN ASSETS				
Plan assets at the beginning of the period	324 095	202 868	330 965	191 311
Conversion difference at the beginning of the period	-	-5 962	-	5 292
Expected return on plan assets	804	10 239	17 429	12 479
Settlement	-266 623	-	-	-
Transfer to/from schemes with net pension liabilities	-45 676	45 676	-	-
Actuarial (loss) / gain	-6 877	10 183	-7 917	-7 023
Payments in / (out)	6 207	8 484	5 263	13 963
Pension payments	-11 930	-15 078	-21 645	-13 154
Plan assets at the end of the period	**-**	**256 411**	**324 095**	**202 868**
RECONCILIATION OF PENSION LIABILITIES/ASSETS RECOGNISED IN THE BALANCE SHEET				
Net pension obligation - overfunded (underfunded)	-	-147 770	6 214	-153 339
Other severance schemes	-	-29 562	-	-19 751
Total pension assets (liabilities)	**-**	**-177 333**	**6 214**	**-173 090**
The period's pension costs including social security				
Pension earnings for the year	1 487	13 814	1 175	23 332
Interest cost for the pension obligations	1 396	13 737	11 170	16 452
Expected return on plan assets	-804	-10 414	-17 429	-12 479
Curtailment and settlements (AFP)	6 217	-64	-	-
Pension cost recognised in income statement	**8 296**	**17 074**	**-5 084**	**27 305**
Actuarial loss recognised in other comprehensive income (net of taxes)	**4 834**	**1 964**	**3 576**	**17 644**
Breakdown of net pension liabilities as of 31 December in unfunded and funded schemes				
Present value of funded pension obligations	-	-331 180	-317 881	-269 040
Pension plan assets	-	256 411	324 095	202 868
Net funded pension assets	**-**	**-74 769**	**6 214**	**-66 172**
Present value of unfunded pension obligations	-	-102 563	-	-106 918
Capitalised net pension assets (liabilities)	**-**	**-177 333**	**6 214**	**-173 090**

Cont. NOTE 3
PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

SUMMARY OF HISTORICAL INFORMATION

The net pension liabilities and adjustments for the current and previous three periods are as follows:

	2012	2011	2010	2009
Defined benefit obligation	434 044	674 088	661 552	740 509
Plan assets	256 711	507 212	522 276	461 722
Net defined pension liabilities	**177 333**	**166 876**	**139 276**	**278 787**

NOTE 4
OTHER OPERATING EXPENSES AND FINANCE INCOME/COSTS

OTHER OPERATING EXPENSES

(NOK thousand)	2012	2011
Manufacturing costs	249 976	244 139
Warehouse costs	125 542	100 269
Transport costs	289 679	270 710
Sales costs	830 624	751 057
Research and development	108 944	67 200
General and administrative	358 924	364 491
Other	174 335	27 195
Total	**2 138 024**	**1 825 061**

The Jotun Group presents its income statement based on nature of the item of income and expense. Other operating expenses comprise all operating expenses that are not releated to cost of goods sold, employee payrolls and capital cost in the form of depreciation. The main items of other operating expenses have been grouped in the table above.

The item "Research and development" consists of cost from projects in a research phase and development costs related to cancelled projects.

The item "Other" mainly consists of technical service costs, royalty and warranty costs.

FINANCE INCOME

(NOK thousand)	2012	2011
Fair value changes financial instruments	15 853	-
Interest income	20 297	7 920
Interest income on loan to associated companies	3 547	5 459
Foreign exchange gain	19 101	78 047
Other financial income	10 525	8 029
Total finance income	**69 323**	**99 455**

FINANCE COSTS

(NOK thousand)	2012	2011
Fair value changes financial instruments	-	1 760
Interest costs	94 351	56 019
Foreign exchange loss	26 067	47 120
Other financial costs	19 328	57 281
Total finance costs	**139 746**	**162 180**

NOTE 5
INCOME TAX

Taxes refer to the authorities taxation of the profits of the different companies in the Group. Matters like value added tax, social security contribution etc. are note included in "taxes".

Taxes are computed on the basis of accounting profit / loss and broken down into current taxes and change in deferred taxes. Deferred tax is the result of timing differences beween financial acconting and tax accounting. The major components of the income tax expense for the years ended 31 December 2012 and 2011 are:

INCOME TAX RELATED TO INCOME STATEMENT

(NOK thousand)	2012	2011
Current income tax charge:		
Tax payable	223 737	281 564
Deferred tax:		
Relating to original and reversal of temporary differences	31 637	-33 073
Translation differences	5 208	10 159
Income tax expense reported in the income statement	**260 582**	**258 650**

Cont. NOTE 5
INCOME TAX

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(NOK thousand)	2012	2011
Deferred tax related to items charged or credited directly to other comprehensive income during the year		
Net gain/(loss) on hedge of net investments	-	-6 015
Net gain(loss) on translation difference on net investment in foreign operations	-26 200	-
Net (loss)/gain om actuarial gains and losses	-2 754	-13 825
Income tax charged directly to other comprehensive income	**-28 954**	**-19 840**

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

A reconciliation between tax expense and the product of accounting profit multiplied by Jotun A/S' domestic tax rate for the years ended 31 December 2012 and 2011 is as follows:

(NOK thousand)	2012	2012	2011
Profit before tax as reported in the income statement		1 055 387	892 955
Share of profit of associated companies and joint ventures net of tax		-339 728	-265 002
Expected income taxes at statutory tax rate*	28 %	200 385	175 827
Effect of credit deduction	3 %	19 780	22 798
Correction previous years	-2 %	-13 257	-3 729
Non deductible expenses and non taxable income	6 %	39 413	17 719
Foreign tax rate differences	2 %	14 261	46 035
Total income tax expense		**260 582**	**258 650**
Effective tax rate		36 %	41 %

**) Expected income tax is calculated based on profit before tax less the net of tax amount share of profit of associated companies and joint ventures. Calculated as Norwegian nominal statutory tax rate of 28 per cent applied to income before tax.*

TAX PAYABLE PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK thousand)	31.12.12	31.12.11
Tax payable for the year	223 737	281 564
Prepaid taxes	-73 699	-69 019
Withholding taxes receivable	-44 605	-38 611
Tax payable on previous years	17 289	21 121
Other tax payable	-32 066	-7 623
Change to Total tax payable, ref. note 17	**90 657**	**187 432**

Specification of deferred tax

Deferred tax liability consists of the Group tax liabilities that are payable in the future. The table below lists the timing differences between tax accounting and financial accounting.

DEFERRED TAXES

(NOK thousand)	31.12.12	31.12.11
Non-current assets	149 383	142 361
Current assets	-36 511	39 894
Liabilities	-316 856	-560 453
Tax losses carried forward	-54 219	-66 065
Net temporary differences	**-258 203**	**-444 263**
Net deferred tax presented in the consolidated statement of financial position		
Recognised deferred tax liabilities	-22 826	-14 106
Recognised deferred tax asset	110 724	142 755

Cont. NOTE 5
INCOME TAX

Specification of tax loss carry forward and unsed tax credits
The Group has a total loss carry forward of NOK 402 million (2011: NOK 330 million), which gives a nominal deferred tax assets of NOK 130 million (2011: NOK 107 million). The total capitalised amount at 31 December 2012 is NOK 18 million (2011: NOK 21 million).

(NOK thousand)	31.12.12	31.12.11
2012	-	2 475
2013	1 546	-
2014-2016	1 707	33 773
2017 and after	92 561	67 008
Without expiration	306 449	226 508
Total loss carry forward	**402 263**	**329 764**
Calculated nominal tax effect of tax loss carry forward	130 503	106 511
Valuation allowance	112 916	85 154
Deferred tax asset recognised in the statement of financial position	**17 587**	**21 358**

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the unit recently reported a profit or because assets with excess value have been identified. To the extent that there is not likely to be future profits sufficient to absorb the tax-reducing timing differences, no deferred tax asset has been recognised.

Jotun entites in Spain, Australia and Pakistan have substantial tax reducing timing differences that have been recognised based on the expected improvement in profitability the coming years.

The Jotun Group's operations in the US, South Africa, Spain and Brazil have substantial tax reducing timing differences that have not been recognised due to uncertainty with regard to utilisation.

NOTE 6
INTANGIBLE ASSETS

(NOK thousand)	Technology	Development cost	Other intangibles	Total
Cost				
Balance at 1 January 2011	98 705	29 585	95 321	**223 610**
Additions	11 140	36 160	24 081	**71 381**
Impairment	-	-463	-	**-463**
Disposals	-	-	-1 886	**-1 886**
Reclassifications and corrections	-	-	36 919	**36 919**
Foreign currency translation	-521	-	219	**-302**
Balance at 31 December 2011	**109 324**	**65 282**	**154 653**	**329 259**
Additions	**-**	31 548	25 231	**56 778**
Impairment	-	-8 145	-	**-8 145**
Disposals	-	-	-1 846	**-1 846**
Foreign currency translation	-1 234	-	-2 080	**-3 314**
Balance at 31 December 2012	**108 090**	**88 685**	**175 958**	**372 733**
Amortisation/impairment				
Balance at 1 January 2011	-98 349	-3 149	-56 429	**-157 927**
Amortisation	-347	-5 073	-13 256	**-18 676**
Impairment	-	93	-	**93**
Disposals	-1 345	-	-	**-1 345**
Reclassifications and corrections	606	-	-15 337	**-14 731**
Foreign currency translation	1 863	-	-219	**1 644**
Balance at 31 December 2011	**-97 572**	**-8 129**	**-85 241**	**-190 942**
Amortisation	-95	-4 328	-14 923	**-19 345**
Impairment	-	6 114	-	**6 114**
Disposals	-	-	-1 634	**-1 634**
Foreign currency translation	265	-	58	**324**
Balance at 31 December 2012	**-97 401**	**-6 343**	**-101 739**	**-205 483**
Net book value				
Balance at 31 December 2012	**10 688**	**82 341**	**74 220**	**167 249**
Balance at 31 December 2011	11 752	57 153	69 412	**138 318**

Amortisable intangible assets are amortised over the following lifetimes:

Asset category	**Useful life**
Product development	8 - 10 years
Technology	up to 10 years
Other intangible assets	up to 8 years

Intangible assets are non-physical assets that have either been capitalized in connection with acqusition of businesses or through internal development of products (product development) or customisation of IT applications (technology and other intangible assets).

Development cost
Development costs are capitalized if the costs can be measured reliably, the related product or process is technically and commercially feasible, sufficient future economic benefits will be generated and sufficient resources are available to complete the development. The expenditures capitalized include the cost of materials and direct labor. Capitalized development costs are amortised on a straight-line basis.

Research and development (R&D) costs that are not eligible for capitalization have been expensed and are recognised in administrative expenses (note 4). Product development in the Jotun Group is carried out both in the Jotun R&D Centre in Norway, as well as in the regional R&D laboratories in Dubai, Malaysia, India, Korea and China. The combination of a central and regional R&D set-up is a success factor ensuring both a solid technology platform and necessary local product adaptations. Sustainability is a main driver for new developments in all segments (Powder, Decorative, Protective and Marine). The main focus areas are:

- Reduced energy consumption and carbon footprint during the lifecycle of products and the objects they are applied on by launching highly efficient Antifouling concepts (HPS), reducing powder coatings and wet coatings to be applied on buildings (Cool Shades and Jotashield Extreme) and low temperature curing powder coatings.
- Reducing VOC emissions by the development of high solid and water borne alternatives to traditional solvent borne paints (i.e. Lady Supreme Finish).
- Introducing more health friendly decorative paints (SENS and Majestic EcoHealth).
- Continuously substituting hazardous raw materials with less hazardous materials

Within all segments the Jotun Group is commited to serve the markets with high quality products. A common denominator for new developments of high quality exterior coatings is improved durability, meaning better colour/gloss retention and lower dirt pick-up and better mould/algea resistance. An important objective for using decorative products is beautification of your home; Lady Pure Color and Lady Effects are important innovations in that segment.

NOTE 7
PROPERTY, PLANT AND EQUIPMENT

(NOK thousand)	Land	Buildings	Electrical installation	Machinery, vehicles and equipment	Construction in progress	Total
Cost						
Balance at 1 January 2011	141 576	1 451 621	24 660	2 048 785	356 733	**4 023 375**
Additions at cost	41 733	84 852	2 100	217 683	449 274	**795 642**
Disposals	-2 203	-5 610	-	-58 180	-	**-65 993**
Reclassifications	-6 209	104 002	2 882	-42 750	-109 231	**-51 305**
Foreign currency translation	-10	-9 895	1 818	-29 073	1 482	**-35 679**
Balance at 31 December 2011	**174 887**	**1 624 971**	**31 459**	**2 136 465**	**698 258**	**4 666 040**
Additions at cost	1 479	95 553	17 900	251 755	166 762	**533 449**
Disposals	-	-47 761	-77	-74 194	474	**-121 559**
Reclassifications	-	243 060	70 583	314 186	-627 828	**-**
Foreign currency translation	-11 023	-25 138	-852	-39 803	-15 154	**-91 970**
Balance at 31 December 2012	**165 343**	**1 890 704**	**119 013**	**2 588 409**	**222 512**	**4 985 982**
Depreciation and impairment						
Balance at 1 January 2011	-2 250	-706 578	-8 505	-1 487 838	-	**-2 205 171**
Depreciation	-400	-60 016	-3 576	-164 534	-	**-228 526**
Depreciation on disposals	540	5 610	-	52 474	-	**58 624**
Foreign currency translation	-5	10 868	-1 291	31 280	-	**40 853**
Balance at 31 December 2011	**-2 115**	**-750 115**	**-13 371**	**-1 568 619**	**-**	**-2 334 220**
Depreciation	-404	-63 798	-7 609	-153 177	-	**-224 987**
Depreciation on disposals	-	32 262	175	75 741	-	**108 178**
Impairment	-	-1 386	-	-341	-	**-1 727**
Foreign currency translation	103	8 139	719	15 453	-	**26 141**
Balance at 31 December 2012	**-2 416**	**-773 512**	**-20 085**	**-1 630 602**	**-**	**-2 426 615**
Net book value						
Balance at 31 December 2012	**162 928**	**1 117 192**	**98 928**	**957 807**	**222 512**	**2 559 367**
Balance at 31 December 2011	**172 772**	**874 856**	**18 088**	**567 846**	**698 258**	**2 331 819**

Property, plant and equipment are depreciated over the following lifetimes:

Asset category	Useful life
Land	infinite
Buildings	25-33 years
Electrical installations	10-14 years
Machinery	7-10 years
Office equipment and furniture	5-7 years
Vehicles	4-5 years
PCs and other EDP equipment	3 years

The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted. Residual value is estimated and if it is higher than the carrying value, depreciation is stopped.

Construction in progress

A major part of amount under “Construction in progress” relates to factory projects in Russia, China and Brazil. This mainly consists of production facilities and warehouses.

NOTE 8
LIST OF SUBSIDIARIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun India Private Ltd.	Mumbai	India	INR	2 777 790	136 181 666	2 777 790	100.00
Jotun Brasil Imp. Exp. & Industria de Tintas Ltda.	Rio de Janeiro	Brazil	BRL	39 161	12 163 200	39 161	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 000	48 000	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	100.00
Jotun Paints OOO	St. Petersburg	Russia	RUB	506 555	17 000	506 555	100.00
Jotun Paints Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	15 000 000	50 000	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	20 000	2 000 000	14 000	70.00
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	104 223 850	172 000	103 285 835	99.14
Jotun Paints (Europe) Ltd.	Flixborough	UK	GBP	7 500	7 500 000	7 500	100.00
Jotun Paints (H.K.) Ltd.	Hong Kong	China	CNY	116 797	110 334 615	116 797	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	100.00
Jotun Paints Inc.	New Orleans	US	USD	44 600	100	44 600	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	100.00
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	25 000	155	62.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	11 550	16 050 001	11 550	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	84 000	84 000	80 186	95.46
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	55 719	110	55 719	100.00
Jotun Paints (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	USD	8 833	-	8 833	100.00
Jotun Boya San. ve Ticaret A.S.	Istanbul	Turkey	TRY	25 279	30 000 000	17 738	70.17
Jotun Italia S.p.A.	Trieste	Italy	EUR	2 632	509 099	2 632	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	100.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	80.00
Jotun Polska Sp.zo.o.	Gdynia	Poland	PLN	8 900	15 000	8 900	100.00
Jotun (Deutschland) GmbH.	Hamburg	Germany	EUR	614	1 200	512	83.33
Jotun Pakistan (Private) Ltd.	Karachi	Pakistan	PKR	146 124	2 761 349	146 124	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	USD	1 313	1 000	1 313	100.00
Jotun Philippines Inc.	Manila	Phillippines	PHP	52 464	15 463 695	52 464	100.00
Jotun F.Z.E.	Dubai	U.A.E.	AED	4 000	4	4 000	100.00
Jotun Maroc SARL AU	Casablanca	Morocco	MAD	8 472	20 000	8 472	100.00
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	487 409	640	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	100.00
Jotun Algerie S.A.R.L	Aknoun	Algerie	DZD	73 000	7 300	51 100	70.00
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	11 435	334	97.40
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	6 600	3 300	100.00
Jotun Bangladesh Ltd.	Dhaka	Bangladesh	USD	400	999 999	400	100.00
Jotun France S.A.	Paris	France	EUR	320	16 000	320	100.00
Jotun Insurance Cell	St. Peterport	Guernsey	GBP	121	1	121	100.00
Jotun (Cambodia) Ltd.	Phnom Penh	Cambodia	KHR	797 029	1 000	797 029	100.00
Jotun Kazakhstan L.L.P.	Almaty	Kazakhstan	KZT	29 350	1	29 350	100.00
Jotun Romania S.R.L.	Constanta	Romania	RON	640	64 000	640	100.00
Lady Interiørmaling AS	Sandefjord	Norway	NOK	120	1 000	120	100.00
Jotun Optimal Utendørsmaling AS	Sandefjord	Norway	NOK	111	500	111	100.00
Drygolin Værbestandig Oljemaling AS	Sandefjord	Norway	NOK	109	500	109	100.00

The voting interest corresponds to the share interest.

Cont. NOTE 8
LIST OF SUBSIDIARIES

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Powder Coatings AS							
Jotun Powder Coatings (N) AS	Larvik	Norway	NOK	12 500	125 000	12 500	100.00
Jotun Boya San. Ve Ticaret A.S.	Istanbul	Turkey	TRY	25 279	12 752 770	7 541	29.83
Jotun Powder Coatings (Thailand) Ltd.	Bangkok	Thailand	THB	9 000	9 000	9 000	100.00
Jotun Powder Coatings (CZ) a.s.	Usti nad Labem	Czech Republic	CZK	128 000	12 800	128 000	100.00
Jotun Powder Coatings (M) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	2 329 234	1 950	100.00
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	121 000	30 343 803	100.00
Jotun Powder Coatings Pakistan (Pvt.) Ltd.	Lahore	Pakistan	PKR	199 990	18 798 998	187 991	94.00
Jotun Powder Coatings (India) Private Ltd.	Mumbai	India	INR	68 600	6 860 000	68 600	100.00
Jotun Powder Coatings Ltd.	Flixborough	UK	GBP	400	1 000 000	400	100.00
Jotun Bulgaria EOOD Ltd.	Sofia	Bulgaria	EUR	3	-	3	100.00
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	5	300	5	90.00
Jotun Paints (HK) Ltd.							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	-	217 858	100.00
Jotun Paints Inc							
PRS Delaware L.L.C.	New Orleans	US	USD	1 000	100	1 000	100.00
Jotun B.V.							
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	16.67
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	300	9	2.60
Scanox AS							
Butinox Futura Beis og Maling AS	Drammen	Norway	NOK	100	500	100	100.00
Jotun Powder Coatings (N) AS							
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	5	300	5	10.00
Jotun Singapore Pte Ltd							
P.T Jotun Indonesia	Jakarta	Indonesia	IDR	104 223 850	-	938 015	0.86
Jotun (Ireland) Ltd							
Penguin Paints Ltd.	Cork	Ireland	EUR	64	100	64	100.00

The voting interest corresponds to the share interest.

NOTE 9
INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in associated companies and joint ventures are recognised in the Group's accounts applying the equity method.

JOTUN GROUP TOTAL OVERVIEW INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2012			2011		
(NOK thousand)	Associated companies	Joint Ventures	Total	Associated companies	Joint Ventures	Total
Carrying amount 1 January	502 341	443 571	945 912	473 084	378 811	851 893
Net profit / (loss) during the year	243 896	95 832	339 728	197 400	67 602	265 002
Exchange differences	-46 327	-22 846	-69 173	32 197	20 309	52 506
Dividend	-204 094	-	-204 094	-199 157	-23 310	-222 467
Other equity changes	-	-	-	-1 182	160	-1 022
Carrying amount 31 December	**495 816**	**516 557**	**1 012 373**	**502 341**	**443 571**	**945 912**

Cont. NOTE 9
INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Jotun Group has the following investments in associated companies (all the associated companies are limited liability companies):

(NOK thousand)	Red Sea Paints Co. Ltd.	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E. Ltd. (L.L.C.)	Jotun Abu Dhabi Ltd. (L.L.C.)	Jotun Powder Coat. Saudi Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)	Total
Country	Saudi Arabia	Saudi Arabia	Yemen	U.A.E.	U.A.E.	Saudi Arabia	U.A.E.	
Ownership interest	40.0 %	40.0 %	34.4 %	41.5 %	51.6 %	46.6 %	47.0 %	
Carrying amount 1 January 2012	20 228	160 627	1 822	163 065	89 157	32 105	35 338	**502 341**
Net profit / (loss) during the year	3 984	80 971	-683	75 933	57 328	15 903	10 459	**243 896**
Exchange differences	-1 618	-14 934	-102	-15 087	-8 687	-2 949	-2 950	**-46 327**
Dividend	-1 190	-70 219	-	-73 276	-46 558	-	-12 851	**-204 094**
Carrying amount 31 December 2012	**21 403**	**156 445**	**1 037**	**150 635**	**91 239**	**45 059**	**29 997**	**495 816**

Although the Group holds more than 50 per cent of the ownership interest in Jotun Abu Dhabi Ltd. (L.L.C.), the Group do not have the power over the investee, or the ability to exercise significant influence. This investment is classified as an associated company.

A summary of the financial information on the individual associated companies, based on 100 per cent figures:

(NOK thousand)	Red Sea Paints Co Ltd.	Jotun Saudia Co Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E Ltd (L.L.C.)	Jotun Abu Dhabi Ltd (L.L.C.)	Jotun Powder Coatings Saudi Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd.
Long-term assets	43 465	196 183	5 103	92 847	30 749	12 012	61 869
Current assets	52 051	333 343	7 580	402 779	221 409	127 273	117 318
Total assets	**95 517**	**529 526**	**12 683**	**495 626**	**252 159**	**139 285**	**179 187**
Equity	53 508	391 112	3 012	365 408	176 821	96 693	68 185
Long-term liabilities	11 499	61 237	7 272	10 305	726	3 191	10 226
Current liabilities	30 510	77 177	2 398	119 913	74 612	39 401	100 776
Total equity and liabilities	**95 517**	**529 526**	**12 683**	**495 626**	**252 159**	**139 285**	**179 187**
Revenues	-	964 042	10 298	1 003 132	516 454	283 472	299 248
Profit / (loss) for the year	9 960	202 428	-1 983	182 971	111 101	34 127	22 254

Jotun Group has the following investments in joint ventures (all the joint ventures are limited liability companies):

(NOK thousand)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (GZ) Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co.	Jotun COSCO Marine Coatings (H.K.) Ltd.	Total
Country	South Korea	China	China	China	
Figures based on ownership	50.0 %	50.0 %	50.0 %	50.0 %	
Carrying amount 1 January 2012	160 498	111 417	57 680	113 977	**443 571**
Net profit / (loss) during the year	57 969	12 688	4 816	20 359	**95 832**
Exchange differences	2 340	-7 344	-10 468	-7 374	**-22 846**
Carrying amount 31 December 2012	**220 807**	**116 761**	**52 028**	**126 962**	**516 557**

Cont. NOTE 9
INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

A summary of the financial information on the individual joint ventures, based on 100 per cent figures:

(NOK thousand)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coat. (Guangzhou) Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co.	Jotun COSCO Marine Coatings (H.K.) Ltd.
Long-term assets	206 850	10 781	180 198	466 983
Current assets	732 982	373 864	746 920	128 613
Total assets	**939 832**	**384 645**	**927 118**	**595 595**
Equity	441 612	233 521	318 779	309 586
Long-term liabilities	196 618	33 475	170 166	206 431
Current liabilities	301 602	117 648	438 174	79 578
Total equity and liabilities	**939 832**	**384 645**	**927 118**	**595 595**
Revenues	1 187 992	698 612	1 757 231	401 690
Net profit / (loss) for the year	**115 938**	**25 376**	**9 632**	**40 718**

Jotun Group holds 33.4 per cent of the shares in Nor-Maali Oy. Although the Group holds more than 20 per cent of the ownership interest, the Group does not have the ability to exercise significant influence. This investment is classified as other investments.

NOTE 10
OVERVIEW OF FINANCIAL INSTRUMENTS

The note gives an overview of the carrying and fair value of the Group's financial instruments and the accounting treatment of these instruments. The table is the basis for all further information regarding the Group's financial risk and refers to the subsequent notes on this subject. The table also shows the level of objectivity in the measurement hierarchy of each method of measuring the fair value of the Group's instruments.

2012 *(NOK thousand)*	Note	Measure-ment level	Financial instru-ments at fair value through statement of income	Financial instruments at fair value through other comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	Total	Of this interest-bearing
Non-current assets								
Share investments		3	8 248				8 248	
Non-current financial receivables						264 125	264 125	
Total			**8 248**	**-**	**-**	**264 125**	**272 373**	-
Current assets								
Accounts receivable	12					2 199 213	2 199 213	
Other current receivables	12					624 357	624 357	
Current derivatives		1	3 593				3 593	
Cash and cash equivalents						802 012	802 012	
Total			**3 593**	**-**	**-**	**3 625 582**	**3 629 175**	-
Total financial assets			**11 841**	**-**	**-**	**3 889 707**	**3 901 548**	**-**
Non-current liabilities							-	
Non-current financial liabilities	15	2			60 424		60 424	60 424
Total			-	-	60 424	-	**60 424**	**60 424**
Current liabilities								
Current financial liabilities	16 21				1 875 471		1 875 471	1 875 471
Accounts payable	17				1 096 894		1 096 894	
Current derivatives	21		884	-	1 005 166		1 006 050	
Total			**884**	**-**	**3 977 531**	-	**3 978 415**	**1 875 471**
Total financial liabilities			**884**	**-**	**4 037 955**	-	**4 038 839**	**1 935 895**

Total measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities)
Total measurement level 2 (Other techniques for which all inputs that have significant effect on the recorded fair value are observable, directly or indirectly)
Total measurement level 3 (Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data)

Cont. NOTE 10
OVERVIEW OF FINANCIAL INSTRUMENTS

2011 *(NOK thousand)*	Note	Measure-ment level	Financial instru-ments at fair value through statement of income	Financial instru-ments at fair value through other comprehensive income	Financial liabilities measured at amortised cost	Deposits and receivables	Total	Of this interest-bearing
Non-current assets								
Share investments		3	8 248				8 248	
Non-current financial receivables						168 890	168 890	
Total			**8 248**	**-**	**-**	**168 890**	**177 138**	-
Current assets								
Accounts receivable	12					2 522 454	2 522 454	
Other current receivables	12					418 084	418 084	
Current derivatives		1	930				930	
Cash and cash equivalents						617 923	617 923	
Total			**930**	**-**	**-**	**3 558 461**	**3 559 391**	-
Total financial assets			**9 178**	**-**	**-**	**3 727 351**	**3 736 529**	**-**
Non-current liabilities							-	
Non-current financial liabilities	15, 21	2			4 067		4 067	4 067
Total			-	-	**4 067**	**-**	**4 067**	**4 067**
Current liabilities								
Current financial liabilities	16				1 451 219		1 451 219	1 451 219
Accounts payable	17				1 341 027		1 341 027	
Current derivatives	21	1	24 656	12 119			36 775	
Total			**24 656**	**12 119**	**2 792 246**	**-**	**2 829 021**	**1 451 219**
Total financial liabilities			**24 656**	**12 119**	**2 796 313**	**-**	**2 833 088**	**1 455 286**

Total measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities)
Total measurement level 2 (Other techniques for that all inputs which have significant effect on the recorded fair value are observable, directly or indirectly)
Total measurement level 3 (Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data)

Share investment consist of 33.4 per cent of the shares in Nor-Maali OY.

NOTE 11
INVENTORIES

Inventories consists of the Group's stock of raw materials and finished goods. Inventories are valued at the lowest value of purchase price, material cost and net realisable value. Cost of inventories are assigned by using weighted average cost formula. Production cost for finished goods include direct materials and wages as well as share of indirect manufacturing costs. Deduction has been made for obsolescence.

(NOK thousand)	31.12.12	31.12.11
Raw materials at cost	650 087	809 051
Finished goods at cost	919 347	1 030 401
Total	**1 569 434**	**1 839 452**
Total allowance for obsolete inventories at year end	58 663	56 278

NOTE 12
RECEIVABLES

(NOK thousand)	31.12.12	31.12.11
Accounts receivables	2 199 212	2 522 454
Bank receivables	53 812	55 971
Other receivables	570 545	362 112
Total receivables	**2 823 569**	**2 940 537**

Bank receivables consist of bank drafts received from customers for payment of accounts receivables.

Allowances for losses have been recorded upon individual evaluation of the accounts receivable and other receivables. Realised and provided losses for bad debt is classified as other operating expenses in the income statement.
Changes in allowances for bad debt is shown in following table:

(NOK thousand)	2012	2011
Allowances for bad debt as of 1 January	146 451	167 038
Allowances for bad debt made during the period	43 319	5 952
Realized losses for the year	-27 787	-26 539
Total allowances for bad debt as of 31 December	**161 983**	**146 451**

The maximum credit risk exposure at the year end is the fair value of each class of receivable mentioned above. Further information regarding credit risk and foreign exchange risk regarding accounts receivables is discussed in note 21.

Aging of accounts receivable as of 31 December was as follows:

	Total	Not due	Overdue			
(NOK thousand)			Less than 30 days	30-60 days	60-90 days	More than 90 days
2012*	**2 361 195**	1 303 739	448 012	149 901	79 423	380 120
2011*	**2 300 868**	1 309 649	460 616	148 194	88 040	294 370

** Does not include allowance for bad debt.*

NOTE 13
CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents comprise the following at 31 December:

(NOK thousand)	31.12.12	31.12.11
Cash at banks and on hand	586 114	452 677
Current deposits	215 898	165 246
Total	**802 012**	**617 923**

Cash and cash equivalents have a maturity between one day and tree months. Cash at banks earns interest at floating rates based on daily bank deposit rates. The average interest rate for bank deposits are approximately 1.74 per cent as of 31 December 2012 (2011: 1.11 per cent). Current deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2012 the Group had available NOK 1 900 million (2011: NOK 1 425 million) of undrawn credit facilities.

NOTE 14
SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

The share capital in Jotun A/S as of 31 December 2012 consists of the follwing share classes:

(NOK thousand)	Quantity	Face value	Balance sheet
A-Shares	114 000	300	34 200
B-Shares	228 000	300	68 400
Total	**342 000**	**300**	**102 600**

At the general meeting, each A-share has ten and each B-share has one vote. There are no changes from last year. All shares are issued and fully paid.

Cont. NOTE 14
SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

OWNERSHIP STRUCTURE
The number of shareholders as of 31 December 2012 was 631. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Share interest in %	Voting interest in %
Lilleborg AS	42 000	103 446	**145 446**	42.5	38.3
Odd Gleditsch A/S	11 419	36 990	**48 409**	14.2	11.1
Mattisberget AS	25 053	386	**25 439**	7.4	18.3
Leo Invest AS	2 988	7 512	**10 500**	3.1	2.7
Abrafam Holding AS *	3 368	3 815	**7 183**	2.1	2.7
BOG Invest AS *	-	6 850	**6 850**	2.0	0.5
ACG AS *	-	5 548	**5 548**	1.6	0.4
Elanel AS	3 011	2 353	**5 364**	1.6	2.4
HEJO Holding AS *	-	5 240	**5 240**	1.5	0.4
Bjørn Ekdahl	1 872	3 281	**5 153**	1.5	1.6
Odd Gleditsch Jr.	4 681	43	**4 724**	1.4	3.4
Live Invest AS	4 056	567	**4 623**	1.4	3.0
Kofreni AS *	131	4 114	**4 245**	1.2	0.4
Bjørn Ole Gleditsch	26	3 679	**3 705**	1.1	0.3
Pina AS	-	3 443	**3 443**	1.0	0.3
Conrad Wilhelm Eger	1 172	2 155	**3 327**	1.0	1.0
Jill Beate Gleditsch	-	3 172	**3 172**	0.9	0.2
Anne Cecilie Gleditsch	5	3 161	**3 166**	0.9	0.2
Fredrikke Eger	1 000	2 084	**3 084**	0.9	0.9
Britt Fanny Arnesen	1 855	1 178	**3 033**	0.9	1.4
Total 20 largest	**102 637**	**199 017**	**301 654**	88.2	89.6
Total others	11 363	28 983	**40 346**	11.8	10.4
Total number of shares	**114 000**	**228 000**	**342 000**	100	100

*The Majority of the shares in following companies are owned by:
HEJO Holding AS owned by Odd Gleditsch d.y.
Abrafam Holding AS partly owned by Einar Abrahamsen
Kofreni AS partly owned by Nicolai A. Eger
BOG Invest AS owned by Bjørn Ole Gleditsch
ACG AS owned by Anne Cecilie Gleditsch

SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS, CORPORATE ASSEMBLY, PRESIDENT & CEO AND/OR RELATED PARTIES:

Name	Office	A-shares	B-shares	Total shares
Odd Gleditsch d.y.	Chairman of the board	27	8 222	**8 249**
Einar Abrahamsen	Member of the board	3 368	3 817	**7 185**
Richard Arnesen	Member of the board	1 855	3 129	**4 984**
Nicolai A. Eger	Member of the board	1 110	5 203	**6 313**
Birger Amundsen	Member of the board	-	2	**2**
Olav Christensen	Chairman of the corporate assembly	3 011	2 365	**5 376**
Bjørn Ole Gleditsch	Member of the corporate assembly	26	10 529	**10 555**
Anne Cecilie Gleditsch	Member of the corporate assembly	5	8 710	**8 715**
Kornelia Eger	Member of the corporate assembly	100	271	**371**
Richard Arnesen jr.	Member of the corporate assembly	7	10	**17**
Terje V. Arnesen	Member of the corporate assembly	-	1	**1**
Morten Fon	CEO	8	18	**26**
Bård K. Tonning	Head of Jotun Dekorativ	-	3	**3**
Erik R. Aaberg	Head of Jotun Paints	-	15	**15**
Esben Hersve	Head of Jotun Coatings	-	4	**4**

There are no options for share acquisitions.

Cont. NOTE 14
SHARE CAPITAL, SHAREHOLDER INFORMATION AND DIVIDEND

DIVIDEND PAID AND PROPOSED

(NOK thousand)	2012	2011
Declared and paid during the year		
Dividend on ordinary shares:		
Final dividend (NOK 1 500 per share in 2011 and NOK 750 per share in 2010)	513 000	272 364
Proposed for approval at the annual general meeting		
Dividend on ordinary shares:		
Final dividend 2012: NOK 1 500 per share (2011: 1 500 NOK per share)	513 000	513 000

NOTE 15
NON-CURRENT INTEREST-BEARING DEBT

NON-CURRENT INTEREST-BEARING DEBT		Carrying amount	
(NOK thousand)	Maturity date	31.12.12	31.12.11
Bank debt secured		2 990	3 521
Bank debt unsecured	2013-2020	67 624	46 169
Total non-current interest-bearing debt		**70 614**	**49 690**
First year's repayments on non-current debt	2013	-10 190	-45 623
Total non-current interest-bearing debt excluding first year's repayments		**60 424**	**4 067**
Weighted average interest rates		6.3 %	5.4 %

The two major long-term loans belongs to Jotun Coatings (Zhangjiagang) Co. Ltd. (NOK 45 million) and Jotun India Private Ltd. (NOK 12 million).

REPAYMENT PROFILE

(NOK thousand)	Total	2013	2014	2015	2016	2017	Thereafter
Bank debt at 31.12.2012	**70 614**	10 190	45 529	376	322	260	13 938
	Total	2012	2013	2014	2015	2016	Thereafter
Bank debt at 31.12.2011	**49 690**	45 623	816	541	351	299	2 060

Loan covenants

The loan covenants in the Group's long-term credit facilities of NOK 2000 million are linked, among other things, to the equity ratio (equity / total assets) and the debt ratio (net interest-bearing debt / EBITDA). According to the agreement, all key figures are calculated using a 12 - month average exchange rate.

(NOK thousand)	Required level (covenant)	Status year end 2012
Equity ratio	Minimum 25 %	54 %
Net debt/EBITDA*	Maximum 4.0	0.64

**) EBITDA = Operating Profit before amortisation, depreciation and impairment*

NON-CURRENT INTEREST-BEARING DEBT BY CURRENCY *(NOK thousand)*	Currency amount 31.12.12	NOK 31.12.12	NOK 31.12.11
USD	10 195	57 261	36 074
EUR	53	399	313
Other	20 980	12 954	13 303
Total non-current interest-bearing debt		**70 614**	49 690

NOTE 16
CURRENT INTEREST-BEARING DEBT

CURRENT INTEREST-BEARING DEBT	Carrying amount	
(NOK thousand)	31.12.12	31.12.11
Bank debt, secured	30 143	2 610
Certificate loans and credit line facilities, unsecured	1 835 138	1 402 986
Bank debt, current	**1 865 281**	**1 405 596**
Reclassification from non-current interest-bearing debt	10 190	45 623
Total current interest-bearing debt	**1 875 471**	**1 451 219**
Weighted average interest rates	4.3 %	6.3 %

The Jotun Group's funding is based on a negative pledge principle, with a limitation on how much of the assets that can be used as security for loans. The limitation is 10 per cent of total consolidated assets for the Group according to IFRS. As of 31 December 2012 two companies have bank debt secured by pledged assets (Jotun Pakistan (Private) Ltd. and El-Mohandes Jotun S.A.E.) with an amount of NOK 30 million. The book value of these assets was NOK 100 million at year end.

Current interest-bearing loans consists of certificate loans in Jotun A/S of NOK 1 300 million total, with maturity dates within the first nine months of 2013. The remaining part is short-term bank loans and overdraft facilities with yearly renewal. Average maturity of these loans is six months. The Group's current loans are backed by non-current credit facilities of NOK 2 000 million.

The parent company Jotun A/S, has provided guarantees at 31 December 2012 related to financial obligations held by subsidiaries to a maximum amount of NOK 44 million. This contingent liability is not recognised in the Group's financial statement.

NOTE 17
OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES	Carrying amount	
(NOK thousand)	31.12.12	31.12.11
Trade accounts payables	1 096 894	1 341 027
Public charges and holiday pay	149 137	133 985
Tax payable, ref. note 5	90 657	187 432
Prepaid dividend	120 634	96 170
Other accrued expenses	515 500	486 175
Total current provisions, ref. note 18	130 122	40 659
Total other current liabilities	**2 102 944**	**2 285 448**

Other accrued expenses are related to bonuses to employees, agent fees/commissions, sales, marketing and other accrued expenses.

NOTE 18
PROVISIONS

PROVISIONS 2012

(NOK thousand)	Claims	Restructuring	Environmental	Other	Total provisions
Total provisions 1 January 2012	40 659	45 976	62 310	47 537	196 482
Provisions arising during the year	10 960	5 760	-	39 775	56 495
Utilised	-15 691	-13 107	-500	-34 592	-63 890
Unused amounts reversed	-1 013	-10 317	-6 842	-	-18 172
Currency translation effects	493	-	32	-92	434
Total provisions 31 December 2012	**35 408**	**28 312**	**55 000**	**52 629**	**171 349**
Current, ref. note 17	24 941	22 552	30 000	52 629	130 122
Non-current	10 467	5 760	25 000	-	41 227
Total	**35 408**	**28 312**	**55 000**	**52 629**	**171 349**

Cont. NOTE 18
PROVISIONS

PROVISIONS 2011

(NOK thousand)	Claims	Restructuring	Environmental	Other	Total provisions
Total provisions 1 January 2011	64 872	55 563	35 768	16 627	172 830
Provisions arising during the year	40 659	-	26 500	83 347	150 506
Utilised	(64 023)	-6 447	-	-52 437	-122 907
Unused amounts reversed	-	-3 247	-	-	-3 247
Currency translation effects	-849	107	42	-	-700
Total provisions 31 December 2011	**40 659**	**45 976**	**62 310**	**47 537**	**196 482**
Current, ref. note 17	40 659	-	-	-	40 659
Non-current	-	45 976	62 310	47 537	155 823
Total	**40 659**	**45 976**	**62 310**	**47 537**	**196 482**

Claims
A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year (see note 17) and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for claims were based on current information available about claim cases and the expected claims based on the warranty period for specific products sold.

Restructuring provisions
Non-current provisions for restructuring are related to close-down of plants in Norway. For all restructuring provisions detailed plans have been made and implemented. In accordance with the restructuring plans most of the costs will incur in 2013 and 2014.

Environmental provisions
Jotun Group has recorded provisions for environmental liabilities at some currently or formerly owned, leased and third party sites throughout the world. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised. The clean-up activities will intentionally start in 2013-2015 and continue until 2018. These provisions are estimates of amounts payable or expected to become payable.

Other provisions
Other provisions are other liabilities of uncertain timing or amount. It is our opinion that the provisions made are adequate based upon currently available information.

NOTE 19
CONTINGENT LIABILITIES

Disputes and claims
Jotun Group is, through its on-going business operations, involved in disputes and claims cases in connection with the company's operational activities. Provisions have been made to cover the expected outcome of disputes so far as negative outcomes are probable and reliable estimates can be made. In evaluating the size of the provisions expected insurance cover is taken into account separately. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the Group's financial position. There are no significant disputes or claims with the uncertainty of probability or unreliable estimate accounted for in the balance sheet.

Environmental matters
A number of factories have been inspected regarding environmental conditions in the ground. Actions have either been taken on own initiative or implemented on the order of local authorities. Inspections and measurements are made by independent specialists in the field. For clean-up projects where implementation is considered to be probable and for which reliable estimates have been done provisions are made accordingly. The future expenditures for remediation work depends on a number of uncertain factors, such as the extent and type of remediation required. Environmental laws and regulations may change, and such changes may require the Group to make investments and/or increase costs. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term.

NOTE 20
CONTRACTUAL OBLIGATIONS AND GUARANTEES

The Group has the following contractual obligations and guarantees per 2012:

Purchase obligations
The Group's contractual purchase obligations are mainly related to investments in new plants and buildings. For expansion and on-going projects in Brazil, Pakistan, Vietnam, Indonesia and Russia contractually committed capex is NOK 93 million as of 31 December 2012. For purchase of raw materials there are no actual commitments for the Group. In general these contracts can be terminated more or less without penalties.

Sales obligations
The Jotun Group has several sales contracts that are material for each entity. We have evaluated existing contracts with contract value of NOK 10 million or more. These contracts are mainly related to the protective or marine business. Products are often considered to be commodities in these markets, and alternative suppliers and

Cont. NOTE 20
CONTRACTUAL OBLIGATIONS AND GUARANTEES

products are available. Contracts can easily be transferred to other suppliers without inconvenience to the customer and therefore there is no actual commitment involved. Some contracts include breach penalty clauses. Should the Group be forced to cancel any agreement with penalty clause that situation could involve compensation of 10 per cent of contract value. The actual commitment related to these contracts is approximately NOK 35 million. For most contracts within the Group there are no penalty clauses involved. In some situations breach could cause obligation to compensate the customer for change of supplier, including price variations. This type of commitment is considered to be insignificant for the Group.

Other obligations
On behalf of subsidiaries and joint ventures Jotun A/S issued Letters of Comfort amounting to NOK 1 105 million in 2012 (2011: NOK 1 206 million). Guarantees covering tax withholding and other guarantees for subsidiaries amounts to approximately NOK 95 million (2011: NOK 85 million).

NOTE 21
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ORGANISATION OF FINANCIAL RISK MANAGEMENT
The Jotun Group operates internationally and is exposed to financial risks like currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. The Jotun Group uses financial instruments to reduce these risks in accordance with the Group's Treasury policy.

The responsibility for managing financial risk in the Jotun Group is divided between the individual operational entities and Group level, which manages risk related to centralised activities like funding and currency risk management. The Group's top management oversees the management of these risks. The Group Treasury provides assurance to the Group's top management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Centralised risk management
The Jotun Group is focused on financial flexibility in the short and long term, and to monitor and manage financial risk in cooperation with individual operational entities. The Group Treasury acts as the internal bank for the Group and is responsible for, and executes, all major external funding and hedging transactions relating to currency rate hedging. Debt and treasury positions are managed in a non-speculative manner, such that all transactions in financial instruments are matched to an underlying business requirement.

Financial risks within each operating entity
Each company in the Jotun Group handles its own currency risk and risk related to raw material price movements. Hedging of these exposures shall be based on a local Finance policy in compliance with the Group Treasury policy, approved by the local Board of Directors and the Jotun Group. All local hedging activities are monitored by Group treasury, and a majority of the hedging instruments are executed by Group Treasury on behalf of the local entities.

CATEGORIES OF FINANCIAL RISKS AND RISK POLICIES FOR THE GROUP
Foreign currency risk
Foreign currency risk is the risk that the value or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries and the Group's operating activities, when revenue or expense is denominated in a currency different from the Group's presentation currency.

Foreign currency risk on net investments
As NOK is the functional currency for Jotun A/S and the presentation currency for the Jotun Group, the Group is exposed to currency translation risk for net investments in foreign operations. Jotun Group's policy is not to hedge this exposure.

Foreign currency risk on operational cash flows
Each operating unit has a net inflow or outflow of foreign currency related to product sales and raw material purchases. The currency risk arises when the movements in currency rates can not immediately be passed on to the product prices. This creates an impact on the operational result. The Jotun Group has a policy to hedge against this effect, in companies where the effect is significant.

Foreign currency risk on financial cash flows
Foreign currency financial cash flows such as dividend payments, royalty payments, interest payments, instalments and issuing of loans and equity, gives a currency exposure. For the Group this risk is concentrated to Jotun A/S. The policy is to hedge this exposure.

Interest rate risk
Interest rate risk is the risk that the value or future cash flows will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. The Jotun Group has low net interest-bearing debt. The interest rate risk is not regarded as critical.

Liquidity risk
The main purpose of the Group Treasury policy is to ensure that the Group has sufficient financial flexibility in the short- and long-term to achieve the strategic and operational objectives. The Jotun Group's policy is to have sufficient long-term loan agreements and committed credit facilities to cover expected financing needs with an additional strategic reserve of five per cent of consolidated sales. The Jotun Group's credit facilities are normally refinanced one year before maturity. Commercial papers are used as a source of liquidity when conditions in these markets are competitive compared to drawing on committed long-term credit facilities. The Group has assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available. Cash flow from operations has seasonal cycles, especially for Dekorativ Scandinavia. Through the winter and spring there is a substantial build-up of working capital as a preparation for the summer sales season. This is an expected cyclical movement and is taken into account when planning the financing. Other drivers for the liquidity development are the investments in new factories and changes in the tied-up working capital in the individual companies other than Dekorativ Scandinavia. Investments are financed mostly from Jotun A/S and the cash flows are predictable as the financing for each project is planned well in beforehand. Working capital movements are a mix of companies in a lot of different countries and levels out over time.

In order to further reduce refinancing risk, the Group has a policy to distribute maturities of loans and credit facilities evenly.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

There is no significant concentration of credit risk in respect of single counterparts. Some groups of counterparts can be viewed as significant: Shipyards, ship owners, real estate developers and some larger retail chains in Scandinavia. In combination with a geographical distribution and few large single accounts, the credit risk in the Jotun Group is viewed to be well diversified.

The requirement for an impairment is analysed at each reporting date on individual customer basis. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 10. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. The losses on accounts receivables have been insignificant through the Jotun Group's history.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed by the respective business unit and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and credit risk assessments are undertaken. The Jotun Group has no general policy for credit risk insurance. Individual companies can insure their risk based on local circumstances.

Jotun A/S has International Swap Dealers Association (ISDA) agreements with its counterparts for derivative transactions, and transactions are made only with the Jotun Group core relationship banks with satisfactory ratings.

Price risk on input factors
The Group is exposed to a significant price risk in respect of a number of raw materials. Raw material purchases accounts for almost 60 per cent of total sales revenue. The volatile raw material prices the last years have had a significant impact. Large short-term increases in the raw material prices can not be compensated immediately in the product prices, and in the period until product prices can be increased, the profit will suffer. It is important to notice though, that in the last two years when raw material prices have increased substantially, the Group has still managed to maintain a healthy profit.

Most of the raw materials do not have a financial derivative price market, and therefore most of the raw material prices are not accessible for hedging. Two raw material prices are hedged, namely copper and zinc price. Copper and zinc accounts for around five per cent of the total raw material purchase in the Group.

SENSITIVITY ANALYSIS
Foreign currency risk on net investments
Net investments in foreign currencies are calculated to NOK 5 326 million. For the purpose of calculating the underlying risk, we have summed up the booked equity and internal loans for all foreign entities and adjusted for the Jotun Group's ownership share in each of the companies. A majority of the equity stems from companies in the Middle East (USD pegged currencies) and the rest of Asia, where China and Korea are significant (CNY is partly pegged to the USD). In the overall picture the equity of the Jotun Group has historically had a strong correlation to USD.

Strengthening of the NOK against all currencies by ten per cent would result in a reduction of equity of NOK 533 million. Such currency effect would decrease the equity, but also decrease the value of the total assets. The effect on the equity ratio would be negligible.

Foreign currency risk on operational cash flows
Each operating unit has a net inflow or outflow of foreign currency related to product sales and raw material purchases. The major currency involved is USD. Most purchases of raw material are made in USD and in some of the market segments like the marine industry, the sales are also made in USD. Summing up the net USD exposure in all individual companies is relatively small. The amount of USD raw material purchase is close to the amount of USD sales in total. Movements in USD against all the local currencies have only small impact on the net results of Jotun.

Still, when all local sales and profit figures are converted to NOK in the monthly reporting there is a translation effect in the NOK numbers. This reflects the currency movement between NOK and all the relevant foreign currencies. This conversion effect is not hedged.

Looking at sales and operating profit, we have the following distribution between NOK and foreign currencies:

(NOK thousand)	Total	Of which in currency	Translation effect of 10 % currency change
Sales 2012	11 350 602	8 168 810	816 881
Operating profit 2012	1 125 810	952 070	95 207

Translating local currency figures into NOK, a ten per cent currency change gives an impact on the sales figures and the operating profit figures on NOK 817 million and NOK 95 million respectively. The profit margin impact is only marginal, since the change occurs both in the operating profit and in the sales figure.

Liquidity risk
The Jotun Group has long-term credit lines amounting to NOK 2 000 million covering expected and planned financing needs including a contingency financing of five per cent of consolidated turnover. Per December 2012 we are utilising NOK 100 million of this facility.

The credit lines have the following maturity:

(NOK thousand)	2012	2013	2014	2015	2016	Total
Maturity	-	-	600 000	1 000 000	400 000	**2 000 000**

Loan Covenants
The loan covenants in the Group's credit facility of NOK 2 000 million are linked to the equity ratio (equity / total assets) and the debt ratio (net interest-bearing debt / EBITDA).

The Jotun Group has the following covenants in its credit line agreements:

	Required level (Covenant)	Status year end 2012
Equity ration	Minimum 25 %	54 %
Net debt/ EBITDA*	Maximum 4.0	0.63

**)EBITDA = Operating Profit before amortisation and depreciation*

Based on this the liquidity risk is regarded as small.

Credit risk
Receivables from customers amounted to NOK 2 361 million at year end 2012 in the consolidated accounts. Ten per cent loss would imply NOK 236 million. The Jotun Group has had an actual average loss of 0.36 per cent of sales year over the last five years.

Interest rate risk
Based on the year end net debt situation of NOK 870 million, a two per cent interest increase will give an increase in yearly interest cost of NOK 17 million. Based on the 2012 average net debt level of NOK 1 156 million, a two per cent interest increase will give an increase in yearly interest cost of NOK 23 million

Raw material price risk
The effect of ten per cent change in raw material prices would be NOK 630 million. This effect takes into account only the cost side. Over time the Jotun Group will be able to adjust sales prices to compensate for a change in raw material prices. The net effect will be less than in the sensitivity analysis.

HEDGING EFFECTS 2012
Cash flows
The Group has currency in- and outflows which are hedged according to the Group's policy. All contracts mature in 2013, with a majority within the first six months.

2012 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2012
Hedging of income			
USD fwd	39 054	2 058	-2 817
USD options	161 797	791	-1 900
Other currencies	-	-	268
Total	**200 851**	**2 849**	**-4 449**
Hedging of Costs			
EUR fwd	22 086	-159	-17 515
EUR options	265 036	-725	-1 192
Other currencies	-	-	1 003
Total	**287 122**	**-884**	**-17 705**
Total cash flow hedging	**487 973**	**1 965**	**-22 153**

2011 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2011
Hedging of income			
USD fwd	216 579	-12 652	43 067
USD options	97 036	-5 034	-2 989
Other currencies	96 731	-1 859	3 010
Total	**410 346**	**-19 545**	**43 088**
Hedging of Costs			
EUR fwd	348 251	-2 604	-17 431
EUR options	54 963	-286	-4 027
Other currencies	21 774	871	-6 696
Total	**424 989**	**-2 019**	**-28 154**
Total cash flow hedging	**835 334**	**-21 565**	**14 934**

Cont. NOTE 21
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Raw material prices
The Group has made financial price hedges for zinc and copper prices based on estimated demand relating to signed contracts for the sale of paint products. The table below shows hedging in the Jotun Group with an unrealised loss of NOK 0.7 million, based on agreed raw material prices and USD exchange rate at 31 December 2012.

2012 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2012
Hedging of copper	53 023	69	-5 698
Hedging of zinc	31 099	676	-3 880
Total	**84 122**	**744**	-9 578

2011 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2011
Hedging of copper	74 378	-8 367	8 600
Hedging of zinc	38 486	-5 366	-336
Total	**112 864**	**-13 733**	8 264

Market value
Market value information is gathered from:
- Reuters 31 December 2012 and estimates generated by the Jotun Group financial system CRM.
- Hedging of raw materials in Jotun A/S: Information from London Metal Exchange, official fixing 3M.
- The valuation are based on inputs that are derived from observable prices and are hence categorized as a "Level 2" input in the fair value hierarchy.

ACCOUNTING OF HEDGING INSTRUMENTS
Hedging of cash flows
The Group does not apply hedge accounting for cash flow hedging. The realised and unrealised effects are booked as part of financial items, both for operational and financial cash flows.

Hedging against price risk on raw materials
The Group does not apply hedge accounting for raw material hedging. The realised effects are booked as part of the operational result. The unrealised effect are recognised in financial items.

NOTE 22
LEASES

Operating lease expenses included in other operating expenses are:

(NOK thousand)	2012	2011
Operating lease expenses		
Machinery, vehicles and equipment	40 095	31 697
Factory, premises and buildings	19 170	17 485
Land	2 957	117
Cost current year	**62 223**	**49 299**
Overview of future minimum lease payments related to operating leases		
Cost next year	93 196	42 433
Cost next 2-5 years	131 497	71 438
Cost after 5 years	86 160	21 183
Future minimum lease payments	**310 854**	**135 054**

Leasing commitments show the Jotun Group's current and non-current commitments arising from leasing contracts for property, plant and equipment. All leasing contracts included in this disclosure note are regarded as operating leases and lease amounts are presented as operating expenses in the income statement. Finance leases are capitalised. There are no capitalised financial leases per end of 2012.

NOTE 23
RELATED PARTIES

Parties are related if one party can influence the decisions of the other. If one party either controls, is controlled by or is under common control with the entity the two parties are related. During 2012 we purchased and sold goods and services to various related parties in which we hold a 50 per cent or less equity interest. Investments in associated and joint venture companies are presented in note 9, subsidiaries are presented in note 8 and share capital, shareholder information and dividend is presented in note 14.

Terms and conditions of transactions with related parties
The transactions between related parties are purchases and sales of finished goods, raw materials and technical service. Joint expenses are distributed in accorance with agreed cost contribution arrangements. Internal trading within the Group is carried out in accordance with arms length principles.

For raw materials normal process for producing entities is to call off volums on frame agreements entered into at corporate level. Regularly raw materials are sold within the Group (from large to small entities), but the majority of raw material supplies comes directly from external suppliers. Sales transactions between the Group and joint ventures and associates are mainly related to sales of finished goods from producing units to non-producing units. Other situations can be levelling of stock between entities and coordination of deliveries to customers around the world. Prices are based on fixed intercompany price lists. The consolidated Group has also lendings to joint venture companies mainly in China and in Korea. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: NOK Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Volume of these transactions are shown in table below.

Related parties *(NOK thousand)*	Sales to	Purchase from	Loan to	Interests on loans to	Other current liabilities	Trade and other receivables
Joint ventures	976 101	239 474	196 798	5 807	40 656	146 908
Associates	67 672	58 243	2 618	-	28 156	61 747
Total	**1 043 773**	**297 717**	**199 416**	**5 807**	**68 812**	**208 655**

Beside the transactions with joint ventures and associates described in table above there have been very few transactions between the Jotun Group and other related parties during 2012. There have been sales of finished goods from the joint venture Jotun COSCO Marine Coatings Co. Ltd to its shareholders of NOK 177 million. The value of other transactions to related parties are of lesser amounts and considered to be insignificant for the Group's consolidated financial statement.

Compensation of key management personnel of the Group and Board of Directors Compensation
Details on remuneration and shares held for the Board and Group Management is described in note 2 and 14. Besides remuneration and shares, Jotun Group has not identified any transactions with the Board or Group Management during 2012.

NOTE 24
EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the balance sheet date that occur before the Board of Directors have approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new informations emerges regarding a matter that exists on the balance sheet date, and the matter is significant, the financial statements must be changed. If events concern matters that arose after the balance sheet date, the matters may have to be disclosed in a note.

No events have taken place after the balance sheet date that would have affected the financial statements or any assessments carried out.

In 2012, Jotun completed the construction of new state-of-the-art factory in Sandefjord, Norway. The 13 000 square-meter facility includes automated in-line production systems that will improve efficiencies and create better working conditions.

JOTUN A/S

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER *(NOK thousand)*	Note	2012	2011
Operating revenue	1	2 727 775	2 648 495
Cost of goods sold		-1 307 344	-1 273 653
Payroll expenses	2	-723 674	-662 327
Other operating expenses	4	-497 858	-487 795
Depreciation, amortisations and impairment	6,7	-69 383	-84 163
Operating profit		**129 516**	**140 557**
Dividend/group contribution from subsidiaries		120 466	248 226
Dividend from joint ventures and associated companies		195 495	190 783
Finance income	4	83 792	104 840
Finance costs	4	-238 861	-136 572
Profit before tax		**290 408**	**547 834**
Income tax expense	5	-78 908	-125 924
Profit for the year		**211 500**	**421 910**
Proposed dividend	14	513 000	513 000
Other comprehensive income			
Actuarial losses on defined benefit pension plans	3	1 262	-18 042
Other comprehensive income for the year, net of tax		**1 262**	**-18 042**
Total comprehensive income for the year		**212 762**	**403 869**

STATEMENT OF FINANCIAL POSITION

(NOK thousand)	Note	31.12.12	31.12.11
ASSETS			
Non-current assets			
Deferred tax assets	5	47 674	77 381
Other intangible assets	6	100 645	80 243
Fixed assets	7	905 629	755 321
Investments in subsidiaries	8	1 906 793	1 595 037
Investments in associated companies and joint ventures	9	254 722	254 242
Other investments	10	8 248	8 248
Pension funds	3	-	922
Other interest-bearing receivables	13	1 708 198	1 885 763
Total non-current assets		**4 931 909**	**4 657 157**
Current assets			
Inventories	11	342 022	387 329
Trade and other receivables	12,13	655 782	653 997
Cash and cash equivalents		201 930	141 565
Total current assets		**1 199 734**	**1 182 892**
TOTAL ASSETS		**6 131 643**	**5 840 049**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	102 600	102 600
Other equity		3 402 643	3 702 881
Total equity		**3 505 243**	**3 805 481**
Non-current liabilities			
Pension liability	3	106 461	115 155
Provisions	16,17,18	35 467	105 976
Total non-current liabilities		**141 928**	**221 131**
Current liabilities			
Interest-bearing debt	15	1 300 000	700 000
Accounts payable	13,15	276 167	351 807
Income tax payable	5	15 875	104 604
Other current liabilities	13,15,16	892 430	657 026
Total current liabilities		**2 484 472**	**1 813 437**
Total liabilities		**2 626 400**	**2 034 568**
TOTAL EQUITY AND LIABILITIES		**6 131 643**	**5 840 049**

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 Luberth

Morten Fon
President & CEO

STATEMENT OF CASH FLOWS

(NOK thousand)	Note	2012	2011
Cash flow from operating activities			
Profit before tax		290 408	547 834
Tax payments	5	-137 159	-85 033
Gains/losses on sale of fixed assets	7	-856	-2 129
Depreciation, amortisations and impairment	6.7	69 383	84 163
Write down shares		92 000	91 800
Gains/losses on liquidation of shares		1 755	-268
Change in inventories, trade receivables and trade creditors		114 166	-119 940
Change in accruals and other provisions		62 972	-131 089
Net cash flow from operating activities		**492 668**	**385 338**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	7	861	3 692
Proceeds from sale of shares		-	7 833
Purchase of property, plant and equipment	7	-203 192	-363 831
Purchase of intangible assets	6	-36 904	-38 673
Investments in subsidiaries, joint ventures and associated companies		-405 992	-153 821
Net cash flow used in investing activities		**-645 227**	**-544 800**
Cash flows from financing activities			
Repayment(-)/proceeds in group account system		60 990	13 327
Cash payments for new lending		64 935	-611 999
Proceeds from borrowings		600 000	700 000
Dividend paid		-513 000	-256 500
Net cash flow from financing activities		**212 925**	**-155 172**
Net increase/(decrease) in cash and cash equivalents		60 365	-314 634
Cash and cash equivalents at 1 January		141 565	456 199
Cash and cash equivalents at 31 December		**201 930**	**141 565**

The company had unused credit facilities of NOK 1 900 million at 31 December 2012 (2011: NOK 1 425 million)
There are no restrictions on the use of these cash and cash equivalents.

STATEMENT OF CHANGES IN EQUITY

Note		Share capital	Other equity	Total
	Equity as at 1 January 2011	**102 600**	**3 555 514**	**3 658 114**
14	Dividends		-256 500	-256 500
	Profit of the period		421 910	421 910
	Other comprehensive income		-18 042	-18 042
	Equity as at 31 December 2011	**102 600**	**3 702 881**	**3 805 481**
14	Dividends		-513 000	-513 000
	Profit for the period		211 500	211 500
	Other comprehensive income		1 262	1 262
	Equity as at 31 December 2012	**102 600**	**3 402 643**	**3 505 243**

ACCOUNTING POLICIES

The financial statements for Jotun A/S have been prepared in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act. This mainly implies that the financial statements are presented in accordance with IFRS and the notes are presented in accordance with the requirements of the Norwegian Accounting Act. The accounting policies for the Group therefore also apply to Jotun A/S. Shares in subsidiaries, jointly controlled entities and associated companies are incorporated using the cost method of accounting.

NOTE 1
OPERATING REVENUES

(NOK thousand)	2012	2011
Sales revenues	1 531 087	1 410 879
Sales revenues from subsidiaries	748 240	754 969
Other revenues	114 292	135 539
Other revenues from subsidiaries	334 156	347 108
Total	**2 727 775**	**2 648 495**

Other revenues include rental income, licence revenues, compensations and profit on sale of fixed assets.

NOTE 2
PAYROLL EXPENSES

WAGES AND OTHER SOCIAL COSTS

(NOK thousand)	2012	2011
Wages including bonuses	574 634	529 338
Social costs	81 081	78 655
Pension costs defined benefit plans	18 215	10 920
Pension costs defined contribution plans	43 279	35 871
Other personell costs	6 465	7 543
Total salaries and personell expenses	**723 674**	**662 327**
Average number of employees	847	851

For detailed information about pension costs, see note 3.

REMUNERATION TO PRESIDENT & CEO

(NOK thousand)	Ordinary compensation	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	3 778	354	196	772	5 100

The President & CEO is part of a pension scheme that includes employees in the company's top management. The retirement age is 67 years, with mutual opportunity to discontinue employment in whole or in part up to five years earlier (see note 3).

Further the President & CEO is also part of a profit-dependent bonus system for the group management limited upward to 50 per cent of agreed annual wage. Should his employment discontinue, the President & CEO has a clause in his contract stipulating that one-year "competition quarantine" may be imposed with compensation. Beyond this, Jotun has no obligation to give the President & CEO or the Chairman of the Board special remuneration upon discontinuance or change of the employment or office.

Jotun has given no loans or guarantees to the President & CEO or the Chairman of the Board. Nor has the company given loans or guarantees to shareholders or members of the Board and Corporate Assembly.

REMUNERATION TO THE BOARD OF DIRECTORS AND CORPORATE ASSEMBLY

(NOK thousand)	
Board of Directors	2 370
Corporate Assembly	181
Total	**2 551**

Shares owned by Board of Directors and Group Management are specified in note 14

EXTERNAL AUDITOR REMUNERATION

(NOK thousand)	2012	2011
Statutory audit	1 609	1 560
Tax services	1 196	979
Other services	513	374
Total	**3 318**	**2 913**

NOTE 3
Pensions and other long-term employee benefits

The company has both defined contribution and defined benefit pension plans. In the defined contribution plans, the cost is equal to the contributions to the employees' pension savings in the accounting period. The future pension will be determined by the amount of the contributions and the return on the pension savings. In the defined benefit plan, the company is responsible for paying an agreed pension to the employee based on his or her pensionable salary. The cost for the accounting periods shows the employees' pension entitlement of the agreed future pensions in the accounting year.

Defined contribution plans
Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the future pension is determined by the accounts of the contributions and the return on the pension plan assets.

Employees in Jotun A/S are mainly covered by pension plans that are classified as contribution plans. Costs associated with defined contribution plans are specified in note 2 Payroll expenses.

Defined benefit plans
The company has pension plans that are classified as funded benefit plans and unfunded benefit plans, recognised in the statement of financial position.

The schemes define a pension benefit of up to 60 per cent of final salary at retirement, limited up to twelve times the social security basic amount (G). As of 31 December the basis amount (1G) is NOK 82 122. The pension liability of the company is linked to changes in Norwegian social security benefits. Other schemes with net pension obligations include the contractual-pension scheme (AFP) and end financing of old AFP scheme(early retirement). In addition comes unfunded pension obligations related to old-age pensions, early retirement for Jotun's senior executives and book liabilities related to contribution-based plans for employees who earn more than twelve times the social security basic amount (G).

Settlement
During 2012 the company has changed the pension policy related to the defined benefit plan for its employees and pensioners. All categories of pensioners were transferred to individual policies per 1 June 2012. All active employees having reached the age of 67 after 1 June 2012 have also been transferred to individual insurance policies. The transaction eliminates all future legal or constructive obligations for the benefits provided under the defined benefit plan, and the define benefit plan is considered as settled.

The settlement had the following effect on income statement and the pension liabilities and assets:

Reduction of pension obligation	232 759
Reduction of plan assets	237 598
Net recognised in income statement	**4 839**

Other severance schemes
Included in this scheme are Jotun's operating pension schemes in the Norwegian companies regarding a pension base exceeding 12 times the basic amount (G).

Assumptions relating to the defined benefit plans
For the company, the market yields on government bonds are used, adjusted for actual lifetime of the pension liabilities. As a rule, parameters such as wage growth, growth in G and inflation are set in accordance with the recommendations in Norway. The mortality estimate is based on an up-to-date mortality table (K2005).

Accounting of actuarial losses and gains
All actuarial losses and gains related to pensions are presented under other comprehensive income in the income statement.

Pension plan assets
Pension plan assets are mainly in bonds and shares. The estimated return will vary depending on the composition of the various class of assets. The actual return and breakdown of pension plan assets may be seen in the notes below. Contributions to pension plan assets during 2013 is expected to be approximately NOK 3 million.

The number of active and pensioners in the various schemes is shown in the table below.

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AS OF 31 DECEMBER

	2012	2011
Cash and cash equivalents in %	1	1
Bonds in %	66	47
Shares in %	18	35
Property in %	15	17
Total pension plan assets in %	**100**	**100**

ACTUARIAL ASSUMPTIONS

	2012	2011
Discount rate in %	2.20	2.60
Expected return in %	3.60	4.10
Wage adjustment in %	3.00-3.25	3.25-3.50
Inflation / increase in social security basic amount (G), in %	3.00	3.25
Pension adjustment in %	0.50-3.25	0.50-3.50

Cont. NOTE 3
Pensions and other long-term employee benefits

(NOK thousand)	2012	2011
Schemes with net pension funds		
Defined benefit scheme - active	38	61
Defined benefit scheme - pensioners	7	604
Schemes with net pension obligations		
Old-age pensioners in unfunded schemes	12	12
Early-retirement-pension agreements - agreed and implemented	61	42
Senior-executive schemes - active	7	7
Senior-executive schemes - pensioners	3	4
Contractual pension (AFP) - pensioners	39	51
Benefit scheme financed over operations	2	6

	2012		2011	
(NOK thousand)	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY				
Pension obligation at the beginning of the period	288 442	99 266	279 787	101 130
Pension earning for the year	1 454	9 172	1 024	11 538
Interest cost on pension obligations	1 366	2 254	10 143	3 777
Settlement	-232 759	-	-	-
Transfer to/from schemes with net pension liabilities	-46 206	46 206	-	-
Actuarial loss/(gain)	-724	-6 649	17 728	403
Social security upon paying pension funds	-1 173	-674	-940	-609
Pension payments	-10 400	-16 394	-19 300	-16 973
Pension obligation at the end of the period *	**-**	**133 181**	**288 442**	**99 266**
CHANGES IN PLAN ASSETS				
Plan assets at the beginning of the period	289 365	1 239	293 442	1 238
Expected return on plan assets	807	63	15 505	57
Settlement	-237 598	-	-	-
Transfer to/from schemes with net pension liabilities	-44 828	44 828	-	-
Actuarial (loss) / gain	-5 671	51	-6 947	20
Payments in / (out)	8 325	5 140	6 665	4 673
Pension payments	-10 400	-4 530	-19 300	-4 749
Plan assets at the end of the period	**-**	**46 791**	**289 365**	**1 239**
Reconciliation of pension liabilities/assets recognized in the balance sheet				
Net pension obligation - overdunded (underfunded)	-	-86 390	923	-98 028
Total pension assets (liabilities)	**-**	**-86 390**	**923**	**-98 028**
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY				
Pension earnings for the year	1 454	9 172	1 024	11 538
Interest cost for the pension obligations	1 366	2 254	10 143	3 777
Expected return on plan assets	-807	-63	-15 505	-57
Curtailments and settlements (AFP)	4 839	-	-	-
Pension cost recognised in the profit and loss account	**6 852**	**11 363**	**-4 338**	**15 258**
Actuarial loss/(gain) recognised in other comprehensive income (net of taxes)	**3 562**	**-4 824**	**17 766**	**276**
PENSION OBLIGATIONS IN THE BALANCE SHEET				
Benefit schemes and other unsecured schemes	-	-86 390	923	-98 028
Other severance schemes	-	-20 071	-	-17 128
Plan assets (liabilities) recognised in the balance sheet	**-**	**-106 461**	**923**	**-115 156**

** - including unsecured schemes*

NOTE 4
OTHER OPERATING EXPENSES AND FINANCE INCOME/COSTS

OTHER OPERATING EXPENSES

(NOK thousand)	2012	2011
Manufacturing costs	72 039	74 723
Warehouse costs	28 794	18 986
Transport costs	46 019	50 591
Sales costs	118 826	131 090
Research and development	117 775	75 164
General and administrative	54 345	91 449
Other	60 060	45 792
Total	**497 858**	**487 795**

Jotun A/S presents its income statement based on nature of the item of income and expense. "Other operating expenses" comprise all operating expenses that are not related to cost of goods sold, employee payrolls and capital cost in the form of depreciation. The main items of other operating expenses have been grouped in the table above.

The item "Research and development" consists of cost from projects in a research phase and development costs related to cancelled projects.

The item "Other" mainly consist of technical service cost, royalty and warranty cost.

FINANCE INCOME

(NOK thousand)	2012	2011
Interest income	6 435	1 518
Interest income on loan to an associate	68 859	58 190
Net foreign exchange gain	-	37 373
Other financial income	8 498	7 759
Total finance income	**83 792**	**104 840**

FINANCE COSTS

(NOK thousand)	2012	2011
Interest costs	44 618	12 142
Net foreign exchange loss	98 991	-
Write down of financial fixed assets	92 000	91 800
Other financial costs	3 252	32 630
Total finance costs	**238 861**	**136 572**

NOTE 5
INCOME TAX

INCOME STATEMENT

(NOK thousand)	2012	2011
Income tax related to income statement		
Tax payable	41 575	143 197
Changes in deferred tax	37 333	-17 273
Income tax expense reported in the income statement	**78 908**	**125 924**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(NOK thousand)	2012	2011
Deferred tax related to items charged directly to other comprehensive income during the year		
Actuarial gains/losses on defined benefit pension plans	-491	7 016
Income tax expenses charged directly to other comprehensive income	**-491**	7 016

RECONCILIATION OF THE EFFECTIVE RATE OF TAX AND THE TAX RATE IN JOTUN A/S' COUNTRY OF REGISTRATION

(NOK thousand)	2012	2011
Profit before tax	**290 408**	**547 834**
Expected income taxes according to income tax rate in Norway (28 per cent)	81 314	153 394
Taxes on dividends	-53 894	-90 012
Correction previous year	-10 047	-
Non-deductible expenses for tax purposes	49 825	45 613
Tax rate outside Norway other than 28 per cent	11 710	16 929
Total income tax expense	**78 908**	**125 924**
Effective tax rate	27 %	23 %

TAX PAYABLE PRESENTED IN THE STATEMENT OF FINANCIAL POSITION

(NOK thousand)	2012	2011
Tax payable for the year	40 623	132 265
Due tax previous years	21 475	22 647
Effect of group contribution	8 118	-
Withholding taxes receivable	-44 070	-41 878
Foreign tax receivable	-10 271	-8 430
Total tax payable (ref. note 15)	**15 875**	**104 604**

Cont. NOTE 5
INCOME TAX

SPECIFICATION OF DEFERRED TAX
Deferred tax liability consists of tax liabilities that are payable in the future.
The table below lists the timing differences between tax accounting and financial accounting.

TEMPORARY DIFFERENCES (NOK thousand)	2012	2011
Non-current assets	29 980	-42 686
Current assets	6 532	17 751
Liabilities	-172 799	-253 767
Group contribution*	-28 991	-
Other	-4 986	2 343
Net temporary differences	**-170 264**	**-276 359**
Deferred tax asset recognised in the statement of financial position	47 674	77 381

** The net tax effect of group contribution received from subsidiaries is recognised as a reduction in tax payable and deferred tax asset.*

NOTE 6
INTANGIBLE ASSETS

(NOK thousand)	Technology	Goodwill	Other intangibles	Development cost	Total
Cost					
Balance at 1 January 2011	96 495	7 175	92 872	27 450	**223 992**
Additions - internal development	-	-	10 296	28 377	**38 673**
Disposals	-	-	-5 982	-464	**-6 446**
Balance at 31 December 2011	**96 495**	**7 175**	**97 186**	**55 363**	**256 219**
Additions - internal development	-	-	12 796	24 108	**36 904**
Disposals	-	-	-	-8 145	**-8 145**
Balance at 31 December 2012	**96 495**	**7 175**	**109 982**	**71 326**	**284 978**
Amortisation/impairment					
Balance at 1 January 2011	-96 495	-7 175	-54 037	-2 936	**-160 643**
Amortisation	-	-	-11 049	-4 470	**-15 519**
Disposals	-	-	93	93	**186**
Balance at 31 December 2011	**-96 495**	**-7 175**	**-64 993**	**-7 313**	**-175 976**
Amortisation	-	-	-11 322	-3 149	**-14 471**
Disposals	-	-	-	6 114	**6 114**
Balance at 31 December 2012	**-96 495**	**-7 175**	**-76 315**	**-4 348**	**-184 333**
Net book value					
Balance at 31 December 2012	-	-	**33 667**	**66 978**	**100 645**
Balance at 31 December 2011	-	-	32 193	48 050	**80 243**

See Group's note 6 for further information.

NOTE 7
PROPERTY, PLANT AND EQUIPMENT

(NOK thousand)	Land	Buildings	Electrical installation	Machinery, vehicles and equipment	Construction in progress	Total
Cost						
Balance at 1 January 2011	14 469	473 470	-	616 619	180 710	**1 285 268**
Additions at cost	-	832	-	39 124	323 907	**363 863**
Disposals	-	-	-	-11 132	-	**-11 132**
Reclassification and corrections	-	-2 962	2 962	-	-	**-**
Balance at 31 December 2011	**14 469**	**471 340**	**2 962**	**644 611**	**504 617**	**1 637 999**
Additions at cost	-	6 074	288	65 865	130 965	**203 192**
Disposals	-	-	-	-2 340	-	**-2 340**
Reclassification and corrections	-	164 482	70 583	311 315	-546 380	**-**
Balance at 31 December 2012	**14 469**	**641 896**	**73 833**	**1 019 451**	**89 202**	**1 838 851**
Depreciation and impairment						
Balance at 1 January 2011	-	-323 312	-	-506 550	-	**-829 862**
Depreciation	-	-14 049	-	-48 335	-	**-62 384**
Disposals	-	-	-	9 569	-	**9 569**
Reclassification and corrections	-	123	-123	-	-	**-**
Balance at 31 December 2011	**-**	**-337 238**	**-123**	**-545 316**	**-**	**-882 677**
Depreciation	-	-15 563	-3 832	-33 485	-	**-52 880**
Disposals	-	-	-	2 335	-	**2 335**
Balance at 31 December 2012	**-**	**-352 801**	**-3 955**	**-576 466**	**-**	**-933 222**
Net book value						
Balance at 31 December 2012	**14 469**	**289 095**	**69 878**	**442 985**	**89 202**	**905 629**
Balance at 31 December 2011	14 469	134 102	2 839	99 295	504 617	**755 321**

Construction in progress
The reclassification of construction in progress is related to the new Vindal factory in Sandefjord, Norway.

NOTE 8
LIST OF SUBSIDIARIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun India Private Ltd.	Mumbai	India	INR	2 777 790	136 181 666	2 777 790	331 852	100.00
Jotun Brasil Imp. Exp & Industria de Tintas Ltda.	Rio de Janeiro	Brazil	BRL	39 161	12 163 200	39 161	141 494	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 000	48 000	114 333	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	109 320	100.00
Jotun Paints OOO	St. Petersburg	Russia	RUB	506 555	17 000	506 555	94 720	100.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	15 000 000	50 000	92 863	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	20 000	2 000 000	14 000	91 945	70.00
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	104 223 850	172 000	103 285 835	87 401	99.14
Jotun Paints (Europe) Ltd.	Flixborough	UK	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Paints (H.K.) Ltd.	Hong Kong	China	CNY	116 797	110 334 615	116 797	85 320	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	80 280	100.00
Jotun Paints Inc.	New Orleans	US	USD	44 600	100	44 600	58 094	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	50 000	100.00
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	49 175	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	25 000	155	45 146	62.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	11 550	16 050 001	11 550	45 027	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	84 000	84 000	80 186	44 285	95.46
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	55 719	110	55 719	41 784	100.00
Jotun Paints (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	USD	8 833	-	8 833	41 725	100.00
Jotun Boya San. ve Ticaret A.S.	Istanbul	Turkey	TRY	25 279	30 000 000	17 738	32 556	70.17
Jotun Italia S.p.A.	Trieste	Italy	EUR	2 632	509 099	2 632	29 925	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	28 040	100.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	27 854	80.00
Jotun Polska Sp.zo.o.	Gdynia	Poland	PLN	8 900	15 000	8 900	17 591	100.00
Jotun (Deutschland) GmbH.	Hamburg	Germany	EUR	614	1 200	512	12 090	83.33
Jotun Pakistan (Private) Ltd.	Karachi	Pakistan	PKR	146 124	2 761 349	146 124	11 104	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	USD	1 313	1 000	1 313	7 675	100.00
Jotun (Philippines) Inc	Manila	Phillippines	PHP	52 464	15 463 695	52 464	7 231	100.00
Jotun F.Z.E.	Dubai	U.A.E.	AED	4 000	4	4 000	6 637	100.00
Jotun Maroc SARL AU	Casablanca	Morocco	MAD	8 472	20 000	8 472	5 937	100.00
Jotun Ireland Ltd.	Cork	Ireland	EUR	640	487 409	640	5 500	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	4 550	100.00
Jotun Algerie SARL	Algiers	Algerie	DZD	73 000	7 300	51 100	3 881	70.00
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	11 435	334	2 937	97.40
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	6 600	3 300	2 698	100.00
Jotun Bangladesh Ltd.	Dhaka	Bangladesh	USD	400	999 999	400	2 268	100.00
Jotun France S.A.	Paris	France	EUR	320	16 000	320	2 108	100.00
Jotun Insurance Cell	St. Peterport	Guernsey	GBP	121	1	121	1 350	100.00
Jotun (Cambodia) Ltd.	Phnom Penh	Cambodia	KHR	797 029	1 000	797 029	1 166	100.00
Jotun Kazakhstan L.L.P.	Almaty	Kazakhstan	KZT	29 350	1	29 350	1 098	100.00
Jotun Romania S.R.L.	Constanta	Romania	RON	640	64 000	640	1 084	100.00
Lady Interiørmaling AS	Sandefjord	Norway	NOK	120	1 000	120	120	100.00
Jotun Optimal Utendørsmaling AS	Sandefjord	Norway	NOK	111	500	111	111	100.00
Drygolin Værbestandig Oljemaling AS	Sandefjord	Norway	NOK	109	500	109	109	100.00
Total							**1 906 793**	

The voting interest corresponds to the share interest.
Jotun Brasil Imp. Exp & Industria de Tintas Ltda. is written down with NOK 92 million.

Cont. NOTE 8
LIST OF SUBSIDIARIES

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Powder Coatings AS							
Jotun Powder Coatings (N) AS	Larvik	Norway	NOK	12 500	125 000	12 500	100.00
Jotun Boya San. ve Ticaret A.S.	Istanbul	Turkey	TRY	25 279	12 752 770	75 831	29.83
Jotun Powder Coatings (Thailand) Ltd.	Bangkok	Thailand	THB	9 000	9 000	9 000	100.00
Jotun Powder Coatings (CZ) a.s.	Usti nad Labem	Czech Republic	CZK	128 000	12 800	128 000	100.00
Jotun Powder Coatings (M) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	2 329 234	1 950	100.00
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	121 000	30 343 803	100.00
Jotun Powder Coatings Pakistan (Pvt.) Ltd.	Lahore	Pakistan	PKR	199 990	18 798 998	187 991	94.00
Jotun Powder Coatings (India) Private Ltd.	Mumbai	India	INR	68 600	6 860 000	68 600	100.00
Jotun Powder Coatings Ltd.	Flixborough	UK	GBP	400	1 000 000	400	100.00
Jotun Bulgaria EOOD	Sofia	Bulgaria	EUR	3	-	3	100.00
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	5	300	5	90.00
Jotun Paints (H.K.) Ltd.							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	-	217 858	100.00
Jotun Paints Inc.							
PRS Delaware L.L.C.	New Orleans	US	USD	1 000	100	1 000	100.00
Jotun B.V.							
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	16.67
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	300	9	2.60
Scanox AS							
Butinox Futura Beis og Maling AS	Drammen	Norway	NOK	100	500	100	100.00
Jotun Powder Coatings (N) AS							
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	5	300	5	10.00
Jotun Singapore Pte Ltd.							
P.T Jotun Indonesia	Jakarta	Indonesia	IDR	104 223 850	-	938 015	0.86

The voting interest corresponds to the share interest.

NOTE 9
SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E.	AED	4 000	2 000	1 660	108 929	41.50
Jotun COSCO Marine Coatings (H.K.) Ltd.	Hong Kong	China	HKD	279 150	2 000	139 575	34 231	50.00
Chokwang Jotun Ltd.	Kyungnam	South Korea	KRW	11 140 000	557 000	5 570 000	31 953	50.00
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E.	AED	4 000	4 000	1 400	28 061	35.00
Red Sea Paints Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 500	9 500	3 800	21 995	40.00
Jotun Saudia Co. Ltd.	Dammam	Saudi Arabia	SAR	9 000	9 000	3 600	17 278	40.00
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 196	11 385	30.00
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	78 709	710	14.00
Shares held by Jotun A/S for third parties							-301	
Total							**254 242**	

Cont. NOTE 9
SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun COSCO Marine Coatings (H.K.) Ltd.							
Jotun COSCO Marine Coatings (Guangzhou) Co. Ltd.	Guangzhou	China	CNY	72 957	-	72 957	100.00
Jotun COSCO Marine Coatings (Quingdao) Co. Ltd.	Qingdao	China	CNY	250 973	-	250 973	100.00
Jotun Powder Coatings AS							
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E.	AED	3 000	3 000	1 410	47.00
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)							
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 928	40.00
Jotun UAE Ltd (L.L.C.)							
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E.	AED	4 000	4 000	1 600	40.00
Jotun Paints Co. L.L.C.							
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	105 133	22.00
Jotun Saudia Co. Ltd.							
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	95 575	17.00

The voting interest corresponds to the share interest.
For extended information regarding joint ventures and associated companies see Group's note 8.

NOTE 10
FINANCIAL INVESTMENTS

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Nor-Maali OY	Lahti	Finland	EUR	8	10 000	3	8 180	33.40
Other companies							69	
Total							**8 248**	

NOTE 11
INVENTORIES

(NOK thousand)	31.12.12	31.12.11
Raw materials at cost	120 313	109 518
Finished goods at cost	234 420	286 324
Provision for obsolescence	-12 710	-8 513
Total	**342 022**	**387 329**

Inventories are valued at the lowest value of purchase price, material cost and net realiasable value. Cost of inventories are assigned by using weighted average cost formula.

NOTE 12
RECEIVABLES

(NOK thousand)	31.12.12	31.12.11
Accounts receivable external	59 136	69 031
Accounts receivable group companies	230 248	321 064
Other receivables external	54 155	82 742
Other receivables group companies	312 242	181 160
Total receivables	**655 782**	**653 997**

Allowances for credit losses have been evaluated upon individual basis on the accounts receivables and other receivables.

Changes in allowances for bad debt is shown in following table:

(NOK thousand)	31.12.12	31.12.11
Allowances for bad debt as of 1 January	-	-
Allowances for bad debt made during the period	447	37
Realized losses for the year	-312	-37
Total allowances for bad debt as of 31 December	**135**	-

Credit risk and foreign exchange risk regarding accounts receivable is discussed in note 19.
Aging of accounts receivable external as of 31 December was as follows:

(NOK thousand)	Total	Not due	Overdue: Less than 30 days	Overdue: 30-60 days	Overdue: 60-90 days	Overdue: More than 90 days
2012*	59 271	42 841	13 861	420	767	1 382
2011*	69 031	51 504	13 286	856	2 478	907

** Does not include provision for bad debt.*

NOTE 13
INTER-COMPANY BALANCES WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(NOK thousand)	Subsidiaries		Joint ventures / associated companies	
	31.12.12	31.12.11	31.12.12	31.12.11
Non-current assets				
Other interest-bearing receivables	1 611 143	1 766 577	94 590	116 722
Total non-current assets	**1 611 143**	**1 766 577**	**94 590**	**116 722**
Current assets				
Trade receivables	194 005	263 077	36 242	57 987
Other current receivables	276 355	180 591	35 887	569
Total current assets	**470 360**	**443 668**	**72 129**	**58 556**
Total assets	**2 081 503**	**2 210 245**	**166 719**	**175 278**
Current liabilities				
Trade creditors	57 194	63 982	16 374	28 727
Other short term liabilities	507 239	352 946	122 194	98 261
Total liabilities	**564 433**	**416 928**	**138 568**	**126 988**

NOTE 14
SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Jotun A/S as of 31 December 2012 consist of the following share classes:

(NOK thousand)	Quantity	Face value	Balance sheet
A-Shares	114 000	300	34 200
B-Shares	228 000	300	68 400
Total	**342 000**	**300**	**102 600**

At the general meeting, each A-share has ten and each B-share has one vote. There are no changes from last year.

OWNERSHIP STRUCTURE

The number of shareholders as of 31 December 2012 was 631. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Ownershare in %	Voting interest in %
Lilleborg AS	42 000	103 446	145 446	42.5	38.3
Odd Gleditsch A/S	11 419	36 990	48 409	14.2	11.1
Mattisberget AS	25 053	386	25 439	7.4	18.3
Leo Invest AS	2 988	7 512	10 500	3.1	2.7
Abrafam Holding AS *	3 368	3 815	7 183	2.1	2.7
BOG Invest AS *		6 850	6 850	2.0	0.5
ACG AS *		5 548	5 548	1.6	0.4
Elanel AS	3 011	2 353	5 364	1.6	2.4
HEJO Holding AS *		5 240	5 240	1.5	0.4
Bjørn Ekdahl	1 872	3 281	5 153	1.5	1.6
Odd Gleditsch Jr.	4 681	43	4 724	1.4	3.4
Live Invest AS	4 056	567	4 623	1.4	3.0
Kofreni AS *	131	4 114	4 245	1.2	0.4
Bjørn Ole Gleditsch	26	3 679	3 705	1.1	0.3
Pina AS		3 443	3 443	1.0	0.3
Conrad Wilhelm Eger	1 172	2 155	3 327	1.0	1.0
Jill Beate Gleditsch		3 172	3 172	0.9	0.2
Anne Cecilie Gleditsch	5	3 161	3 166	0.9	0.2
Fredrikke Eger	1 000	2 084	3 084	0.9	0.9
Britt Fanny Arnesen	1 855	1 178	3 033	0.9	1.4
Total 20 largest	**102 637**	**199 017**	**301 654**	88.2	89.6
Total others	11 363	28 983	40 346	11.8	10.4
Total number of shares	**114 000**	**228 000**	**342 000**	100.0	100.0

Cont. NOTE 14
SHARE CAPITAL AND SHAREHOLDER INFORMATION

*The Majority of the shares in following companies are owned by:
HEJO Holding AS owned by Odd Gleditsch d.y.
Abrafam Holding AS partly owned by Einar Abrahamsen
Kofreni AS partly owned by Nicolai A. Eger
BOG Invest AS owned by Bjørn Ole Gleditsch
ACG AS owned by Anne Cecilie Gleditsch

SHARES OWNED BY MEMBERS OF THE BOARD OF DIRECTORS, CORPORATE ASSEMBLY, PRESIDENT & CEO AND/OR RELATED PARTIES:

Name	Office	A-shares	B-shares	Total shares
Odd Gleditsch d.y.	Chairman of the Board	27	8 222	**8 249**
Einar Abrahamsen	Member of the Board	3 368	3 817	**7 185**
Richard Arnesen	Member of the Board	1 855	3 129	**4 984**
Nicolai A. Eger	Member of the Board	1 110	5 203	**6 313**
Birger Amundsen	Member of the Board		2	**2**
Olav Christensen	Chairman of the corporate assembly	3 011	2 365	**5 376**
Bjørn Ole Gleditsch	Member of the corporate assembly	26	10 529	**10 555**
Anne Cecilie Gleditsch	Member of the corporate assembly	5	8 710	**8 715**
Kornelia Eger	Member of the corporate assembly	100	271	**371**
Richard Arnesen jr.	Member of the corporate assembly	7	10	**17**
Terje V. Arnesen	Member of the corporate assembly		1	**1**
Morten Fon	CEO	8	18	**26**
Bård K. Tonning	Head of Jotun Dekorativ		3	**3**
Erik R. Aaberg	Head of Jotun Paints		15	**15**
Esben Hersve	Head of Jotun Coatings		4	**4**

There are no options for share acquisitions.

DIVIDEND PAID AND PROPOSED

(NOK thousand)	2012	2011
Declared and paid during the year		
Dividend on ordinary shares:		
Final dividend 2011: NOK 1 500 per share (2010: NOK 750 per share)	513 000	256 500
Proposed for approval at the annual general meeting		
Dividend on ordinary shares:		
Final dividend 2012: NOK 1 500 per share (2011: 1 500 NOK per share)	513 000	513 000

NOTE 15
CURRENT LIABILITIES

CURRENT LIABILITIES	Carrying amount	
(NOK thousand)	31.12.12	31.12.11
Interest-bearing debt	1 300 000	700 000
Accounts payable external	202 599	259 099
Liabilities to subsidiaries, joint ventures and associated companies	703 000	543 916
Public charges and holiday pay	110 383	103 895
Tax payable, ref. note 5	15 875	104 604
Other accrued expenses	98 863	83 422
Total current provisions, ref. note 16	53 752	18 501
Total current liabilities	**2 484 472**	**1 813 437**

Other accrued expenses are related to bonuses to employees, royalty, interests and other accrued expenses.

Interest-bearing debt consists of certificate loans of NOK 1 200 million and bank loan of NOK 100 million. Jotun A/S are utilising NOK 100 million of the Group's credit line facility. The loan covenants in the facility are described in Group's note 15 and 21.

NOTE 16
PROVISIONS

PROVISIONS 2012

(NOK thousand)	Claims	Restructuring	Environmental	Other	Total
Total provisions 1 January 2012	18 501	45 974	60 000	-	124 475
Provisions arising during the year	3 300	-	-	-	3 300
Utilised	-9 221	-13 007	-500	-	-22 728
Unused amounts reversed	-1 013	-10 315	-4 500	-	-15 828
Total provisions 31 December 2012	**11 567**	**22 652**	**55 000**	**-**	**89 219**
Current, ref. note 15	1 100	22 652	30 000	-	53 752
Non-current	10 467	-	25 000	-	35 467
Total	**11 567**	**22 652**	**55 000**	**-**	**89 219**

PROVISIONS 2011

(NOK thousand)	Claims	Restructuring	Environmental	Other	Total
Total provisions 1 January 2011	-	49 769	33 500	8 501	91 770
Provisions arising during the year	-	-	26 500	-	26 500
Utilised	-	-545	-	-8 501	-9 046
Unused amounts reversed	-	-3 249	-	-	-3 249
Total provisions 31 December 2011	**-**	**45 975**	**60 000**	**-**	**105 975**
Current, ref. note 15	18 501	-	-	-	18 501
Non-current	-	45 974	60 000	-	105 974
Total	**18 501**	**45 974**	**60 000**	**-**	**124 475**

Claims
A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year (see note 15) and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for claims were based on current information available about claim cases and the expected claims based on the warranty period for specific products sold.

Restructuring provisions
Long-term provisions for restructuring are related to close-down of plants in Norway. For all restructuring provisions detailed plans have been made and implemented. In accordance with the restructuring plans most of the costs will incur in 2013.

Environmental provisions
Jotun A/S has recorded provisions for environmental liabilities at some currently owned sites. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised. The clean-up activities will intentionally start in 2013-2015 and continue until 2018. These provisions are estimates of amounts payable or expected to become payable.

NOTE 17
CONTINGENT LIABILITIES

Disputes and claims
Jotun A/S is, through its ongoing business operations, involved in disputes and claims cases in connection with the company's operational activities. Provisions have been made to cover the expected outcome of disputes insofar as negative outcomes are probable and reliable estimates can be made. In evaluating the size of the provisions expected insurance cover is taken into account separately. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the company's financial position. There are no significant disputes or claims with the uncertainty of probability or reliable estimate accounted for in the balance sheet.

Environmental matters
A number of factories have been inspected regarding environmental conditions in the ground. Actions have either been taken on own initiative or implemented on the order of local authorities. Inspections and measurements are made by independent specialist in the field. For clean-up projects where implementation is considered to be probable and for which reliable estimates have been done provisions are made accordingly (ref. note 16). The future expenditures for remediation work depends on a number of uncertain factors, such as the extent and type of remediation required. Environmental laws and regulations may change, and such changes may require Jotun to make investments and/or increase costs. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term.

NOTE 18
CONTRACTUAL OBLIGATIONS AND GUARANTEES

Jotun A/S has the following contractual obligations for the purchases:

CONTRACTUAL PURCHASE OBLIGATIONS - INVESTMENTS PER 2012

(NOK thousand)	Future payments
New plant at Vindal, Sandefjord	5 000
Total	**5 000**

OTHER OBLIGATIONS NOT ACCOUNTED FOR

(NOK thousand)	Guarantees
Guarantees for tax withholding	42 000
Letter of Comfort (on behalf of subsidiaries)	1 105 055
Guarantees for subsidiaries	44 342
Sureties for customers etc. and guarantees for Jotun A/S	9 100
Total	**1 200 497**

NOTE 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ORGANISATION OF FINANCIAL RISK MANAGEMENT
Jotun operates internationally and is exposed to financial risks like currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. Jotun A/S uses financial instruments to reduce these risks in accordance with the Group's Treasury policy.

CATEGORIES OF FINANCIAL RISKS AND RISK POLICIES FOR JOTUN A/S

Foreign currency risk on net investments
As NOK is the functional currency for Jotun A/S and the presentation currency, Jotun A/S is exposed to currency translation risk for net investments in foreign operations. Jotun's policy is not to hedge this exposure.

Foreign currency risk on operational cash flows
Jotun A/S has inflows and outflows of foreign currency related to product sales and raw material purchases. The currency risk arises when the movements in currency rates can not immediately be passed on to the product prices. This creates an impact on the operational result. Jotun A/S has a policy to hedge against this effect when the effect is significant.

Foreign currency risk on financial cash flows
Foreign currency financial cash flows such as dividend payments, royalty payments, interest payments, instalments and issuing of loans and equity, gives a currency exposure. The policy is to hedge this exposure.

Interest rate risk
Jotun A/S has low net interest bearing debt with the seasonal peaks within one billion NOK. The interest rate risk is not regarded as a critical factor. Based on the present net debt situation, Jotun's policy is not to hedge interest rate risk. If the net debt should increase and become permanently substantially higher than the present level, the policy will be reviewed.

Liquidity risk
Cash flow from Jotuns operations has seasonal cycles. Through the winter and spring there is a substantial build up of working capital as a preparation for the summer sales season. This is an expected cyclical movement and is taken in to account when planning the financing. Other drivers for the liquidity development are the investments in new factory. Investments within the Jotun Group are financed mostly from Jotun A/S and the cash flows are predictable as the financing for each project is planned well in beforehand. Working capital movements are a mix of companies in a lot of different countries and levels out over time.

Credit risk
The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk and is continuously monitored. There is a slight concentration of credit risk in respect of single counterparts, but the risk is moderate. The losses on accounts receivables have been insignificant through Jotun's history.

Jotun A/S has International Swap Dealers Association (ISDA) agreements with its counterparts for derivative transactions, and transactions are made only with Jotun's core relationship banks with satisfactory ratings.

Price risk on input factors
Jotun A/S is exposed to a significant price risk in respect of a number of raw materials. Raw material purchases accounts for almost 60 per cent of total sales revenue. The volatile raw material prices the last years have had a significant impact. Large short term increases in the raw material prices can not be compensated immediately in the product prices, and in the period until product prices can be increased, the profit will suffer.

Most of the raw material does not have a financial derivative price market, and therefore most of the raw material prices are not accessible for hedging.

Only two raw material prices are hedged, namely Copper and Zinc price. There exists a liquid market for price derivatives, with London Metal Exchange as the leading market place for pricing. The policy is to hedge a certain percentage of expected consumption.

HEDGING EFFECTS 2012

Hedging net investments
Net investments is defined as invested share capital in partially or wholly owned companies and long term internal loans from Jotun A/S. Jotun had a policy to hedge part of this exposure until the start of 2012.

2012 (NOK thousand)	Hedged volume	Unrealised gain/loss (-)	Realised effects 2012
Net investment hedging			
USD fwd/options	-	-	-433
Other currencies fwd	-	-	-171
Total	**-**	**-**	**-604**

Cont. NOTE 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

2011 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2011
Net investment hedging			
USD fwd/options	199 389	-11 312	18 159
Other currencies fwd	21 958	-807	500
Total	**221 348**	**-12 119**	**18 658**

Hedging of operational and financial cash flows
Jotun A/S has financial and operational foreign exchange income and costs which are hedged as a net position according to the policy of Jotun A/S. The table below shows the status per 31. December:

2012 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2012
Hedging of inflows	200 851	2 849	2 039
Hedging of outflows	287 122	-884	-18 612
Total	**487 973**	**1 965**	**-16 573**

2011 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2011
Hedging of operational income	54 499	-1 485	13 827
Hedging of operational costs	397 480	-1 485	-15 930
Total	**451 980**	**-2 970**	**-2 102**

Hedging of short term loans to subsidiaries
Until early 2012 hedging of short term internal loans and repayment of long term-loans were hedged seperately. Now this exposure is hedged as part of the financial cash flows.

2012 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2012
Loan hedging	-	-	-717

2011 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2011
Loan hedging	21 929	-548	5 278

Realised and unrealised loss/gain of the hedges is brought to Jotun A/S' financial result. Realised and unrealised currency loss/gain on short term loans is equally brought to the financial result.

Hedges on raw material prices
Jotun has made financial price hedges for copper and zink prices based on estimated demand relating to signed contracts for the sale of paint products. The table below shows hedging in Jotun A/S with an unrealised gain of NOK 0.7 million. The realised effect in 2012 shows a loss of NOK 9.6 mill.

2012 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2012
Metals			
Hedging of copper	53 023	69	-5 698
Hedging of zinc	31 099	676	-3 880
Total	**84 122**	**744**	**-9 578**

2011 *(NOK thousand)*	Hedged volume	Unrealised gain/loss (-)	Realised effects 2011
Metals			
Hedging of copper	74 378	-8 367	8 600
Hedging of zinc	38 486	-5 366	-336
Total	**112 864**	**-13 733**	**8 264**

Market value
Market value information is gathered from:
- Hedging of raw materials in Jotun A/S: Information from London Metal Exchange, official fixing 3M.
- The valuation are based on inputs that are derived from observable prices and are hence categorized as a "Level 2" input in the fair value hierarchy.

ACCOUNTING OF HEDGING INSTRUMENTS

Hedging operational and financial cash flows
Jotun A/S do not apply hedge accounting for cash flow hedging. The realised and unrealised effects is booked as part of net finance.

Hedging against price risk on raw materials
Jotun A/S do not apply hedge accounting for raw material hedging. The realised effect is booked as part of the Operational result. The unrealised effect is recognised in financial items.

NOTE 20
LEASES

Leasing commitment shows current and non-current commitments arising from leasing contracts for vehicles. All leasing contracts included in this note are regarded as operating leases and lease amounts are presented as operating expenses in the income statement.

(NOK thousand)	2012	2011
Operating lease expenses		
Vehicles	17 700	11 220
Cost current year	**17 700**	**11 220**
Overview of future minimum lease payments related to operating leases		
Cost next year	17 700	11 220
Cost next 2-5 years	35 400	22 440
Future minimum lease payments	**53 100**	**33 660**

ERNST & YOUNG

State Authorised Public Accountants
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Member of the Norwegian Institute of Public Accountants

To the Annual Shareholders' Meeting of Jotun A/S

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Jotun A/S, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

ERNST & YOUNG

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Jotun A/S have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

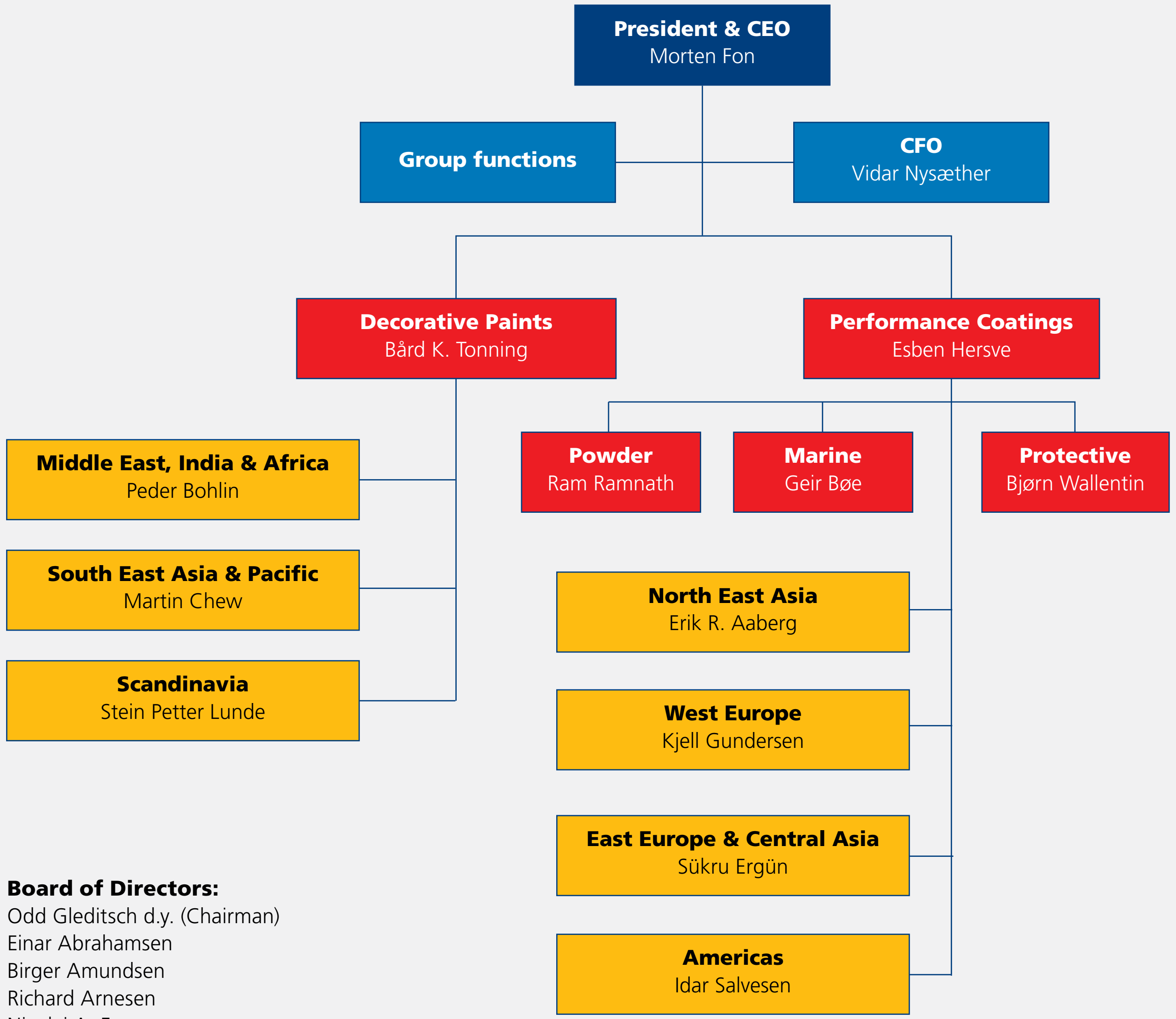
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 18 February 2013
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)



Board of Directors:
Odd Gleditsch d.y. (Chairman)
Einar Abrahamsen
Birger Amundsen
Richard Arnesen
Nicolai A. Eger
Stein Erik Hagen
Paul Jordahl
Ingrid Luberth

Corporate Assembly:
Olav Christensen (Chairman)
Terje Andersen
Richard Arnesen jr.
Terje V. Arnesen
Kornelia Eger
Anne Cecilie Gleditsch
Bjørn Ole Gleditsch
Thore Kristiansen
Kjell Sundsli
Karl Otto Tveter - substitute

In 2012, The Jotun Group announced plans to reorganise dividing the company's activities into four segments and seven regions: The new structure went into effect January 1 2013.

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