



# Annual report

2005





Ribbon cutting during the Grand Opening in January 2006 declared the Jotun Coatings factory in Zhangjiagang, China, officially opened.

# A global leader

Eighty years after being established in Norway, Jotun is today a global leader in paints and coatings. We have 67 companies and 39 production facilities on all continents. In addition Jotun has agents, branch offices and distributors in more than 70 countries.

The Jotun group consists of four business units, each with specific products and segments.

**Jotun Dekorativ** has segment responsibility for Jotun's decorative paints, stains and varnish deliveries to the trade and Do It Yourself (DIY) markets in Scandinavia.

**Jotun Paints** has segment responsibility for decorative paints in all markets outside Scandinavia. This responsibility includes marine and protective coatings for markets in the Middle East and Southeast Asia.

**Jotun Coatings** has global segment responsibility for marine and protective coatings. This responsibility includes

decorative paints in local markets in Europe and selected markets in Asia.

**Jotun Powder Coatings** has global segment responsibility for powder coatings. The product portfolio caters to the architectural, functional and industrial market segments to protect metal surfaces from corrosion and add style to their aesthetic appearance.

	JOTUN PAINTS	JOTUN COATINGS	JOTUN DEKORATIV	JOTUN POWDER COATINGS
Marine coatings	•	•		
Protective coatings	•	•		
Decorative paints	•	•	•	
Powder coatings				•
	Middle East Southeast Asia (ex. Singapore)	North East Asia Americas Europe South Africa Australia Singapore	Scandinavia	Global



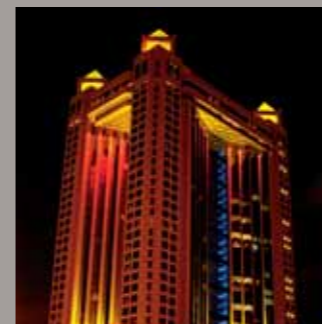
5 GROUP KEY FIGURES



6 DIRECTORS' REPORT



12 BALANCE SHEET



17 NOTES

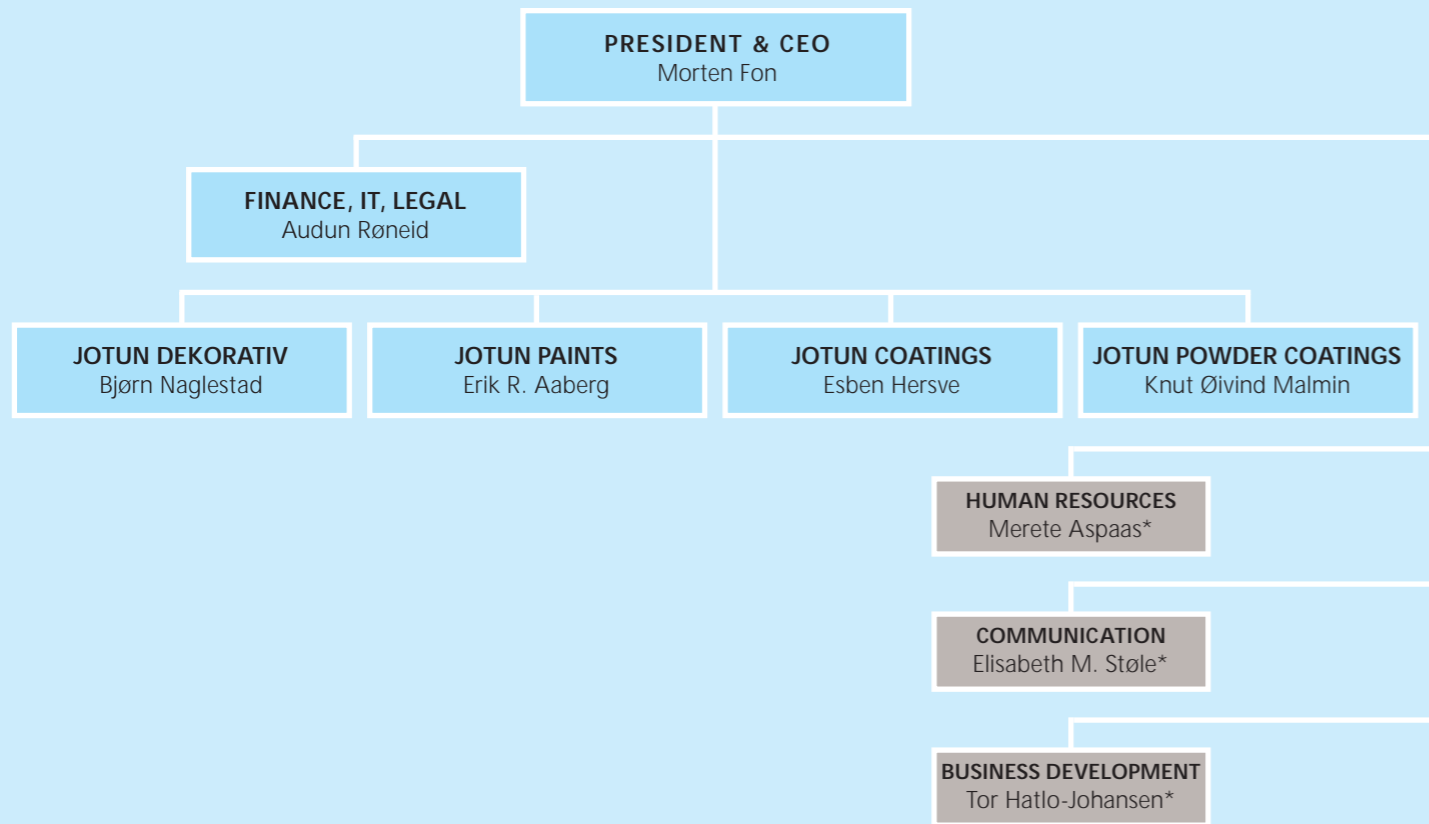


35 JOTUN WORLDWIDE

# contents

- 4 The Jotun group
- 5 Group key figures
- 6 Directors' report
- 11 Profit and loss account
- 12 Balance sheet
- 14 Cash flow statement
- 15 Accounting policies
- 17 Notes
- 34 Auditor's report
- 35 Jotun worldwide

THE JOTUN GROUP



**BOARD OF DIRECTORS**

Odd Gleditsch d.y., Chairman  
Einar Abrahamsen  
Richard Arnesen  
Terje V. Arnesen  
Nicolai A. Eger  
Thore Kristiansen  
Torkild Nordberg  
Dag J. Opedal

**CORPORATE ASSEMBLY**

Olav Christensen, Chairman  
Birger Amundsen  
Fredrikke Eger  
Bjørn Ole Gleditsch  
Thomas Gleditsch  
Odd Inge Høyland  
John Jørgensen  
Rune Molteberg  
Britt Paulsen  
Halvor Stenstadvold  
Erling Fredrik Sørhaug  
Egil M. Ullebø

\*Member of extended group management

Group key figures

(Figures include shares in joint ventures and are in USD million)

	2005	2004	2003	2002	2001
<b>SALES</b>					
Sales and other operating income	1 042	901	817	705	645
Export ratio (%)	74	73	73	69	71
<b>PROFIT</b>					
Operating profit	83	73	64	58	23
Profit on ordinary activities before taxation	79	70	62	58	17
Net cash flow from operating activities	29	71	47	111	31
<b>PROFITABILITY</b>					
Return on assets (%)	1) 12.0	12.5	12.0	13.2	5.7
Return on capital employed (%)	2) 16.9	17.1	17.3	18.7	7.8
Operating margin (%)	3) 8.0	8.1	7.7	8.3	3.5
Return on equity (%)	4) 12.6	12.9	9.6	11.9	5.2
<b>YEAR-END FINANCIAL POSITION</b>					
Total assets	760	747	610	570	507
Capital expenditure	64	31	29	37	34
Equity (incl. minority interests)	417	424	374	324	254
Equity/assets ratio (%)	54.9	56.8	61.4	56.9	50.2
Average number of employees in group, including share in joint ventures	4 437	4 080	3 934	3 913	3 832
Number of employees in group, including 100 per cent in joint ventures per 31.12.	5 009	4 738	4 481	4 363	4 339

**DEFINITIONS**

1) Return on assets % =  $\frac{\text{Profit on ordinary activities before taxation} + \text{financial costs}}{\text{Average total assets}} \times 100$

2) Return on capital employed % =  $\frac{\text{Profit on ordinary activities before taxation} + \text{financial costs}}{\text{Average total assets} - \text{non-interest-bearing liabilities}} \times 100$

3) Operating margin % =  $\frac{\text{Operating profit}}{\text{Sales}} \times 100$

4) Return on equity % =  $\frac{\text{Profit on ordinary activities}}{\text{Average equity}} \times 100$

Board of Directors



Odd Gleditsch d.y.  
Chairman of the Board



Einar Abrahamsen



Thore Kristiansen



Nicolai A. Eger



Terje V. Arnesen



Torkild Nordberg



Dag J. Opedal



Richard Arnesen

DIRECTORS' REPORT

1. PRINCIPAL ACTIVITIES

At the end of 2005, the Jotun group was engaged in the development, manufacture, marketing and sale of paint/coating systems and surface treatment products through four divisions:

**Jotun Coatings:** Marine and protective coatings for industrial and offshore use in Europe, the USA, South Africa, Australia and North East Asia, and decorative products for local customers in the same regions.

**Jotun Paints:** Decorative products in the Middle East and South East Asia, and marine

and protective coatings for local customers in the same regions.

**Jotun Dekorativ:** Decorative paints, stains and varnishes for the trade and DIY markets in Norway, Sweden, Denmark and Iceland, and the manufacture of binders.

**Jotun Powder Coatings:** Powder coatings for industrial and decorative purposes, and corrosion protection systems for steel reinforcing rods and oil and gas pipelines.

Jotun has a global network and is represented on every continent through its various subsidiaries and joint ventures. The group

comprises 54 active legal entities spread across 35 countries, including 39 manufacturing plants. The parent company Jotun A/S has its head office in Sandefjord, Norway.

2. THE ACCOUNTS

The 2005 accounts have been prepared on a going concern basis.

The consolidated accounts comprise the results posted by subsidiaries and all joint ventures in which Jotun A/S directly or indirectly owns a stake of 20 per cent or more, with consolidation based on the gross method.

Results

Group operating income totalled NOK 6,710 million, against NOK 6,075 million in 2004.

The group recorded pre-tax profits of NOK 490 million, against NOK 471 million in 2004. The overall tax charge for the year was NOK 151 million, against NOK 142 million in 2004. The group profit after tax but before minority interests was NOK 339 million, against NOK 329 million in 2004.

The parent company – Jotun A/S – posted pre-tax profits of NOK 451 million, against NOK 372 million in 2004. After tax totalling NOK 102 million, the parent company accounts show a profit of NOK 349 million, compared with NOK 299 million in 2004.

Financial position and capital structure

The group is exposed to credit, interest rate and exchange rate risks in its ordinary business operations, and active steps are taken to keep these risks at acceptable levels.

In addition to credit insurance, procedures have been established to assess customer creditworthiness in order to reduce the credit risk.

Net interest-bearing debt increased by NOK 328 million from net deposits of NOK 77 million to interest-bearing debt of NOK 251 million at the end of 2005. The group's interest rate exposure therefore remains limited.

The primary exchange rate exposure relates to the USD and USD-related currencies, the EUR and the TAB. Exchange rate exposure in the group's balance sheet and net cash flows is hedged through currency loans, forward contracts, foreign exchange swaps and options.

Group investments totalled NOK 431 million in 2005.

On behalf of the group, Jotun A/S had overdraft facilities and other committed short-term and long-term lines of credit amounting to NOK 1,275 million at year-end, none of which had been utilised. At the same time, Jotun A/S had liquid reserves (committed

lines of credit, cash, bank deposits, etc.) totalling NOK 1,407 million.

The group's net cash flow in 2005 was NOK -183 million, against NOK 187 million in 2004. The cash flow from operations was NOK 188 million.

The group's equity ratio stood at 54.9 per cent at year-end, against 56.8 per cent a year earlier.

Liquid reserves and the capital base are considered to be satisfactory, for both the group and the parent company.



Allocation of profit

Jotun A/S recorded a net profit of NOK 349,009,000 for 2005, with the proposed allocation for approval by the AGM as follows:

Provision for dividends (NOK 450 per share)	NOK 153,900,000
Allocation to other equity	NOK 195,109,000
Total allocation	NOK 349,009,000

On this basis, free equity at year-end 2005

totalled NOK 2,075 million, against NOK 1,903 million a year earlier.

3. THE MARKET

Jotun Coatings

The division is expanding and both sales and net profits have increased since 2004. Nevertheless, profits remain unsatisfactory, given the group's long-term margin and profitability requirements.

The *marine* and *protective* business segments improved their positions and increased sales in 2005. The business has benefited from the upturn in global trade and the resulting increase in demand for transport and a generally higher level of investment and maintenance activity linked to vessels and industrial plant. Systematic steps taken to implement improvements are also being reflected in higher profitability.

Effective innovations developed specifically to meet customer needs have contributed to the improved performance. Enhanced expertise in sales and a greater focus on large and complex clients within selected core areas resulted in many new projects in 2005. Some increase in the pace of growth is expected over the next few years as a result of new and further developments in rapidly expanding markets such as Russia, Brazil, India, Turkey, the Black Sea region, South Africa and China.

Jotun Coatings opened a new factory in China in January 2006. This factory represents a major single investment and is designed to meet growth in China in particular and in North Asia in general. Jotun has strengthened its collaboration with the Chinese company COSCO, which has one of the world's largest fleets. This venture in the marine segment will increase sales and enable a good foothold to be established locally.

Jotun Paints

Jotun Paints has three business segments; *decorative*, *marine* and *protective*, of which decorative is the most important in terms of sales and profit. All three segments have

good profitability, especially decorative in the Middle East.

The division is expanding and continues to be the market leader in the central Middle East.

The Multicolor concept (Jotun's colour-mixing system) provides Jotun with one of its competitive advantages. Further development of the concept and its applications has helped to boost distribution and establish a strong position. Steps are also being taken to strengthen sales and marketing expertise within the local companies.

The division is also very active in the project market throughout the Middle East and Southeast Asia and has established a good position amongst architects and contractors who have won many large prestige projects.

Jotun has achieved success by establishing an early presence in markets with growth potential. A strategic focus on marketing and organisational development has led to the establishment and reinforcement of strong positions in markets such as Saudi Arabia, the United Arab Emirates and Malaysia. Jotun Paints is continually assessing potential new markets in the light of this strategy.

Strong growth has led to the need for increased production capacity. In November 2005 Jotun opened a modern new factory in Jakarta, Indonesia, and a new manufacturing facility in Yemen was completed at the end of the year. Investments are also being made to expand the group's plants in Saudi Arabia and Egypt.

#### Jotun Dekorativ

The division's sales was again at a record level in 2005. Higher sales of interior paints combined with a good season for outdoor paints contributed to a satisfactory result for 2005.

The year was marked by the introduction of a new ERP system, which affected deliveries to some extent during the high season. This situation was however rectified, and the division is again able to deliver

reliably and meet customer requirements.

Jotun has a strong position in Norway, reflecting its good customer relations. The progress being made in sales is evident within the professional trade and in the building commodities market. Jotun has also retained its strong position within the trade market. The number of chains selling the division's products has fallen, but at the same time they have become bigger and more professional. Jotun seeks to be an attractive partner, not only by offering a sound profit on sales of its



products, but also by providing better products, services and total solutions.

In Denmark, Jotun made excellent progress in sales to professional users. The progress made in Sweden was largely due to an increase in distribution to Färgtema. Jotun is now also an approved supplier to the Swedish Spektrum chain, which will broaden the customer base.

Innovation is the key to Jotun's growth. In 2006, Demidekk Optimal will be launched

in new and practical packaging with a separate lid-opener. The Lady concept is also set for further development, with further and more obvious consumer benefits. Customer requirements are always central to the Jotun Dekorativ innovation process.

#### Jotun Powder Coatings

Jotun Powder Coatings is the world's fourth largest supplier of powder coatings for the industrial surface treatment of metal. In 2005, Jotun Powder Coatings continued to grow in terms of volume and operating income, but higher raw material prices and fierce competition in existing markets led to lower margins.

Jotun is responding to the increased competition by developing new products and concepts, while production capacity is being increased to enable existing plants to meet higher demand for products. Jotun Powder Coatings has recently started production in India.

It is important to adapt the structure to altered markets. In 2005, the division's regional organisation was replaced by a segment-based structure with a stronger local focus. This will establish closer proximity to the markets and enable the division to be more responsive to different customers and product requirements across national boundaries.

The division's competitive position is being strengthened by targeting on research and development, improved innovation processes and brand building.

Expertise provides an important competitive advantage and this is reflected in importance that is attached to the development of professional skills. Among the group's initiatives in this area is the Jotun Powder School which provides technical and sales training. This facility will also be offered to our customers to increase their understanding of powders and help them to select the most appropriate products and use them correctly. This gives added value for the customer and is part of the process of strengthening long-term relationships.

#### 4. HEALTH, SAFETY AND THE ENVIRONMENT (HSE) Objectives and activities

The world around us demands continuous work on technical and operational initiatives to safeguard health, safety and the environment (HSE). In its approach to HSE, Jotun seeks to ensure that its activities satisfy both internal and external parties.

Jotun aims to become more competitive through an active and responsible approach to HSE. Priority shall be given to ensuring that initiatives aimed at improving group profitability are not at the expense of HSE.

The ten audits conducted by HSE personnel in 2005 revealed that most of the group's factories, laboratories and warehouses meet acceptable HSE standards. However, some facilities require upgrading and action plans have been prepared for improvements.

#### Costs

The overall cost of HSE measures and initiatives shows a slight downward trend over the past five years, most of the decrease being due to lower operating costs related to the external environment.

HSE-related operating costs were 38.7 per cent up at NOK 24 million. The increase was partly due to the costs relating to purchase of workware with antistatic and anti flame properties and higher waste management costs arising from increased production.

HSE-related operating costs totalled NOK 19.5 million, against NOK 16.5 million in 2004.

#### Working environment

Safety has always been a priority at Jotun, and the group's aim is to work continuously to safeguard the lives and health of employees. Jotun considers preventive work to be the most important tool as regards the working environment and health.

#### Group

The overall incidence of sick leave within the group stood at 1.8 per cent in 2005. This

represents an increase from approximately 1.5 per cent in 2004. There is some uncertainty attached to these figures due to differing sick pay schemes, employment conditions and the recording of absence due to illness at the various plants. The real figure for sick leave is probably higher.

A total of 872 working days were lost as a result of injuries, equivalent to 0.1 per cent of total working hours. There were 11 accidents involving damage to property in 2005.

The group experienced two tragic deaths in 2005 in connection with a hotel fire. Two employees in Korea died in the fire while on a business trip.

A total of NOK 11.8 million was invested in improvements to the working environment in 2005. This included the installation of dust filters, ventilation systems, first aid stations and air conditioning.

The total number of lost-time injuries due to accidents was 53. The frequency of injuries resulting in absence of at least one day was 7.19 per million working hours. This is higher than is desirable and slightly above the statistical value set by the Federation of Norwegian Process Industries (PIL) for the chemical sector. The accidents related mainly to crushing injuries, cuts and burns. Initiatives aimed at reducing injuries are under continuous assessment.

#### Jotun A/S

The incidence of sick leave Jotun A/S stood at 4 per cent in 2005, against 5.1 per cent in 2004.

The Board and management consider the working environment to be satisfactory.

#### Environment

Emissions to the air consist of dust from the production of powder coatings and solvents from paint production. A total of 54,100 tonnes of solvents were used in 2005, against 49,000 tonnes in 2004. The increase was mainly due to a higher production volume.

The group generated 12,400 tonnes of waste in 2005, of which 4,200 tonnes were classified as hazardous waste. The total waste volume represent 2.9 per cent of the production volume, compared with 3.6 per cent in 2004.

A total of 64,300 tonnes of water-based emissions were released from production (against 83,100 tonnes in 2004). Of this, 47,300 tonnes were treated (against 63,400 tonnes in 2004). The authorities regard discharges into public sewerage systems to be a local problem at six of the group's factories.

A total of NOK 2.9 million was invested in measures to prevent or reduce adverse environmental effects (unchanged from 2004). These measures included equipment to reduce waste volumes and treat process water.

#### Future challenges

The recruitment, training and the expertise of employees are of crucial importance for realisation of the group's goals and visions. Particular attention will be given to preventive maintenance of manufacturing equipment and buildings over the next few years.

#### 5. DIVERSITY

Jotun's success is due in no small measure to respect, understanding and adaptation to local conditions and cultural differences. Through a deliberate strategy, Jotun has developed strong management teams with a varied cultural background in the global network. A number of women hold important managerial positions within the group.

At Jotun A/S, two of the nine group directors are women, and women hold 25 per cent of the positions with personnel responsibility (unchanged since 2004). 7.5 per cent of blue-collar staff and 29 per cent of white-collar staff are women (against 8 per cent and 30 per cent, respectively, in 2004).

6. GROWTH AND OUTLOOK

Jotun has a sound market position in Scandinavia, the Middle East and Asia.

The group's strategy is to achieve organic growth within existing and new markets. The focus is on more and improved innovation of concepts and products, as well as market investments. Jotun is selective in its choice of markets, and special emphasis is given to investment in developing markets with good growth potential. Volume growth in 2005 was in line with the levels achieved in recent years and is expected to be maintained.

Jotun is investing for the future. This means investment in manufacturing facilities, research and development and the expertise and skills of the employees. Investments in 2005 were at a record level, partly due to the construction of new factories in China, Indonesia and Yemen. Further major investment is anticipated in 2006, with the upgrading and expansion of Jotun's manufacturing facilities in Saudi Arabia, Egypt and Turkey. The planning of new manufacturing

units in Brazil and India is also under way.

At the beginning of 2006, the world economy is experiencing strong underlying growth. The Chinese economy is still growing strongly, with good growth in the Middle East and an increasing rate of growth in Southeast Asia. The American economy is also performing well, and activity in Western Europe is increasing. Interest rates are at a record low and the price of oil is high. The USD has strengthened slightly, and the prices of most raw materials have stabilised following the sharp increase in prices during 2004 and the first six months of 2005. The prices of some metal-based raw materials have risen significantly in recent months. All these elements impact on Jotun's business and profits. However, it is difficult to measure the net effect of such external factors. A weakening of the USD would have an adverse impact on Jotun's profits in the short term. On the other hand, further volume growth is expected, which would boost profits and further strengthen Jotun's market positions.

Jotun has both a reputation and a tradition for operating in an ethically sound manner and for its healthy attitudes in all cultures. A common framework for ethical attitudes and group values is being systematically communicated throughout the organisation.

The Jotun group's breadth in terms of business areas and geographical regions makes it less vulnerable to fluctuations in individual markets. Based on experience, there is likely to be consolidation within some of our business areas. Jotun has the financial strength needed to adapt to changing market conditions and to expand further.

In view of ongoing steps being taken to improve efficiency and given Jotun's strong market positions, the Board believes that the group can look forward to a satisfactory level of development in the coming years. At the same time, it should be stressed that there is scope for improvement in a number of areas and that this must be addressed as a matter of importance.

Sandefjord, 16 February 2006  
The Board of Directors  
Jotun A/S

Odd Gleditsch d.y.  
Chairman

Einar Abrahamsen

Richard Arnesen

Nicolai A. Eger

Thore Kristiansen

Terje V. Arnesen

Torkild Nordberg

Dag J. Opedal

Morten Fon  
President & CEO

(NOK thousand)	Note	Jotun A/S		Group	
		2005	2004	2005	2004
<b>Sales and other operating income</b>	1,2	<b>2 052 541</b>	1 828 671	<b>6 710 212</b>	6 075 394
Cost of goods sold	4	1 027 121	894 086	3 563 835	3 121 784
Staff costs	5,7	464 160	439 186	1 178 163	1 071 838
Depreciation and amortisation	8	62 948	57 395	205 579	203 667
Bad debts	3	765	153	23 444	19 865
Other operating costs	6	329 630	368 241	1 204 544	1 165 489
<b>Operating profit</b>		<b>167 917</b>	69 610	<b>534 647</b>	492 751
Dividends etc. from subsidiaries	6	168 716	195 086	-	-
Dividends from joint ventures	6	128 727	69 400	-	-
Interest receivable		31 117	21 188	17 424	15 968
Other financial income		2 197	44 549	28 124	31 850
Interest payable		-18 516	-14 227	-41 860	-26 905
Other financial costs		-28 714	-13 724	-48 320	-42 923
<b>Profit on ordinary activities before taxation</b>		<b>451 444</b>	371 882	<b>490 015</b>	470 741
Tax payable on profit on ordinary activities	14	-102 435	-72 508	-150 879	-141 960
<b>Profit on ordinary activities</b>		<b>349 009</b>	299 374	<b>339 136</b>	328 781
Minority interests	15	-	-	-34 387	-34 041
<b>Net profit for the year</b>		<b>349 009</b>	299 374	<b>304 749</b>	294 740
<b>Distribution of profit</b>					
Allocated to dividends	15	153 900	136 800	-	-
Other equity	15	195 109	162 574	-	-
<b>Total</b>		<b>349 009</b>	299 374	<b>-</b>	<b>-</b>

		Jotun A/S		Group	
(NOK thousand)	Note	31.12.05	31.12.04	31.12.05	31.12.04
<b>ASSETS</b>					
FIXED ASSETS					
<b>Intangible assets</b>					
Deferred tax assets	14	26 686	19 290	68 603	40 269
Intangible assets	8	63 289	52 602	147 422	153 358
<b>Total intangible assets</b>		<b>89 975</b>	<b>71 892</b>	<b>216 025</b>	<b>193 627</b>
<b>Tangible fixed assets</b>					
Land	8	14 469	14 469	92 003	80 852
Buildings and plant	8	157 231	165 877	692 606	516 599
Machinery, vehicles and equipment	8	138 823	163 925	601 312	545 669
Plant under construction	8	27 776	-	53 911	37 378
<b>Total tangible fixed assets</b>		<b>338 299</b>	<b>344 271</b>	<b>1 439 833</b>	<b>1 180 498</b>
<b>Financial fixed assets</b>					
Investments in subsidiaries	9	990 746	912 661	-	-
Amounts owed by subsidiaries	18	796 663	598 527	-	-
Investments in joint ventures	10	180 137	180 137	-	-
Investments in shares and other interests	11	8 442	8 192	8 442	8 192
Pension assets	7	56 974	53 534	77 311	74 403
Other long-term debtors	18	2 555	2 575	40 727	17 674
<b>Total financial fixed assets</b>		<b>2 035 517</b>	<b>1 755 626</b>	<b>126 480</b>	<b>100 269</b>
<b>Total fixed assets</b>		<b>2 463 791</b>	<b>2 171 789</b>	<b>1 782 337</b>	<b>1 474 394</b>
CURRENT ASSETS					
<b>Stocks</b>	4	<b>358 968</b>	312 236	<b>1 209 961</b>	1 085 779
<b>Debtors</b>					
Trade debtors	3,18	190 218	187 305	1 496 293	1 220 959
Amounts owed by subsidiaries	18	68 800	8 600	-	-
Other current debtors	18	196 629	142 801	230 442	174 253
<b>Total debtors</b>		<b>455 647</b>	<b>338 706</b>	<b>1 726 735</b>	<b>1 395 212</b>
<b>Cash, bank deposits, etc.</b>		<b>132 453</b>	356 475	<b>402 044</b>	584 980
<b>Total current assets</b>		<b>947 068</b>	1 007 417	<b>3 338 740</b>	3 065 971
<b>Total assets</b>		<b>3 410 859</b>	3 179 206	<b>5 121 078</b>	4 540 365

		Jotun A/S		Group	
(NOK thousand)	Note	31.12.05	31.12.04	31.12.05	31.12.04
<b>EQUITY AND LIABILITIES</b>					
EQUITY					
<b>Injected equity</b>					
Share capital	15,16	102 600	102 600	102 600	102 600
<b>Total injected equity</b>		<b>102 600</b>	102 600	<b>102 600</b>	102 600
<b>Earned equity</b>					
Other equity	15	2 313 041	2 117 930	2 592 288	2 368 636
<b>Total earned equity</b>		<b>2 313 041</b>	2 117 930	<b>2 592 288</b>	2 368 636
Minority interests	15	-	-	116 054	107 104
<b>Total equity</b>		<b>2 415 641</b>	2 220 530	<b>2 810 942</b>	2 578 340
LIABILITIES					
<b>Provisions for liabilities</b>					
Pension liabilities	7	75 726	74 174	118 325	107 448
Other provisions for liabilities		7 662	14 817	7 960	18 067
<b>Total provisions for liabilities</b>		<b>83 388</b>	88 991	<b>126 284</b>	125 515
<b>Other long-term liabilities</b>					
Amounts owed to credit institutions	12,17	96 787	109 721	144 086	131 828
Other long-term liabilities		-	-	38 309	28 957
<b>Total long-term liabilities</b>		<b>96 787</b>	109 721	<b>182 395</b>	160 785
<b>Current liabilities</b>					
Short-term loans		-	-	301 993	178 856
Short-term loans to subsidiaries	18	124 900	126 500	-	-
Bank overdrafts	21	-	-	206 713	196 818
Trade creditors		206 531	242 365	704 478	633 742
Tax payable	14	78 640	52 585	99 364	74 416
Public duties payable		82 834	79 600	104 309	102 753
Allocated to dividends	15	153 900	136 800	153 900	136 800
Other current liabilities	13,18	168 238	122 114	430 700	352 339
<b>Total current liabilities</b>		<b>815 043</b>	759 964	<b>2 001 457</b>	1 675 725
<b>Total liabilities</b>		<b>995 218</b>	958 676	<b>2 310 136</b>	1 962 025
<b>Total equity and liabilities</b>		<b>3 410 859</b>	3 179 206	<b>5 121 078</b>	4 540 365

Sandefjord, 16 February 2006  
The Board of Jotun A/S

Odd Gleditsch d.y.  
Chairman

Einar Abrahamsen

Terje V. Arnesen

Richard Arnesen

Torkild Nordberg

Nicolai A. Eger

Dag J. Opedal

Thore Kristiansen

Morten Fon  
President & CEO

(NOK thousand)	Note	Jotun A/S		Group	
		31.12.05	31.12.04	31.12.05	31.12.04
<b>Cash flow from operating activities</b>					
Net profit for the year		349 009	299 374	304 749	294 740
Change in deferred tax	14	-7 396	-3 905	-28 334	-16 693
Gains/losses on the sale of fixed assets		-1 280	-853	-3 980	7 973
Depreciation, amortisation and write-downs	8	62 948	57 395	205 579	203 667
Change in stocks, trade debtors and trade creditors	19	-85 480	687	-328 779	-147 826
Change in borrowing/lending via group account system		-61 800	162 100	-	-
Change in provisions for warranty claims	13	-7 985	14 772	-7 986	37 199
Change in other accrual items	19	22 420	29 951	46 592	101 113
<b>Net cash flow from operating activities</b>		<b>270 436</b>	<b>559 521</b>	<b>187 841</b>	<b>480 173</b>
<b>Cash flow from investing activities</b>					
Sale of tangible fixed assets		3 129	2 207	12 258	13 750
Purchase of tangible fixed assets	8	-69 511	-90 371	-430 833	-257 434
Investments in subsidiaries and joint ventures		-78 466	-101 176	-	-
Change in other investments and lending		-201 426	-95 295	-26 199	1 394
<b>Net cash flow from investing activities</b>		<b>-346 274</b>	<b>-284 635</b>	<b>-444 774</b>	<b>-242 290</b>
<b>Cash flow from financing activities</b>					
New loans		-	-	357 900	211 649
Loan repayments		-11 384	-5 821	-192 420	-114 940
Dividends paid		-136 800	-102 600	-136 800	-102 600
Change in minority interests	15	-	-	8 950	-6 031
<b>Net cash flow from financing activities</b>		<b>-148 184</b>	<b>-108 421</b>	<b>37 630</b>	<b>-11 922</b>
Translation differences		-	-	36 367	-38 711
<b>Net change in cash and cash equivalents</b>		<b>-224 022</b>	<b>166 465</b>	<b>-182 936</b>	<b>187 250</b>
Cash and cash equivalents, 1 Jan.		356 475	190 010	584 980	397 730
<b>Cash and cash equivalents, 31 Dec.</b>		<b>132 453</b>	<b>356 475</b>	<b>402 044</b>	<b>584 980</b>
Undrawn credit facilities, 31 Dec.	21	1 275 000	1 050 000	1 275 000	1 050 000

## ACCOUNTING POLICIES

### BASIS OF VALUATION AND CLASSIFICATION

The annual accounts for Jotun A/S and the group comprise the profit and loss account, balance sheet, cash flow statement and notes to the accounts, which have been prepared in accordance with the Companies Act (Norway), the Financial Reporting Act (Norway) and generally accepted accounting principles as of 31 December 2005. In a move to make the accounts more accessible, Jotun has prepared them so that the financial statements provide a summary of the accounting information, with the relevant figures broken down in the notes. As such, the notes form an integral part of the annual accounts.

The parent company and group accounts are based on the fundamental concepts of historic cost, comparability, going concern, congruence and prudence. Transactions are included in the accounts at the value of the payment at the time of the transaction. Income is included in the profit and loss account as it is earned, and costs are recognised in line with the income to which they relate. In the case of sales of goods and services, items are therefore normally taken to income when the goods are delivered or the service is provided. Where projects are identified as generating a loss, a provision is made to cover the entire loss. Hedging and portfolio management are taken into account. Costs that cannot be related to specific items of income are included in the accounts as they are incurred. In the case of the restructuring or termination of operations, all estimated associated costs are charged to the accounts at the time the relevant decision is taken. Where actual figures are not available at the time the accounts are prepared, generally accepted accounting principles dictate that the management should use the best possible estimates in the profit and loss account and balance sheet. Discrepancies may arise between estimated and actual figures.

Assets/liabilities related to the working capital cycle and items falling due within one year of the year-end are classified as current assets/liabilities. Current assets/liabilities are valued at the lower of cost and net realisable value. Net realisable value is defined as the expected future selling price, net of selling costs. Other assets are classified as fixed assets. Fixed assets are valued at cost. Fixed assets that reduce in value are depreciated. Any drop in the value of a fixed asset that is not considered temporary results in the write-down of that fixed asset. Equivalent policies are normally applied for liabilities.

In line with generally accepted accounting principles, there are a few departures from the general valuation policies above, with any such departures being commented on in the relevant notes. Importance is attached to financial realities, and not solely to legal form, when applying accounting policies and presenting transactions and other matters. Conditional losses that are both likely and quantifiable are charged to the profit and loss account. The division of the segmental information is based on the company's internal management and reporting objectives, and on risk and earnings. Sales figures are presented

for both the divisions and geographical areas, since the geographical distribution of operations is important in any assessment of the company.

### CONSOLIDATION OF SUBSIDIARIES AND JOINT VENTURES

The group accounts cover the parent company and its subsidiaries (companies in which it controls more than 50 per cent of the shares directly or indirectly or otherwise has a significant influence) and joint ventures (companies over which it shares control with other shareholders under the terms of a specific agreement to this effect). Full line-by-line consolidation is used for subsidiaries and proportional line-by-line consolidation for joint ventures.

The group accounts present the financial performance and position of the group as a single entity. The accounting policies are used consistently for all group companies to all intents and purposes. New subsidiaries are included in the accounts from the time a controlling influence is acquired, and companies that have been sold are included until the date of disposal. All inter-company transactions and balances have therefore been eliminated. Unrealised gains on stocks of goods etc arising from inter-company transactions are eliminated in the group's stocks and operating profit figures.

### ELIMINATION OF SHARES IN SUBSIDIARIES AND JOINT VENTURES

The acquisition method has been used to consolidate holdings in subsidiaries and joint ventures. This means that the cost to the parent company of shares in subsidiaries and joint ventures is offset against their equity at the time of acquisition. Any excess paid over the book value of the separable net assets acquired is assigned to the assets to which it relates and depreciated in line with these assets, with the balance included as goodwill under intangible assets in the group balance sheet. Goodwill is amortised on a straight-line basis over its estimated useful life, normally ten years in the coatings industry.

### TRANSLATION OF THE ACCOUNTS OF SUBSIDIARIES AND JOINT VENTURES

The profit and loss accounts of foreign subsidiaries and joint ventures are translated into NOK at the average exchange rates for each month, while their assets and liabilities are translated at the exchange rates ruling at the year-end.

Translation differences arising on consolidation are taken directly to equity. Income and costs from hedging the equity of foreign companies are offset against translation differences.

Translation differences attributable to minority interests are included under minority interests.



## SUBSIDIARIES IN HIGH-INFLATION COUNTRIES

The accounts of subsidiaries in countries with high rates of inflation – i.e. Jotun Toz Boya San. ve. Ticaret AS and Jotun Boya San. ve. Ticaret AS in Turkey – are prepared in EUR and USD respectively as their notional currency. This means that their assets and liabilities are valued on the basis of their historical cost in these currencies.

## MINORITY INTERESTS

Minority interests' share of after-tax profit on ordinary activities and share of equity are shown on separate lines.

## FINANCIAL INSTRUMENTS

Financial instruments are used extensively to reduce exchange rate and interest rate risk at Jotun. Exchange rate instruments are carried at market value and interest rate instruments are carried at the lower of cost and market value.

Jotun manages the hedging of cash flows from operating activities exposed to exchange rate risk as a portfolio on the basis of anticipated future cash flows. Contracts used for this purpose do not qualify for hedge accounting. Gains/losses are recognised under other financial income/costs, and open contracts are carried at market value. The hedging of group balance sheet items can be divided into portfolios. This exposure relates primarily to the parent company's net investments in foreign operations. Normally instruments used to hedge such balance sheet items qualify for hedge accounting, so realised exchange rate gains/losses are taken directly to equity and offset against translation differences. Open contracts hedging balance sheet items are carried at market value, and unrealised gains/losses are taken to equity. Where such instruments do not qualify for hedge accounting, changes in value are recognised under other financial income/costs. The interest component of a hedge is also taken to the profit and loss account under other financial income/costs.

Various types of derivative are used to hedge interest rate risk on the basis of a portfolio view of the underlying items. The underlying items are primarily off balance sheet items. Since many hedges cannot be linked to specific loans, open contracts are valued at the lower of cost and market value. Gains/losses are recognised when realised under other financial income/costs.

## SHARES, BONDS AND OTHER SECURITIES

Market-based shares, bonds and other financial instruments classified as current assets are valued at market value in line with § 5-8 of the Financial Reporting Act (Norway). Other securities classified as current assets are valued on a portfolio basis. The portfolio is managed as a single unit and, as such, its value is adjusted only if the total value of the portfolio falls below the total cost of the various securities it comprises. Securities classified as fixed assets are included at the lower of cost and market value.

## INTANGIBLE ASSETS

All costs relating to market investments and research and development are charged to the profit and loss account on an ongoing basis. Acquired goodwill and technology are capitalised and amortised over their estimated useful life, normally five to ten years in the coatings industry.

## TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are reported at cost less accumulated depreciation. Depreciation is charged against operating profit on a straight-line basis over the estimated useful life of an asset.

Where the net realisable value of a fixed asset is lower than its book value, and this is attributable to causes that are not considered temporary, the fixed asset is written down to its net realisable value.

Costs relating to normal maintenance and repairs are charged to the profit and loss account on an ongoing basis. Costs relating to major replacements and renewals that substantially increase the estimated useful life of a fixed asset are capitalised. Interest which relates to plant under construction is capitalised as part of the cost.

## STOCKS

Stocks are valued at the lowest of cost, materials cost and net realisable value on a first-in/first-out basis. The materials cost of semi-finished and finished goods produced internally is defined as direct materials and labour costs plus a proportion of indirect production costs. Allowances are made for obsolescence.

## DEBTORS AND LIABILITIES

Debtors and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the year-end.

Debtors are included in the accounts at their full value, with deductions for anticipated bad debts.

## PENSIONS

Pensions are accounted for in line with the Norwegian Accounting Standard. Pension liabilities relating to defined benefit plans are shown at the present value of projected pension benefits at the year-end. Pension scheme assets are shown at their market value. Any scheme surpluses are included in the balance sheet only where it is likely that they can be put to use. Actuarial gains and losses of up to 10 per cent of gross liabilities/assets are not taken to the profit and loss account, while any gain or loss in excess of 10 per cent is amortised over a period of three years. The year's net pension costs are included in the profit and loss account under staff costs.

## TAX AND DEFERRED TAX

The tax charge relates to the accounting profit/loss for the year and comprises the sum of tax payable and the change in deferred tax liabilities and tax assets. Deferred tax is computed using the liability method on the basis of the temporary timing differences between values for tax and accounting purposes at the end of the year. The nominal tax rate is used in these calculations. Temporary positive and negative timing differences which reverse or may reverse in the same period are offset.

## CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments which can be converted to known cash amounts immediately with no material price risk.

## NOTE 1 SALES PER DIVISION AND GEOGRAPHICAL AREA

(NOK thousand)

Divisions	Jotun Dekorativ	Jotun Coatings	Jotun Paints	Jotun Powder Coatings	Total
Sales	1 610 317	2 699 013	1 488 451	832 633	6 630 414
Geographical areas	Europe	Middle/Far East	USA	Rest of world	Total
Sales	3 684 932	2 512 620	84 674	348 188	6 630 414

## NOTE 2 SALES AND OTHER OPERATING INCOME

(NOK thousand)	Jotun A/S		Group	
	2005	2004	2005	2004
Sales	1 308 807	1 202 719	6 630 414	6 003 422
Sales to subsidiaries	563 136	469 371	-	-
Other operating income	59 249	54 532	79 798	71 972
Other operating income from subsidiaries	121 348	102 049	-	-
<b>Total</b>	<b>2 052 541</b>	<b>1 828 671</b>	<b>6 710 212</b>	<b>6 075 394</b>

Other operating income comprises rental income, licence income, sundry costs invoiced on, compensation payments and gains on the sale of tangible fixed assets.

## NOTE 3 BAD DEBTS

(NOK thousand)	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
Provisions for bad debts, 1 Jan	3 150	4 550	179 617	203 369
Bad debts written off and net recoveries	-15	-1 553	-12 640	-43 617
Year's provisions	765	153	23 444	19 865
<b>Provisions for bad debts, 31 Dec</b>	<b>3 900</b>	<b>3 150</b>	<b>190 421</b>	<b>179 617</b>

## NOTE 4 STOCKS

(NOK thousand)	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
Raw materials	101 566	75 387	444 869	448 470
Finished goods	266 349	244 167	812 816	674 106
Write-downs for obsolescence	-8 947	-7 318	-47 724	-36 797
<b>Total</b>	<b>358 968</b>	<b>312 236</b>	<b>1 209 961</b>	<b>1 085 779</b>

**NOTE 5 STAFF COSTS, NUMBERS AND REMUNERATION**

Staff costs (NOK thousand)	Jotun A/S		Group	
	2005	2004	2005	2004
Salaries and wages incl. bonuses	367 412	336 293	926 756	841 065
Social security	59 119	55 608	112 590	106 160
Pension costs, defined-contribution	17 452	-	40 119	4 369
Pension costs, defined-benefit	19 320	46 473	37 112	61 990
Other benefits	857	812	61 586	58 254
<b>Total</b>	<b>464 160</b>	<b>439 186</b>	<b>1 178 163</b>	<b>1 071 838</b>

Average number of employees, including share in joint ventures	<b>776</b>	800	<b>4 437</b>	4 080
--	------------	-----	--------------	-------

**Remuneration of Board of Directors, Corporate Assembly and President & CEO**

(NOK)	CEO	Board	Corporate assembly
Salary incl. bonus*	5 201 145		
Other remuneration (company car, etc.)	138 472	1 070 000	190 000
Pension premiums	755 000		

\* Including bonus to previous President & CEO of NOK 2.4 mill.

Remuneration to the previous President & CEO is included from 1 January 2005 to 30 September 2005, plus salary for the new President & CEO from 1 October to 31 December 2005.

The President & CEO is included in a pension scheme covering all members of the company's senior management team. The standard retirement age is set at 67 years, with either party entitled to terminate employment wholly or in part up to five years earlier (see note 7).

The President & CEO is also covered by a profit-related bonus scheme for group management with an upper limit of 20 per cent of agreed annual salary.

**Auditors**

Audit fees for Jotun A/S in 2005 came to NOK 928,000. A further NOK 200,000 was paid for other services.

Audit fees for the group came to NOK 6,486,000 in 2005.

**NOTE 6 OTHER COSTS AND FINANCE ITEMS**

Common services in Jotun A/S were invoiced to subsidiaries and joint ventures in the sum of NOK 66.9 million. As a result of refinancing and restructuring in the Middle East and China, the dividends in Jotun A/S from subsidiaries and joint ventures include extraordinary dividends.

**NOTE 7 PENSION COSTS****Defined contribution plans**

Defined contribution plans are schemes where the company pays annual contributions to the employees' pension plans, and where the yield on the pension funds will affect the amount of the pension. Jotun closed the defined benefit pension schemes on 1 January 2005 in the Norwegian companies for employees under 57 and replaced these with defined contribution schemes. The company now pays monthly contributions to every employee's pension account.

**Defined benefit plans**

Schemes with net pension funds cover 189 employees and 638 pensioners related to the collective pension scheme in Jotun A/S. Additionally, 25 employees and 73 pensioners in the remaining Norwegian subsidiaries are included in similar schemes. In the collective scheme, a future pension benefit of up to 60 per cent of the final salary is achieved, which is solely limited up to 12 times the national insurance basic amount (G). The scheme is co-ordinated with benefits from national insurance.

Included in the scheme with net pension obligations is defined benefit schemes for 15 employees and 23 pensioners in Jotun A/S for employees with a pensionable income exceeding 12G and defined benefit schemes for 103 employees and 134 former employees/pensioners in Jotun's U.K. companies. Additionally, there are pension

obligations for 153 employees in our Indonesian companies. Obligations are also included for Jotun A/S and Norwegian subsidiaries from the AFP early retirement pension scheme. In addition to this are other pension obligations financed through operations, which covers agreed and executed early retirements, unsecured retirement pensions and early retirement schemes for Jotun's senior executives in Norway.

	Jotun A/S	Other
Retirement pensioners in unsecured schemes	10	1
Early retirement agreements – agreed and implemented	45	6
Senior executive schemes – active	13	-
Senior executive schemes – pensioners	5	-

With effect from 2002, Jotun decided to reduce the period for amortising actuarial gains and losses beyond the corridor and scheme changes for three years. The company has used an external actuary to carry out the year's pension calculations. The market value of pension funds in Norwegian and English schemes is estimated as at 31 December 2005. Pension obligations in the Norwegian and English schemes are estimated at actual value as at 31 December 2005. The surplus in the overfunded pension schemes has been assessed and may be used to finance future pension premiums.

## CONTINUED NOTE 7 PENSION COSTS

Jotun A/S (NOK thousand)	2005		2004	
	Overfunded schemes	Underfunded schemes	Overfunded schemes	Underfunded schemes
Present value of accrued pension benefits	275 070	136 769	270 520	130 758
Impact of future wage growth	3 408	11 918	9 110	14 520
Present value of projected pension benefits (incl impact of future wage growth)	278 478	148 687	279 630	145 278
Value of scheme assets (market value)	299 700	58 589	297 960	54 343
Net surplus/deficit	21 222	-90 098	18 330	-90 935
Non-amortised actuarial gains/losses	-35 752	-14 372	-35 204	-16 761
<b>Net book surplus/deficit</b>	<b>56 974</b>	<b>-75 726</b>	53 534	-74 174
<i>Year's pension costs</i>				
Present value of year's accrued pension benefits	3 230	9 990	13 198	10 962
Interest cost on accrued pension benefits	14 945	6 899	23 821	8 806
Projected return on scheme assets	-18 845	-3 572	-28 167	-4 229
Net effect of change to defined-contribution schemes	-	-	-15 176	-4 867
Amortised changes in pension schemes	-	-	-	3 849
Amortised actuarial gains/losses	2 787	812	22 358	9 595
National insurance payable on net pension costs	784	2 290	2 522	3 801
<b>Net pension costs</b>	<b>2 901</b>	<b>16 419</b>	18 556	27 917
<b>Group</b> (NOK thousand)				
Present value of accrued pension benefits	306 187	388 195	301 268	344 769
Impact of future wage growth	3 718	12 766	9 816	15 494
Present value of projected pension benefits (incl impact of future wage growth)	309 905	400 961	311 084	360 263
Value of scheme assets (market value)	345 140	222 340	345 815	189 701
Net surplus/deficit	35 235	-178 621	34 731	-170 562
Non-amortised actuarial gains/losses	-42 076	-60 296	-39 672	-63 114
<b>Net book surplus/deficit</b>	<b>77 311</b>	<b>-118 325</b>	74 403	-107 448
<i>Year's pension costs</i>				
Present value of year's accrued pension benefits	3 524	17 423	14 770	17 437
Interest cost on accrued pension benefits	16 632	17 993	26 731	19 028
Projected return on scheme assets	-21 716	-12 126	-32 508	-12 198
Net effect of change to defined-contribution schemes	-	-	-17 999	-4 867
Amortised changes in pension schemes	-	-	-	4 717
Amortised actuarial gains/losses	3 624	8 546	23 193	16 933
National insurance payable on net pension costs	814	2 398	2 690	4 063
<b>Net pension costs</b>	<b>2 878</b>	<b>34 234</b>	16 877	45 113

The actuarial assumptions underlying the calculations are as follows:

	2005			2004		
	Norway	UK	Indonesia	Norway	UK	Indonesia
Discount rate %	5.5	4.9	12.0	5.5	5.3	12.0
Return on scheme assets %	6.5	6.3	-	6.5	6.3	-
Wage growth %	3.0	3.3	10.0	3.0	3.8	10.0
Inflation (prices and NI multiplier) %	3.0	2.7	10.0	3.0	2.8	10.0
Pension growth %	2.0	3.3	-	2.0	3.3	-

The actuary calculations for 2005 in the Norwegian companies are based on the same financial assumptions as for 2004. In the English companies the changes in the financial assumptions has led to an increase in the pension obligations of NOK 15.7 million. The calculations have been made based on actual pensionable income, pension and members as at 01.01.06.

## NOTE 8 TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

Jotun A/S (NOK thousand)	Goodwill	Technology	Other intangible assets	Land	Buildings & plants	Machinery, vehicles & equipment	Plants under construction	Total
Cost, 1 Jan.	6 725	96 495	37 521	14 469	417 563	481 517	-	1 054 290
Reclassifications	-	-	-3 244	-	-	-	-	-3 244
Additions	-	450	21 283	-	2 433	17 569	27 775	69 510
Disposals	-	-	-	-	-	-7 762	-	-7 762
<b>Cost, 31 Dec.</b>	<b>6 725</b>	<b>96 945</b>	<b>55 560</b>	<b>14 469</b>	<b>419 996</b>	<b>491 324</b>	<b>27 775</b>	<b>1 112 794</b>
Accumulated depreciation, 1 Jan.	448	84 448	3 244	-	251 686	317 593	-	657 419
Reclassifications	-	-	-	-	-	-	-	-
Year's depreciation charges	1 431	4 776	4 839	-	11 079	40 823	-	62 948
Disposals	-	-	-3 244	-	-	-5 915	-1	-9 160
<b>Accumulated depreciation, 31 Dec.</b>	<b>1 879</b>	<b>89 224</b>	<b>4 839</b>	<b>-</b>	<b>262 765</b>	<b>352 501</b>	<b>-1</b>	<b>711 207</b>
<b>Book value, 31 Dec.</b>	<b>4 846</b>	<b>7 721</b>	<b>50 721</b>	<b>14 469</b>	<b>157 231</b>	<b>138 823</b>	<b>27 776</b>	<b>401 587</b>
Estimated useful life	Up to 5 years	Up to 5 years	Up to 5 years	-	Up to 25 years	Up to 10 years	-	
Type of depreciation	Straight line	Straight line	Straight line	-	Straight line	Straight line	-	

## NOTE 8 TANGIBLE FIXED ASSETS AND INTANGIBLE ASSETS

Group	Goodwill	Technology	Other intangible assets	Land	Buildings & plants	Machinery, vehicles & equipment	Plants under construction	Total
<i>(NOK thousand)</i>								
Cost, 1 Jan.	381 909	97 166	39 833	81 328	1 025 653	1 509 326	37 378	3 172 593
Reclassifications and corrections	618	-3 139	1 140	2 522	4 844	27 239	-33 832	-608
Additions	450	337	24 482	5 475	192 199	159 451	48 439	430 833
Disposals	-	-	-502	-	-3 606	-49 255	-487	-53 849
Translation differences	-127	382	113	3 259	29 014	49 219	2 412	84 272
<b>Cost, 31 Dec.</b>	<b>382 850</b>	<b>94 746</b>	<b>65 065</b>	<b>92 585</b>	<b>1 248 104</b>	<b>1 695 980</b>	<b>53 910</b>	<b>3 633 240</b>
Accumulated depreciation, 1 Jan.	275 225	85 490	4 835	476	509 054	963 658	-	1 838 738
Reclassifications and corrections	-1 428	-207	1 062	-	-771	5 572	-	4 229
Year's depreciation charges	23 116	2 955	6 004	49	37 812	135 641	-	205 576
Disposals	-397	53	-1 696	-	-3 168	-40 362	-1	-45 571
Translation differences	-93	235	83	56	12 571	30 159	-	43 012
<b>Accumulated depreciation, 31 Dec.</b>	<b>296 423</b>	<b>88 526</b>	<b>10 289</b>	<b>581</b>	<b>555 498</b>	<b>1 094 668</b>	<b>-1</b>	<b>2 045 985</b>
<b>Book value, 31 Dec.</b>	<b>86 427</b>	<b>6 220</b>	<b>54 776</b>	<b>92 003</b>	<b>692 606</b>	<b>601 312</b>	<b>53 911</b>	<b>1 587 256</b>
Estimated useful life	Up to 10 years	Up to 10 years	Up to 10 years	-	Up to 25 years	Up to 10 years	-	
Type of depreciation	Straight line	Straight line	Straight line	-	Straight line	Straight line	-	

Goodwill arising on acquisitions is amortised over its estimated useful life, which is ten years in the coatings industry.

The group's research and development costs relate primarily to the development of more environmentally friendly products. These costs are considered necessary for the group to sustain its competitiveness. The group's research and development costs amounted to NOK 123.3 million in 2005 (2004: NOK 111.5 million).

## NOTE 9 SHARES IN SUBSIDIARIES

## Shares held directly by the parent company

Company	Currency	Share capital	No. of shares	Par value	Book value NOK	Stake %
Jotun Victoria Pty. Ltd.	AUD	1000	1 000 000	1 000	11	100.00
Jotun Australia Pty.Ltd.	AUD	11 550	16 050 001	11 550	45 026	100.00
Jotun (Deutschland) GmbH.	EUR	614	1 200	512	12 090	83.33
Jotun Danmark A/S	DKK	3 300	6 600	3 300	2 698	100.00
El-Mohandes Jotun S.A.E.	EGP	20 000	2 000 000	14 000	91 945	70.00
Jotun Italia S.p.A.	EUR	1 034	200 000	1 034	17 310	100.00
Jotun Iberica S.A.	EUR	9 303	86 645	9 303	110 434	100.00
Jotun France S.A.S.	EUR	320	16 000	320	2 108	100.00
Jotun (UK) Ltd.	GBP	6 250	6 250 000	6 250	63 850	100.00
Jotun Insurance Cell	GBP	121	1	121	1 350	100.00
Jotun Hellas Ltd.	EUR	343	11 435	334	2 937	97.40
Jotun Paints (H.K.) Ltd.	HKD	16 000	16 000 000	16 000	18 040	100.00
P.T. Jotun Indonesia Paints & Chemicals	IDR	7 595 600	30 000	7 428 497	23 199	97.80
Jotun (Ireland) Ltd.	EUR	640	487 409	640	5 500	100.00
Jotun (Malaysia) Sdn. Bhd.	MYR	8 000	80 000	4 700	11 737	58.75
Jotun B.V.	EUR	2 616	29 001	2 616	49 175	100.00
Scanox AS	NOK	4 000	20 000	4 000	80 280	100.00
Jotun Powder Coatings AS	NOK	87 000	87 000	87 000	87 000	100.00
Demidekk Optimal Utendørsmaling AS	NOK	111	500	111	111	100.00
Jotun Paints Co. L.L.C.	OMR	250	25 000	155	45 145	62.00
Jotun Polska Sp.zo.o.	PLN	7 500	15 000	7 500	14 371	100.00
Jotun Portugal Tintas SA	EUR	254	51 000	254	2 281	100.00
Jotun Sverige AB	SEK	4 000	80 000	4 000	4 550	100.00
Jotun (Singapore) Pte. Ltd.	SGD	6 000	6 000 000	6 000	28 040	100.00
Jotun Thailand Ltd.	THB	84 000	84 000	80 186	44 285	95.46
Jotun Boya San. ve Ticaret A.S.	USD	1 830	115 000	1 830	32 556	100.00
Jotun Paints South Africa (Pty.) Ltd.	ZAR	2 580	110	2 580	4 408	100.00
Jotun Do Brasil Ltda.	USD	922	2 144 200	922	6 731	100.00
Jotun Paints (Vietnam) Co. Ltd.	USD	2 309	-	2 309	15 563	100.00
Jotun Paints Inc.	USD	37 600	100	37 600	18 253	100.00
Jotun Abu Dhabi Ltd. (L.L.C.)	AED	4 000	4 000	1 400	28 061	35.00
Drygolin Værbestandig Oljemaling AS	NOK	109	500	109	109	100.00
Lady Interiørmaling AS	NOK	120	1 000	120	120	100.00
Jotun Paints O.O.O.	RUB	17 000	17 000	17 000	3 814	100.00
Jotun Coatings (Zhangjiagang) Co. Ltd.	CNY	89 387	-	89 387	69 167	100.00
Jotun Coatings (Zhangjiagang FTZ) Trading Co. Ltd.	CNY	5 049	-	5 049	3 916	100.00
Jotun COSCO Marine Coatings (HK) Ltd.	HKD	82 884	2 000	41 442	34 231	50.00
Shares held by third parties for Jotun A/S					10 344	
<b>Total</b>					<b>990 746</b>	

The percentage of votes held is the same as the percentage of shares held.

## CONTINUED NOTE 9 SHARES IN SUBSIDIARIES

## Shares held directly by subsidiaries and joint ventures

<i>(NOK thousand)</i> Company	Currency	Share capital	No. of shares	Par value	Book value NOK	Stake %
<b>Jotun Powder Coatings AS</b>						
Jotun Powder Coatings (CZ) a.s.	CZK	128 000	12 800	128 000	30 887	100.00
Jotun Powder Coatings Bulgaria Ltd.	EUR	12	-	12	2 157	100.00
Jotun Powder Coatings Ltd.	GBP	1 000	1 000 000	1 000	8 843	100.00
Jotun Powder Coatings LLC	EGP	300	300	270	421	90.00
Jotun Powder Coatings (M) Sdn.Bhd.	MYR	1 950	1 950 933	1 572	29 146	80.60
Jotun Powder Coatings (N) AS	NOK	12 500	125 000	12 500	95 776	100.00
Jotun Powder Coatings (Thailand) Ltd.	THB	9 000	9 000	9 000	65 000	100.00
Jotun Toz Boya San. ve. Ticaret A.S.	TRL	23 600	23 600 000	23 600	75 831	100.00
Jotun Powder Coatings (Vietnam) Co. Ltd.	VND	37 800 575	1 200 000	37 800 575	10 000	100.00
Jotun Powder Coatings Pakistan (Private) Ltd.	PKR	60 000	6 000 000	24 000	2 934	40.00
PT Jotun Powder Coatings (Indonesia)	IDR	9 669 543	45 000	9 669 543	7 404	100.00
Jotun Powder Coatings (India) Private Ltd.	INR	18 600	1 860 000	18 600	2 698	100.00
Shares held by third parties for Jotun Powder Coatings AS					10 854	
<b>Total</b>					<b>341 951</b>	

**Jotun Powder Coatings (N) AS**

Jotun Powder Coatings LLC	EGP	300	300	30	64	10.00
---------------------------	-----	-----	-----	----	----	-------

**Scanox AS**

Butinox Inne og Utemaling AS	NOK	100	500	100	100	100.00
------------------------------	-----	-----	-----	-----	-----	--------

**Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)**

Jotun Powder Coatings Pakistan (Private) Ltd.	PKR	60 000	6 000	24 000	2 777	40.00
---	-----	--------	-------	--------	-------	-------

**Jotun B.V.**

Jotun (Deutschland) GmbH.	EUR	614	1 200	102	2 516	16.67
Jotun Hellas Ltd.	EUR	343	300	9	176	2.60

**Jotun (UK) Ltd.**

Jotun Paints (Europe) Ltd.	GBP	4 000	4 000 000	4 000	46 446	100.00
----------------------------	-----	-------	-----------	-------	--------	--------

**Jotun Paints Inc.**

PRS Delaware LLC	USD	1 000	100	1 000	6 741	100.00
------------------	-----	-------	-----	-------	-------	--------

**Jotun U.A.E. Ltd. (L.L.C.)**

Jotun Abu Dhabi Ltd. (L.L.C.)	AED	4 000	4 000	1 600	2 937	40.00
-------------------------------	-----	-------	-------	-------	-------	-------

**Jotun COSCO Marine Coatings (HK) Ltd.**

Jotun COSCO Marine Coating (Guangzhou) Co. Ltd	CNY	72 957	-	72 957	72 054	100.00
--	-----	--------	---	--------	--------	--------

**Total** **475 762**

The percentage of votes held is the same as the percentage of shares held.

The companies Jotun COSCO Marine Coatings (HK) Ltd. and Jotun COSCO Marine Coatings (Guangzhou) Ltd. are both controlled 50 per cent by the parent company. The companies are consolidated 100 per cent with deductions for minority interests. This is based on a total assessment of underlying agreements on the company's operations and strategy, which means that Jotun A/S has actual control.

## NOTE 10 SHARES IN JOINT VENTURES

## Shares held directly by the parent company

<i>(NOK thousand)</i> Company	Currency	Share capital	No. of shares	Par value	Book value NOK	Stake %
Jotun U.A.E. Ltd. (L.L.C.)	AED	4 000	2 000	1 660	108 930	41.50
Nor-Maali OY	EUR	8	10 000	3	8 180	33.40
Chokwang Jotun Ltd.	KRW	2 320 000	232 000	1 160 000	9 831	50.00
Corro-Coat Saudi Arabia Co. Ltd.	SAR	7 320	73 200	161	301	2.20
Jotun Saudia Co. Ltd.	SAR	9 000	9 000	3 600	17 278	40.00
Red Sea Paints Co. Ltd.	SAR	9 500	9 500	3 800	21 995	40.00
Ratinjat Saudia Co. Ltd.	SAR	13 000	13 000	5 200	13 248	40.00
Jotun Yemen Paints Ltd.	USD	1 000	20 000	90	675	9.00
Shares held by Jotun A/S for third parties					(301)	
<b>Total</b>					<b>180 137</b>	

## Shares held directly by subsidiaries and joint ventures

Company	Currency	Share capital	No. of shares	Par value	Book value NOK	Stake %
<b>Jotun Powder Coatings AS</b>						
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)	AED	3 000	3 000	1 410	66 067	47.00
Corro-Coat Saudi Arabia Co. Ltd.	SAR	7 320	73 200	2 035	20 000	27.80
<b>Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)</b>						
Corro-Coat Saudi Arabia Co. Ltd.	SAR	7 320	73 200	2 928	5 271	40.00
<b>Jotun Saudia Co. Ltd</b>						
Jotun Yemen Paints Ltd.	USD	1 000	20 000	170	1 147	17.00
<b>Jotun Paints Co. L.L.C.</b>						
Jotun Yemen Paints Ltd.	USD	1 000	20 000	170	1 156	17.00
<b>Total</b>					<b>93 641</b>	

The percentage of votes held is the same as the percentage of shares held.

## NOTE 11 SHARES AND OTHER SECURITIES

## Shares held directly by the parent company

<i>(NOK thousand)</i> Company	Currency	Share capital	No. of shares	Par value	Book value NOK	Stake %
Cathelco Jotun Ltd., (UK)	GBP	1 333	1 333	133	7 565	10.00
Other companies					877	
<b>Total</b>					<b>8 442</b>	

## NOTE 12 LIABILITIES AND BONDS

## Amounts falling due more than five years after the year-end:

	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
<i>(NOK thousand)</i>				
Secured loans	32 117	45 051	35 490	48 716
Other long-term liabilities	-	-	-	1 784
<b>Total</b>	<b>32 117</b>	<b>45 051</b>	<b>35 490</b>	<b>50 500</b>

## Loans from credit institutions - Jotun A/S

Currency	Average interest rate %	Amount in currency	Amount in NOK
NOK	4.99	96 787	96 787

## Repayment schedule

Year	2006	2007	2008	2009	2010	Later	Total
Amount	12 934	12 934	12 934	12 934	12 934	32 117	96 787

Jotun has long-term drawing facilities that require a minimum equity/assets ratio and a maximum level of interest-bearing liabilities relative to EBITDA. Jotun was well within these limits at the year-end.

## Loans from credit institutions – Group

Currency	Average interest rate %	Amount in currency	Amount in NOK
NOK	4.99	96 787	96 787
Other currencies	-	-	47 299
<b>Total</b>	<b>-</b>	<b>-</b>	<b>144 086</b>

## Repayment schedule

Year	2006	2007	2008	2009	2010	Later	Total
Amount	27 927	29 001	23 277	15 228	13 164	35 490	144 086

## NOTE 13 OTHER CURRENT LIABILITIES

## Provisions for liabilities included in other current liabilities

	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
<i>(NOK thousand)</i>				
Provisions for warranty claims	46 570	54 555	108 242	116 229
Other provisions	25 751	14 200	75 363	61 478
Other current liabilities	95 917	53 359	247 094	174 632
<b>Total</b>	<b>168 238</b>	<b>122 114</b>	<b>430 700</b>	<b>352 339</b>

## NOTE 14 TAX

	Jotun A/S		Group	
	2005	2004	2005	2004
<i>(NOK thousand)</i>				
<b>Tax payable on year's earnings</b>				
Profit on ordinary activities before taxation	451 444	371 882	-	-
Permanent timing differences	-79 253	-165 895	-	-
Change in temporary timing differences	20 877	17 510	-	-
Taxable income	393 068	223 497	-	-
<b>Tax payable on year's earnings (28%)</b>	<b>110 059</b>	<b>62 579</b>	<b>-</b>	<b>-</b>
<b>Breakdown of tax charge for the year</b>				
Tax payable on year's earnings	110 059	62 579	178 519	159 181
Tax credits other than tax deducted at source	-1 485	12 581	-	-
Gross change in deferred tax	-7 396	-3 905	-28 334	-16 693
Translation differences	-	-	-563	-1 781
Prior-year adjustments	1 257	1 253	1 257	1 253
<b>Tax charge for the year</b>	<b>102 435</b>	<b>72 508</b>	<b>150 879</b>	<b>141 960</b>
Tax payable in Norway	73 046	48 679	73 046	52 269
Tax payable outside Norway	29 389	23 829	77 833	89 691
<b>Breakdown of tax payable in the balance sheet</b>	<b>31.12.05</b>	<b>31.12.04</b>	<b>31.12.05</b>	<b>31.12.04</b>
Tax payable on year's earnings	110 059	62 579	178 519	159 181
Prepaid tax	-	-	-47 736	-71 801
Less tax deducted at source	-31 419	-9 995	-31 419	-12 964
<b>Total</b>	<b>78 640</b>	<b>52 584</b>	<b>99 364</b>	<b>74 416</b>
<b>Breakdown of basis for deferred tax</b>				
Fixed assets	-6 342	62 118	69 511	160 908
Current assets	-13 981	14 535	-84 706	-50 219
Liabilities	-74 984	-145 546	-171 371	-180 461
Tax loss carryforwards	-	-	-42 811	-34 442
<b>Total</b>	<b>-95 307</b>	<b>-68 893</b>	<b>-229 377</b>	<b>-104 214</b>
<b>Deferred tax liabilities (assets)</b>	<b>-26 686</b>	<b>-19 290</b>	<b>-68 603</b>	<b>-40 269</b>

## CONTINUED NOTE 14 TAX

## Reconciliation of tax charge and tax charge at the average nominal tax rate:

	Jotun A/S		Group	
	Amount	%	Amount	%
<i>(NOK thousand)</i>				
Tax on pre-tax profit at average nominal tax rate	126 404	28	137 204	28
Effect of tax credits and prior-year adjustments	-1 778	-	2 882	1
Tax on dividends, royalties and interest	-	-	33 355	7
Effect of permanent timing differences	-22 191	-5	1 788	-
Effect of goodwill amortisation and other eliminations	-	-	-2 527	-1
Changes in tax rates and other items	-	-	-21 823	-4
<b>Tax charge for the year</b>	<b>102 435</b>	<b>23</b>	<b>150 879</b>	<b>31</b>

The group's effective tax rate is higher than the nominal tax rate. This is due primarily to the amortisation and writing down of goodwill acquired in business combinations, the taxation of dividends from group companies, different tax rates in different countries, and the non-recognition of deferred tax assets in some companies.

## NOTE 15 EQUITY

Jotun A/S	Share capital	Other equity	Profit for the year	Total
<i>(NOK thousand)</i>				
<b>Equity, 1 Jan.</b>	102 600	2 117 932	-	2 220 532
Profit for the year	-	-	349 009	349 009
Allocated to dividends	-	-	-153 900	-153 900
Transfers	-	195 109	-195 109	-
<b>Equity, 31 Dec.</b>	<b>102 600</b>	<b>2 313 041</b>	<b>-</b>	<b>2 415 641</b>
<b>Distributable equity</b>	<b>31.12.05</b>	31.12.04	-	-
Book equity	2 415 641	2 220 532	-	-
Downward adjustment due to 10% limit	-341 086	-317 921	-	-
<b>Company's distributable reserves</b>	<b>2 074 555</b>	1 902 611	-	-

## Annual RISK adjustments for shares in Jotun A/S

	01.01.05	01.01.04	01.01.03	01.01.02	01.01.01	01.01.00
	<b>36.40</b>	315.79	289.11	552.60	184.32	1 500.81
	01.01.99	01.01.98	01.01.97	01.01.96	01.01.95	01.01.94
	473.59	154.29	221.51	643.93	155.71	188.29

The adjusted opening value on 1 January 1992 has been set at NOK 5,236.

## Group

	Share capital	Other equity	Profit for the year	Minority interests	Total
<i>(NOK thousand)</i>					
<b>Equity, 1 Jan.</b>	102 600	2 368 636	-	107 104	2 578 340
Profit for the year	-	-	304 749	34 387	339 136
Allocated to dividends/dividends paid	-	-	-153 900	-65 542	-219 442
Transfers	-	150 849	-150 849	-	-
Minority's share of capital increase	-	-	-	25 048	25 048
Translation differences	-	72 803	-	15 057	87 860
<b>Equity, 31 Dec.</b>	<b>102 600</b>	<b>2 592 288</b>	<b>-</b>	<b>116 054</b>	<b>2 810 942</b>

## NOTE 16 SHARE CAPITAL AND SHAREHOLDERS - JOTUN A/S

The share capital in Jotun A/S comprised the following classes of share on 31 December 2005:

<i>(NOK thousand)</i>	Number	Par value	Book value
A-shares	114 000	300	34 200
B-shares	228 000	300	68 400
<b>Total</b>	<b>342 000</b>	<b>300</b>	<b>102 600</b>

Each A-share carries ten votes and each B-share one vote at general assembly.

## Ownership structure:

The company had 372 shareholders at the year-end. The largest were as follows:

Shareholder	A-shares	B-shares	Total	Stake	Votes
Lilleborg AS	41 938	103 448	145 386	42.5%	38.2%
Odd Gleditsch AS	11 399	34 803	46 202	13.5%	10.9%
Mattisberget AS	25 000	-	25 000	7.3%	18.3%
Taco Invest AS	-	14 223	14 223	4.2%	1.0%
Leo Invest AS	2 982	8 184	11 166	3.3%	2.8%
Abrafam Holding AS	3 359	4 315	7 674	2.2%	2.8%
Odd Gleditsch Farvehandel AS	-	6 750	6 750	2.0%	0.5%
Odd Gleditsch Jr.	4 879	743	5 622	1.6%	3.6%
Bjørn Ekdahl	1 872	3 730	5 602	1.6%	1.6%
Elanel AS	3 004	2 353	5 357	1.6%	2.4%
Live Invest AS	4 051	547	4 598	1.3%	3.0%
Kofreni AS	131	4 094	4 225	1.2%	0.4%
Bjørn Ole Gleditsch	26	3 679	3 705	1.1%	0.3%
Conrad Wilhelm Eger	1 171	2 155	3 326	1.0%	1.0%
Odd Gleditsch d.y.	27	3 169	3 196	0.9%	0.3%
Anne Cecilie Gleditsch	5	3 161	3 166	0.9%	0.2%
Jill Beate Gleditsch	-	3 160	3 160	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%
Nils Petter Johannes Ekdahl	1 872	980	2 852	0.8%	1.4%
<b>Total 20 largest</b>	<b>104 571</b>	<b>202 756</b>	<b>307 327</b>	<b>89.9%</b>	<b>91.3%</b>
Others	9 429	25 244	34 673	10.1%	8.7%
<b>Total</b>	<b>114 000</b>	<b>228 000</b>	<b>342 000</b>	<b>100.0%</b>	<b>100.0%</b>

## CONTINUED NOTE 16 SHARE CAPITAL AND SHAREHOLDERS - JOTUN A/S

## Shares held by members of the Board, Corporate Assembly and the President &amp; CEO:

Name	Position	A-shares	B-shares	Total
Odd Gleditsch d.y.	Chairman of the Board	27	3 229	<b>3 256</b>
Einar Abrahamsen	Board member	3 359	4 315	<b>7 674</b>
Richard Arnesen	Board member	1 862	3 671	<b>5 533</b>
Nicolai A. Eger	Board member	1 210	5 454	<b>6 665</b>
Olav Christensen	Chairman Corp. Assembly	3 004	2 353	<b>5 357</b>
Bjørn Ole Gleditsch	Corp. Ass. member	26	10 429	<b>10 455</b>
Thomas Gleditsch	Corp. Ass. member	27	2 194	<b>2 221</b>
Fredrikke Eger	Corp. Ass. member	1 144	2 361	<b>3 505</b>
Erling Fr. Sørhaug	Corp. Ass. member	-	1	<b>1</b>
Birger Amundsen	Corp. Ass. member	-	2	<b>2</b>
Morten Fon	President & CEO	3	-	<b>3</b>

No options to purchase shares have been issued.

## NOTE 17 SECURED ASSETS AND GUARANTEES

(NOK thousand)	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
<b>Secured balance sheet liabilities</b>				
Amounts owed to credit institutions – long-term	96 787	109 721	130 768	125 010
Amounts owed to credit institutions – short-term	-	-	27 956	6 078
<b>Total</b>	<b>96 787</b>	<b>109 721</b>	<b>158 725</b>	<b>131 088</b>
<b>Book value of assets put up as security for secured debt</b>				
Land, buildings etc.	64 136	67 591	73 787	76 156
Machinery and plant	67 346	87 470	116 161	92 440
Stocks	-	-	1 096	31 230
Trade debtors	-	-	3 651	630
<b>Total</b>	<b>131 482</b>	<b>155 061</b>	<b>194 695</b>	<b>200 456</b>
<b>Off balance sheet guarantees</b>				
Guarantees for employees	-	-	7 283	8 074
Guarantees for withholding tax	24 000	22 033	29 489	27 486
Guarantees for subsidiaries	170 497	137 279	173 202	411 580
Guarantees from subsidiaries	-	-	-	1 000 000
Guarantees for customers etc. and Jotun A/S	400	400	18 885	14 377
<b>Total</b>	<b>194 897</b>	<b>159 712</b>	<b>228 860</b>	<b>1 461 517</b>

Jotun A/S has entered into a new agreement on credit facilities with its banks totalling NOK 1.2 billion. Previously submitted parent company guarantees from subsidiaries have now been removed.

Jotun A/S is the senior company for the purposes of the group's shared bank account system and is responsible for the group's net exposure to the bank in question. The overdraft limit on this bank account system is NOK 75 million.

## NOTE 18 INTER-COMPANY BALANCES IN JOTUN A/S TOWARDS OTHER GROUP COMPANIES

(NOK thousand)	Subsidiaries		Joint ventures	
	31.12.05	31.12.04	31.12.05	31.12.04
<b>Financial fixed assets</b>				
Amounts due < 1 year	-	59 853	-	-
Amounts due > 1 year	794 587	538 674	2 076	-
<b>Total</b>	<b>794 587</b>	<b>598 527</b>	<b>2 076</b>	<b>-</b>
<b>Debtors</b>				
Trade debtors	120 060	124 718	9 760	12 383
Amounts owed by subsidiaries	68 800	8 600	-	-
Other current debtors	162 859	87 306	-	20 542
<b>Total</b>	<b>1 146 305</b>	<b>819 151</b>	<b>11 836</b>	<b>32 925</b>

(NOK thousand)	Subsidiaries		Joint ventures	
	31.12.05	31.12.04	31.12.05	31.12.04
<b>Current liabilities</b>				
Short-term loans to subsidiaries	124 900	126 500	-	-
Trade creditors	36 963	82 526	7 918	5 832
Other current liabilities	14 950	10 654	61 798	40 113
<b>Total</b>	<b>176 813</b>	<b>219 680</b>	<b>69 716</b>	<b>45 945</b>

## NOTE 19 BREAKDOWN OF ITEMS IN THE CASH FLOW STATEMENT

(NOK thousand)	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
<b>Change in stocks, trade debtors and trade creditors</b>				
Stocks	-46 732	-88 620	-124 182	-201 947
Trade debtors	-2 914	-7 798	-275 333	-59 143
Trade creditors	-35 834	97 105	70 736	113 265
<b>Total</b>	<b>-85 480</b>	<b>687</b>	<b>-328 779</b>	<b>-147 826</b>

(NOK thousand)	Jotun A/S		Group	
	31.12.05	31.12.04	31.12.05	31.12.04
<b>Change in other accrual items</b>				
Other current debtors	-53 828	-21 733	-56 189	523
Tax payable	26 055	36 240	24 948	22 886
Public duties payable	3 234	1 669	1 556	4 233
Other current liabilities	54 112	8 460	86 345	82 369
Other provisions for liabilities	-7 153	5 315	-10 068	-8 898
<b>Total</b>	<b>22 420</b>	<b>29 951</b>	<b>46 592</b>	<b>101 113</b>



**NOTE 20 CONTINGENT LIABILITIES AND OTHER OFF BALANCE SHEET LIABILITIES**

Jotun is involved in a number of disputes and complaints in connection with its activities, including those discussed below. Provisions have been made for the anticipated outcome of disputes where a negative outcome is more likely and reliable estimates can be made. Anticipated insurance cover is taken into account when assessing the size of these provisions. Jotun acknowledges that the outcome of these disputes is associated with uncertainty but is of the opinion

that these cases will be resolved without impacting significantly on the group's financial position.

A number of court and arbitration cases are under way in connection with operations in the USA. Customers are claiming compensation from Jotun Paints Inc. for alleged product defects and defective technology purchased from The Valspar Corporation. The cases are expected to be resolved in 2007 and 2008.

**NOTE 21 OVERDRAFTS AND OTHER CREDIT FACILITIES**

	Jotun A/S	
	31.12.05	31.12.04
Unused part of short and long-term committed credit facilities	1 275 000	1 050 000

The requirement for liquidity reserves for the group rests with the parent company, which can finance, wholly or partly, subsidiaries and associated companies through internal loans. At year-end, Jotun A/S had credit facilities totalling NOK 1.2 billion. NOK 600 million of these

facilities fall due in 2012, while NOK 600 million is due in 2010. The latter NOK 600 million can be extended to 2012 if this is acceptable to the credit providers (extension option). No credit had been used in these facilities as at 31 December 2005.

The credit facilities above include an unused, committed line to Jotun A/S of NOK 75 million in the company's group account system.

The remainder of the credit facilities in the group are mainly short-term non-committed credit that is not included in the liquidity reserve.

**NOTE 22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Jotun has the following established policy for hedging currency and interest rate exposure**

Currency exposure in the group balance sheet shall be hedged by 30–100 per cent where exposure is greater than NOK 25 million per currency (or currency group). Currency exposure on the parent company's net cash flows from operations, in a future 12-month perspective, shall be hedged 30–100 per cent where exposure is greater than NOK 15 million per currency (or currency group). In the event that the aforementioned two currency exposures (balance exposure and cash flow exposure) in relation to a currency go against each other, only the net exposure exceeding NOK 15 million shall be hedged. The interest rate exposure in the group balance sheet shall be hedged 30–80 per cent in the event that the total exposure exceeds NOK 25 million per currency.

All transactions are carried out based on the aforementioned guidelines and with the aim of reducing the total currency and interest rate exposure. Financial instruments are used to an extensive degree in order to reduce such risk, and this is further explained below.

**Managing and controlling currency risk**

Currency exposure in the group balance sheet is hedged via currency loans, currency swaps and currency options. The greatest net assets in addition to NOK are in the currencies USD, EUR and THB, as well as the USD-related currencies AED and SAR. This exposure mainly consists of the parent company's net investments in international

operations. Currency gains and losses on hedging transactions related to the group balance sheet are recorded directly against the equity as a contra entry to translation differences for the part that qualifies for hedging accounting. No part of this hedging accounting is reflected in the company accounts of Jotun AS. The basis for hedging accounting is assessed separately where the hedging level per currency – or valuta group is changed substantially during the year. Gains and losses on hedging transactions that do not qualify as hedging accounting, are entered in the profit and loss account under financial income and costs.

Jotun's net cash flows from operations are mainly generated in the individual group companies and the responsibility for hedging any currency exposures lies at a local level. Included in cash flows from operations of the parent company (and the subsidiaries that are included in the parent company's group account's system) is the dividends and licence revenues from other external companies. In order to protect the parent company from fluctuations in currency exchange rates, forward contracts are used for the most part, as well as currency swaps and options. Currency gains and losses are entered in the profit and loss account under financial income and costs. Outstanding contracts are assessed at actual value, and non-realised currency gains and losses are entered in the profit and loss account since the hedgings are regarded as not qualifying for hedging accounting. The interest rate element in the forward rate is recorded in the profit and loss account as a financial item.

**As at 31 December 2005, Jotun A/S had entered into the following forward contracts:**

Currency bought	Currency sold	Due
NOK 429 011	USD 65 000	2006
NOK 96 034	GBP 8 350	2006
NOK 53 524	EUR 6 800	2006
NOK 33 105	SGD 8 500	2006
NOK 19 518	DKK 18 500	2006
NOK 8 528	SEK 10 000	2006
USD 7 624	AED 28 000	2006
USD 4 122	THB 170 000	2006
USD 3 994	SAR 15 000	2006
USD 3 475	KRW 3 600 000	2006

**As at 31 December 2005, Jotun A/S had entered into the following option contracts:**

Portfolio	Type	Strike (weighted av.)	Knock in (weighted av.)	Currency sold	Due
NOK	bought 1)	6.4724	7.0442	USD 21000	2006
GBP	bought 2)	1.8220	1.6950	USD 3 644	2006
NOK	bought 3)	0.8440	0.8800	SEK 15 000	2006

- 1) If the spot rate on the due date is equal to or higher than knock-in, Jotun is obliged to sell up to double the USD volume at a rate that is equal to or higher than the strike rate. If the spot rate on the due date is lower than knock-in, whereby knock-in has not occurred, there is no obligation to sell.
- 2) If the spot rate on the due date is equal to or lower than knock-in, Jotun is obliged to buy double the GBP volume at a rate equal to the strike rate. If the spot rate on the due date is higher than knock-in, whereby knock-in has not occurred, there is no obligation to buy.
- 3) If the spot rate on the due date is equal to or higher than knock-in, Jotun is obliged to sell double the SEK volume at a rate equal to 0.8400. If the spot rate on the due date is lower than knock-in, whereby knock-in has not occurred, there is no obligation to sell.

**Management and control of interest rate risk**

Jotun's net interest-bearing debt is limited. The group's interest rate risk therefore mainly arises as a result of the interest rate risk linked to currency hedging in the group balance sheet. The currency hedging has short maturity periods and is exposed to fluctuations in the interest rate difference between the floating rate of the sold currency and the currency bought. The group's interest rate hedging is handled centrally based on measurements of interest rate exposure per

currency. Various types of derivatives such as collar, flexi-cap, dual cap, pure interest rate swaps, combined interest rate and currency swaps, as well as fixed interest rate loans are used to secure the interest rate risk. Accounting takes place according to the lowest value principle and is entered in the profit and loss account under financial income and costs, since the interest rate hedging does not generally qualify for hedging accounting.

**Portfolio of outstanding currency and interest rate swaps**

Currency bought	Jotun receives	Currency sold	Jotun pays	Due
USD 4 478	LIBOR 3 month	THB 300 000	fixed THB 6.63%	2006

**Portfolio of outstanding interest rate swaps**

Amount	Jotun pays (weighted av.)	Jotun receives	Due
NOK 63 520	5.97%	NIBOR 3 month	2006

**Portfolio of outstanding interest rate option agreements**

Amount	Jotun pays (weighted av.)	Jotun receives	Due
EUR 5 000	5.2%	EURIBOR 3 month	2007
GBP 5 000	5.5% 1)	LIBOR 3 month	2007
USD 10 000	4.03%	LIBOR 3 month	2007

- 1) Where the floating market rate on the interest due date is higher than 5.5 per cent, Jotun pays LIBOR 3 month -0.20 per cent.





JOTUN A/S  
P.O.Box 2021 • N-3248 Sandefjord, Norway  
Tel. +47 33 45 70 00 • Fax +47 33 45 72 42  
[www.jotun.com](http://www.jotun.com)