



JOTUN

Jotun Protects Property



GROUP REPORT **2011**

Prepare for the future

Jotun is pleased to report that the company's long-term growth trend continued in 2011. However, the company does not measure success only by year-end results, but on actions taken to generate growth over time.

Jotun's strong performance in 2011 is not only a reflection of the hard work of Jotun employees around the world, but of entrepreneurial decisions made in the past to establish Jotun entities in promising markets. In addition to laying the foundation of Jotun's growth trend, the company's organic growth strategy has proven to be remarkably resilient, helping the company manage risk more effectively. This allowed Jotun to perform well in 2011, despite continued political unrest in the Middle East and North Africa and the emerging debt crisis in Europe.

While Jotun has always pursued new business opportunities, the company has recently announced plans to double production worldwide by 2020. In addition to expanding existing operations, Jotun has committed to the construction of factories in new markets and in regions where the company is already active through sales offices. This expansion programme represents a genuine challenge and requires significant capital resources, but Jotun is confident it has the experience, and the personnel, to succeed.

Over the past five years, Jotun has invested in group functions, common IT systems and recruiting and competence development initiatives to ensure the company growth is both structured and efficient. However, to achieve its ambitions, the company continues to rely on the skills and entrepreneurial spirit of its employees. By investing today, Jotun is confident the company will be able to sustain its positive growth trend, laying a strong foundation for the next generation.

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Jotun is a global leader in paints and coatings with 74 companies and 39 production facilities on all continents. In addition, Jotun has agents, branch offices and distributors in more than 80 countries.

The Jotun Group consists of four divisions, each with specific products, segments and geographical responsibilities.

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. The division also sells marine and protective coatings to selected markets in the Middle East and South East Asia.

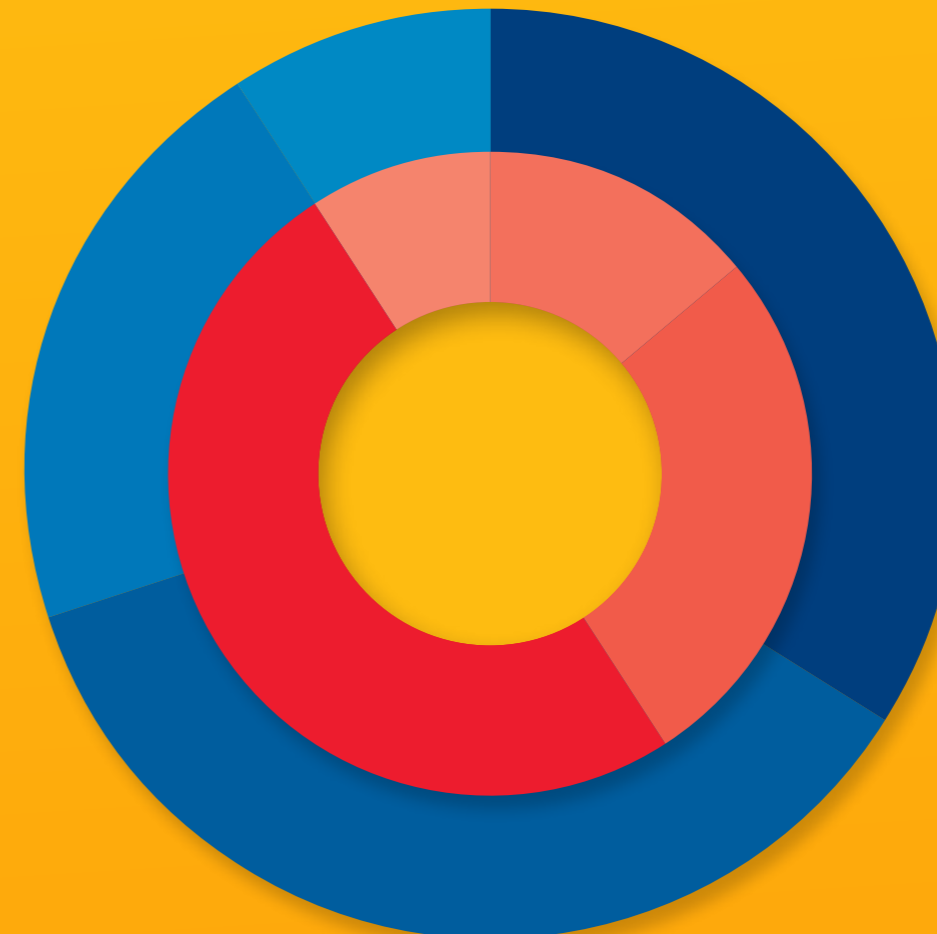
Jotun Coatings has global segment responsibility for marine and protective coatings. The division also sells decorative paints in selected markets in Europe and in Asia.

Jotun Powder Coatings has global segment responsibility for powder coatings. The product portfolio caters for the architectural, functional and industrial market segments.



BUSINESS DIVISIONS

- 50% Jotun Coatings
- 27% Jotun Paints
- 14% Jotun Dekorativ
- 9% Jotun Powder Coatings



BUSINESS SEGMENTS

- 36% Marine Coatings
- 34% Decorative Paints
- 21% Protective Coatings
- 9% Powder Coatings

Highlights 2011

Jotun Group

- Continued sales growth in all Divisions
- Profits impacted by high and rising cost of raw materials
- Positive development regarding costs
- Launches new Group Technical Department
- New facilities opened in Malaysia and Singapore

Jotun Dekorativ

- Successful Scandinavian launch of new products; Lady Supreme Finish, Lady Interior Finish
- All time high sales in Sweden
- Record EBITA for Scanox
- Reached comprehensive Scandinavian distribution agreement with Bauhaus, a leading building supply store chain

Jotun Paints

- Fenomastic sales grew by 14 per cent in the Middle East & North Africa (MENA) while in South East Asia (SEA), Majestic EcoHealth grew by 22 per cent
- Jotun's retail chain grew by over 500 new shops in Asia Pacific and MENA
- Established Colour Ambassadors, an international team of designers, architects, and consultants to create Colour Trends 2011
- Woodshield re-launch in MENA achieved 23 per cent growth while its sales grew by 64 per cent in SEA

Jotun Coatings

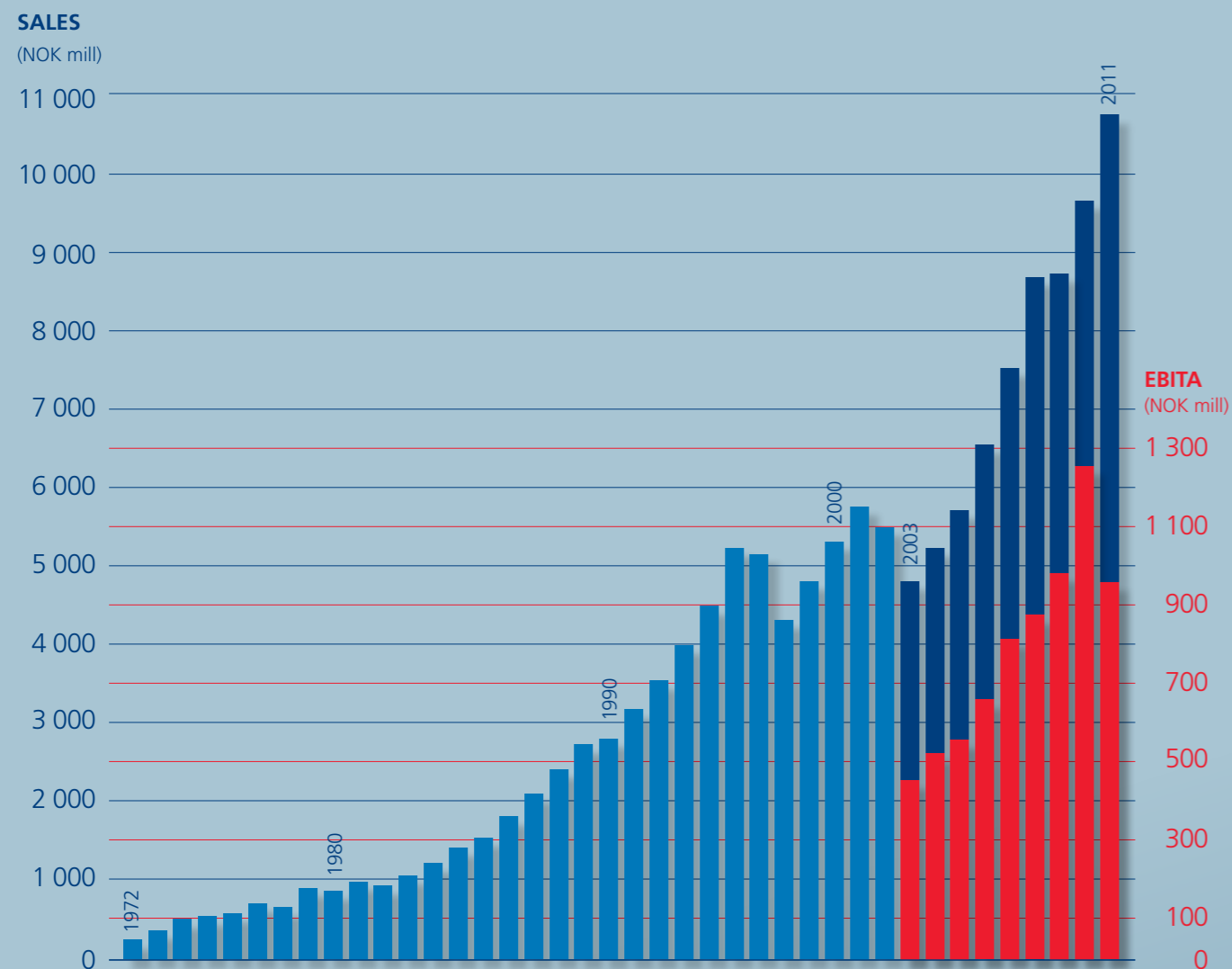
- Seven new products successfully launched during Innovation/Global Launch 2011 programme

- 700 individuals trained to join sales force, globally
- Operations in Russia, Turkey, Poland and Abu Dhabi increased sales by more than 50 per cent
- Secured contract to supply protective coatings to the YaKeShi Wind Farm in China

Jotun Powder Coatings

- Launched Industrial products: Guard Gaze, Guard Miles and Guard Miles+
- Supplied Super Durable powder coatings to Turkish landmark Varyap Meridian Project
- Supplied the largest pipeline project in SEA (Gorgon LNG)
- Strengthened Single Source Solution concept in pipeline segment

Group sales and EBITA



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)

	2011	2010
REVENUE		
Operating revenue	1 902	1 617
Operating revenue outside Norway in %	77	75
COMPREHENSIVE INCOME		
Operating profit	171	205
Profit before tax expense	159	198
Net cash flow from operations	54	117
PROFITABILITY		
Return on capital employed, in %	1) 18.3	29.2
Operating margin, in %	2) 9.0	12.7
Return on equity, in %	3) 13.1	19.9
YEAR-END FINANCIAL POSITION		
Total assets	1 522	1 329
Investments in intangible and fixed assets	144	95
Equity	837	801
Equity ratio, in %	55.0	60.3
Number of employees in group (FTE)	6 013	5 577
Number of employees in group (FTE), including 100 per cent in joint ventures and associated companies	8 296	7 819

DEFINITIONS

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

Belle Chasse, Louisiana

Jotun completes upgrade of its Coatings factory on the coast of the Gulf of Mexico.

North Sea

Jotun Coatings wins contract to supply coatings to Statoil's Gundrun Platform, which will be deployed west of Stavanger.

Sandefjord, Norway

Jotun launches Group Technical, a new function tasked with improving operational efficiency throughout Jotun's global network.

St. Petersburg, Russia

Jotun Paints acquires nine hectares of land in the Fedorovsky Industrial Park as the first step in constructing a factory for production of paint and powder coatings.

Inner Mongolia, China

Jotun Coatings secures agreement to supply protective coatings to the YaKeShi Wind Farm in China.

Qingdao, China

Jotun COSCO Marine holds groundbreaking ceremony for the construction of a new 85,333 square meter factory to serve China's growing maritime activity.



Rio de Janeiro, Brazil

Jotun announces plans to invest in a factory in Duque de Caxias to serve Brazil's growing offshore, industrial and marine activity.

Istanbul, Turkey

Jotun Powder Coatings wins contract to supply Super Durable powder coatings to the Varyap Meridian project, an iconic retail and residential development.

Riyadh, Saudi Arabia

Jotun Saudia opens new offices in Bilda Mall, Riyadh following another year of strong results.

Abu Dhabi, UAE

Jotun wins contract to supply coatings for seven packages for the Takreer Ruwais Refinery Expansion Project, representing one of the largest Protective contracts won by Jotun to date.

Nilai, Malaysia

Jotun Paints opens the largest paint factory of its kind in the Asia Pacific region. The 93,000 square meter factory will also serve the Singaporean market.

Manila, Philippines

Jotun establishes a sales company in the Philippines to meet the increased demand for marine and protective coatings in the local market.

Jotun supplied Protective coatings to the Istinye Park shopping mall in Istanbul, Turkey. Developed by the Doğuş Group and designed by the US-based Development Design Group (DDG), Istinye Park has won multiple awards for its grand central entertainment rotunda, an open-air lifestyle center and glass-roofed indoor retail space.



Jotun Group

Jotun's business model has proven to be remarkably resilient, despite a number of unexpected events that impacted the global economy, including political unrest in the Middle East and Europe's debt crisis. The company's long-term growth trend continued in 2011 with improved sales in all segments and divisions. However, the rising cost of raw materials is likely to continue to weigh on profits and an expected slowdown in the marine segment will impact results going forward. The company has taken decisive action to manage these potential risks and continues to improve efficiency and lower costs.

Jotun's organic growth strategy requires that the company commit to a significant investment programme. This capital will be used to fund the construction of factories in existing, developing and green-field markets. In 2011, Jotun opened new facilities in Malaysia and Singapore and continued to move forward on a number of other projects in Norway, China, Brazil, Russia, the United States and the United Kingdom. In addition, the company has identified business development opportunities in a number of new markets all over the world.

To achieve Jotun's growth targets, the company must hire between 6,000 and 8,000 new employees within the next decade. While the pace of this growth represents a significant challenge, Jotun has accelerated the implementation of competence development and training systems to ensure new personnel both master necessary skills and abide by Jotun values.

The company has also worked to develop standardised systems and common practices which apply to the whole organisation to help manage this rapid growth. In 2011, Jotun launched Group Technical, which has been tasked with improving operational efficiency. Work continues to roll out common IT platforms throughout Jotun's global network, such as the Matrix enterprise resource planning system.

Jotun has a long history of behaving responsibly in all regions where the company is active. However, to align the company's future growth with its values, Jotun introduced a revised Corporate Responsibility programme in 2011 defining how the company interacts with customers,

employees, suppliers, shareholders, the environment and society. The revised CR concept applies to anti-corruption measures, sustainability, transparency and policies governing local CR programmes. (Note: Details of Jotun's extensive CR activities are included in a separate report.)

Just as Jotun's growth today is a result of decisions made decades ago, both the Board of Directors and Group Management Team remain committed to building a strong company for the future. The scale of investment and the pace of Jotun's development over the next 10 years represent great challenges and opportunities for the company. However, by building a solid foundation for responsible growth today, management can secure Jotun's long-term sustainable development for decades to come.

Jotun Dekorativ

Jotun Dekorativ posted positive sales growth in 2011, continuing its modest but steady growth trend. The division celebrated the launch of a number of premium products and customer driven concepts and work continued to realign Jotun's production model. To help combat the rising price of raw materials that have undermined profitability, the division raised prices and renewed its focus on lowering costs by improving efficiencies throughout the organisation.

Jotun Dekorativ is responsible for the sale of decorative paints in Norway, Denmark and Sweden. These mature markets are characterised by increasingly demanding customers and a highly competitive environment. In addition to competing for market share with global suppliers,

"To achieve Jotun's long-term ambitions, the company has committed significant resources to fund new construction and build systems to ensure that our growth is sustainable."

Morten Fon, President and CEO, Jotun Group



The management team (left to right): **Ben Guren**, CFO (Finance & IT), **Erik R. Aaberg**, Jotun Paints, **Morten Fon**, President & CEO, **Esben Hersve**, Jotun Coatings, **Bård K. Tonning**, Jotun Dekorativ, **Martin Chew**, Jotun Powder Coatings.

“By offering unique products supported by strong marketing campaigns and working closely with dealers to improve the consumer shopping experience, Jotun has strengthened its leading market share in Scandinavia.”

Bård K. Tonning, Group Executive Vice President, Jotun Dekorativ



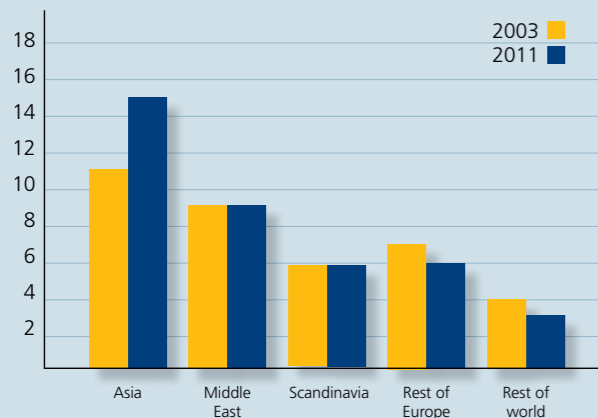
The Jotun values

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

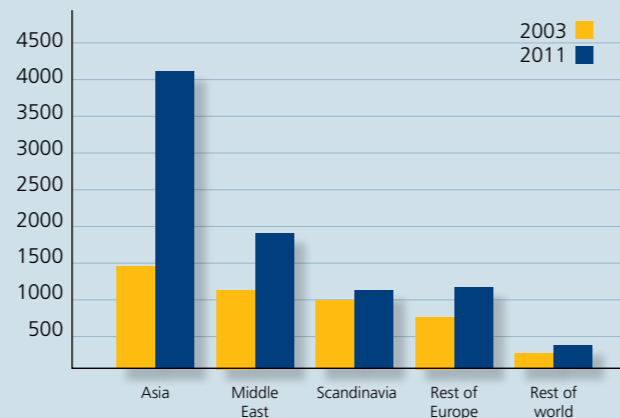
By **loyalty**, we mean that we are reliable, trustworthy and committed. When we **care**, we help and support others, display trust and empathy and protect the environment. We show **respect** by valuing the differences in people, being honest and fair and treating others the way they expect to be treated.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

Jotun's development

Production facilities

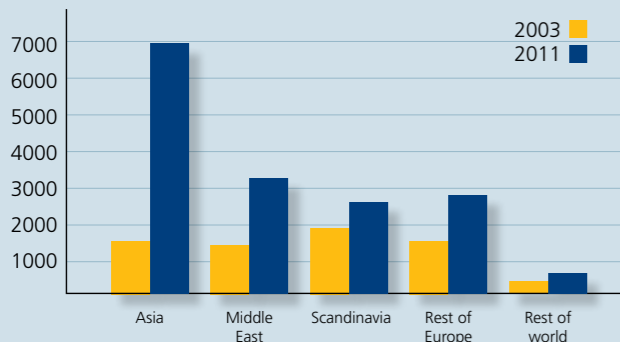


Full time employees



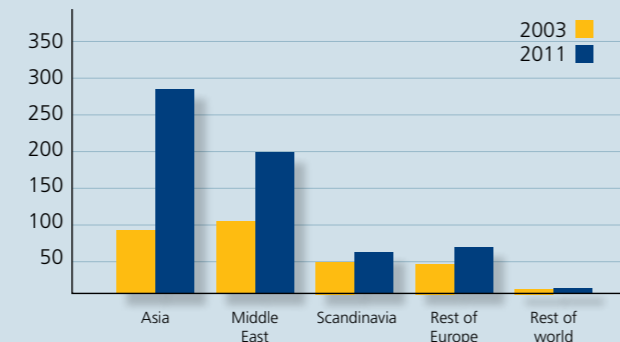
Operating revenues

(Total sales NOK mill, incl 100% in joint ventures and associated companies)



Production volume (litres/kilos)

1000 tonnes



Jotun also competes with both local paints shops and retail superstores that sell “private labelled” products. To ensure Jotun products are readily available to consumers and professionals, Jotun works closely with these chain stores. For example, in 2011, Jotun reached a comprehensive distribution agreement with Bauhaus, a leading building supply store chain with outlets in Norway, Denmark and Sweden.

To secure its leading position in the Nordic region, Jotun remains focused on product innovation. Over the past five years, concerns about the environment and health issues have created rising consumer demand for more odourless, low-VOC paints. Jotun remains a pioneer in the development of specialised water borne paints that are not easily replicated. Once established in the market, these premium

“Jotun Paints regional and segment diversity has enabled the division to record positive results, despite operating in a number of regions affected by severe political uncertainty.”

Erik Aaberg, Group Executive Vice President, Jotun Paints

products help strengthen Jotun's reputation for quality and innovation.

Jotun has developed a number of packaging and in-store concepts to improve the consumer experience. For example, Jotun repackaged its popular topcoat product Jotaplast in a rectangular can and sold the product with rollers, creating an all-in-one product. Jotun also markets related products as one integrated system, combining primers, paints and finishes in one attractive display area. This concept simplifies the shopping experience, and encourages consumers to buy into the whole system rather than selecting among competing products. The division has also invested in more user-friendly web-enabled software for Multicolor tinting machines. The new software is currently being rolled out in Norway, and will soon be extended to

other regions.

In 2009, Jotun decided to build a new factory at the Vindal site in Sandefjord. The 13,000 square-meter facility is expected to be operational in March 2012. The factory will be equipped with a system to transport slurry directly from the tanks, automated in-line mixers linked to computer systems to improve quality control, bar code scanners to manage finished goods and equipment to eliminate impurities from used solvents to cut down on waste. Investment in these automated systems will improve safety and raise productivity.

Next year's results may be impacted during the implementation phase as production moves from older factories to Vindal, but the division's focus on improving profitability, product innovation and new

Raw materials

More than half of Jotun's total costs refer to the purchase of raw materials. Since 2008, the price of copper, epoxies and titanium dioxide and other raw materials used in paints and coatings has steadily increased, impacting Jotun's profitability across all segments. To manage these issues, Jotun works closely with selected suppliers to build long-term relationships, helping to ensure the company gets the best terms available in the market. To improve profitability, Jotun has been forced to raise prices in all segments worldwide, and for certain raw materials, hedged against price fluctuations.

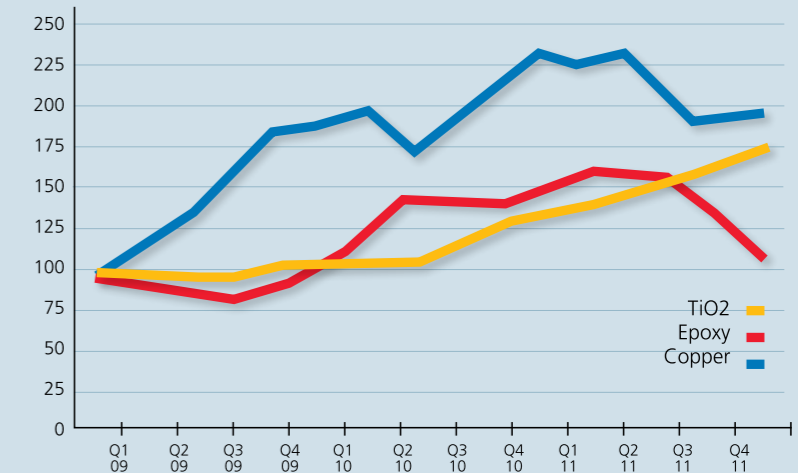
Many factors influence the price of raw materials. For example, the cost of epoxies, including compounds like naphtha, propylene, benzene and bisphenol, are linked to developments in the global petrochemical industry, while the price of copper and zinc, which are especially important components in Jotun's marine coatings, may be influenced more by market speculation than global demand. The remarkable rise in the price of titanium dioxide in the last three years has its roots in the financial crisis, which put many

suppliers out of business, cutting global supply by an estimated 10 per cent in 2009.

In the second half of 2011, prices for some raw materials (like epoxies, solvents, and emulsions) have stabilised. However, persistent global supply issues continue to drive the cost of titanium dioxide upward, with no relief in sight. Jotun is focused on researching different innovative coatings formulations and working

with chemical companies to find more affordable alternatives to reduce costs. While the raw materials issue represents a persistent threat to Jotun's profitability, it should be noted that all paint suppliers face similar challenges. As a result, the effective systems Jotun has implemented to manage the issue, combined with its strong R&D capacity, represent a competitive advantage.

Trend Jotun's main raw materials



“Despite margin pressure and declining newbuilding orders in the shipping industry, Jotun Coatings strong results demonstrate the durability of the division’s growth model.”

Esben Hersve, Group Executive Vice President, Jotun Coatings

concepts to simplify the consumer experience have laid a solid foundation for future growth. Many of the products, systems, and routines developed by Jotun Dekorativ in Sandefjord are also conceived to support growth in the decorative segments outside the Nordic region.

Jotun Paints

Jotun Paints continued its long-term growth trend recording positive developments in both sales value and volume in 2011. The division successfully launched new decorative products and innovative marketing concepts to help secure Jotun’s leading market share in the Middle East and strong position in South East Asia. Like the other divisions, Jotun Paints implemented measures to protect margins by raising prices to help manage the rising costs of raw materials. Furthermore it continues to cooperate closely with its network of regional suppliers to ensure reliable delivery at sustainable prices.

While profitability remains a concern, the division’s growth was also slowed by continued political unrest in the Middle East and North Africa. Jotun continues to operate factories throughout the region, including in countries where political unrest continues. However, in some countries, poor security, combined with limited access to fuel and raw materials have made conditions difficult. Jotun has suspended production in Yemen. While sales continue in Libya, Syria and Jordan, the markets are likely to continue to be affected by unstable political conditions.

The division is responsible for Decorative, Marine and Protective segments in more than 20 countries spread over the Middle East and South East Asia. This regional and segment diversity allows the division to offset slow growth in countries affected by political unrest with positive growth in others, including the UAE (Abu Dhabi), Saudi Arabia, Oman, Qatar, Pakistan, Indonesia, Malaysia, Thailand and Vietnam.

The division continues to build capacity in existing markets and investing in expansion projects.

In 2011, Jotun celebrated the opening of a new state of the art facility in Nilai, Malaysia. Stretched over 93,000 square meters of land, the new factory is the largest in South East Asia. In addition to supplying paints for all segments in Malaysia, the factory will also serve Singapore, which remains a critical market for marine coatings.

To stimulate future growth, Jotun continues to invest in new markets where signs of political and economic stability have created increased demand for paints. At present, Jotun Paints is working to develop sales in Laos, Cambodia and Pakistan, among others. The division’s expansion project in North Africa (Morocco and Algeria) continues, despite delays caused by political unrest and challenging market conditions.

About 67 per cent of the division’s business comes from the sale of decorative paints, a market divided between the consumer-focused retail (BIY) market and the project market. Sales in the consumer market remain strong. While in the project market, the division has been successful in coordinating its sales approach to multinational developers, architects and contractors. Jotun Paints also works with sales teams in Jotun Coatings and Jotun Powder Coatings on high-profile infrastructure and architectural projects to meet international specification requirements. By working across borders, segments and divisions, Jotun can offer a Single Source Solution for customers seeking a fully integrated coatings package.

Overall, Jotun Paints anticipates its growth trend will continue over the next few years. In addition to stable marine coatings sales and positive developments in the Decorative segment, the division is encouraged by sales growth in the Protective segment, especially in Malaysia and the UAE, where the division recently won a lucrative contract for the upgrade and expansion of the Takreer Ruwais Refinery in Abu Dhabi. The division will continue to focus on costs to improve profitability and monitor political events in the Middle

East closely. However, Jotun has demonstrated that regional and segment diversity can generate growth even in difficult circumstances, an advantage not shared by many competitors.

Jotun Coatings

In 2011, Jotun Coatings’ growth strategy continued to generate positive results in the Marine and Protective segments. However, significant gains in volume were offset by the rising cost of raw materials that had a negative impact on margins. The division celebrated the launch of several exciting new products, and announced a number of growth initiatives, consistent with Jotun’s overall strategy. Jotun Coatings also manages the sale of decorative paints in select markets in cooperation with Jotun Paints and recorded satisfactory results during the year.

Jotun Coatings took a number of steps to improve profitability. In addition to a renewed focus on lowering operating costs, the company raised prices on selected products. Externally, the division will continue to negotiate with customers on contract price adjustment clauses linked to the rising cost of certain raw materials. Internally, Coatings will continue to work closely with Group Purchasing ensure reliable access to raw materials.

The division will remain focused on building stronger relationship with global customers in both segments to secure Jotun’s position as a preferred supplier.

Jotun Coatings has invested in both existing and new markets to meet rising demand for coatings. In 2011, Jotun acquired land for the construction of a new factory in Russia and will begin construction of a factory in Brazil. In China, Jotun is expanding its existing factory in Zhangjiagang and building a new factory in the northern coastal city of Qingdao. The company is also upgrading facilities in the United Kingdom and the United States, and opened a new Sales-Service-Logistics and Training Centre in Singapore.

JOTUN DEKORATIV		
Employees per 31.12.11: 604	Sales Mill NOK	Segments
Production facilities: Norway (5)		
	07 08 09 10 11	
JOTUN PAINTS		
Employees per 31.12.11: 2751	Sales Mill NOK	Segments
Production facilities: Egypt Indonesia Malaysia (2) Oman Saudi Arabia (2) Thailand United Arab Emirates (2) Vietnam Yemen		
	07 08 09 10 11	Total sales NOK mill, incl. 100 % in joint ventures and associated companies
JOTUN COATINGS		
Employees per 31.12.11: 3673	Sales Mill NOK	Segments
Production facilities: Australia China (2) Finland India Singapore South Africa South Korea Spain Turkey United Kingdom USA		
	07 08 09 10 11	Total sales NOK mill, incl. 100% in joint ventures and associated companies
JOTUN POWDER COATINGS		
Employees per 31.12.11: 1080	Sales Mill NOK	Segments
Production facilities: Czech Republic India Indonesia Malaysia Norway Pakistan Saudi Arabia Thailand Turkey UAE		
	07 08 09 10 11	Total sales NOK mill, incl. 100% in joint ventures and associated companies

“With a continued focus on innovation by demonstrating industry specific expertise and expanding into new markets, Jotun Powder Coatings is in a strong position to grow.”

Martin Chew, Group Executive Vice President, Jotun Powder Coatings

In the Marine segment, which accounts for a significant part of the division's results, it is expected that declining newbuilding orders over the next few years will reduce growth. However, the division's increased focus on the on drydock and maintenance market, and the recent introduction of premium and mid-range marine coatings are expected to support Jotun's high performance SeaQuantum brand and help retain the company's leading market share in antifoulings.

In the Protective segment, which comprises about one third of the division's earnings, Jotun sees significant growth potential in the years ahead. In 2011, the segment saw exceptional growth in the offshore area and welcomed the launch of Jotamastic 90, an innovative epoxy mastic coating in demand in both the shipping and offshore industries. The division will continue to invest in new products and strengthen expertise in new industry segments, such as mining, renewable energy and nuclear power.

Looking ahead, the division is cautiously optimistic. Because the rising price of raw materials impacts all coatings suppliers, the division's ability to manage the issue effectively represents a competitive advantage. Moreover, the division's geographical diversity helps reduce the company's exposure to economic risk. By remaining focused on quality products, customer service and continued investment in existing and new markets, Jotun Coatings is in a good position to secure future growth.

Jotun Powder Coatings

Jotun Powder Coatings' growth trend continued in 2011, with overall improvement in both sales and volume. The Industrial segment, which represents the majority of the division's earnings, saw an increase in sales of nine per cent. Sales grew by about five per cent in both the Architectural and Functional segment.

While positive, the division's 2011 results were impacted by a number of political

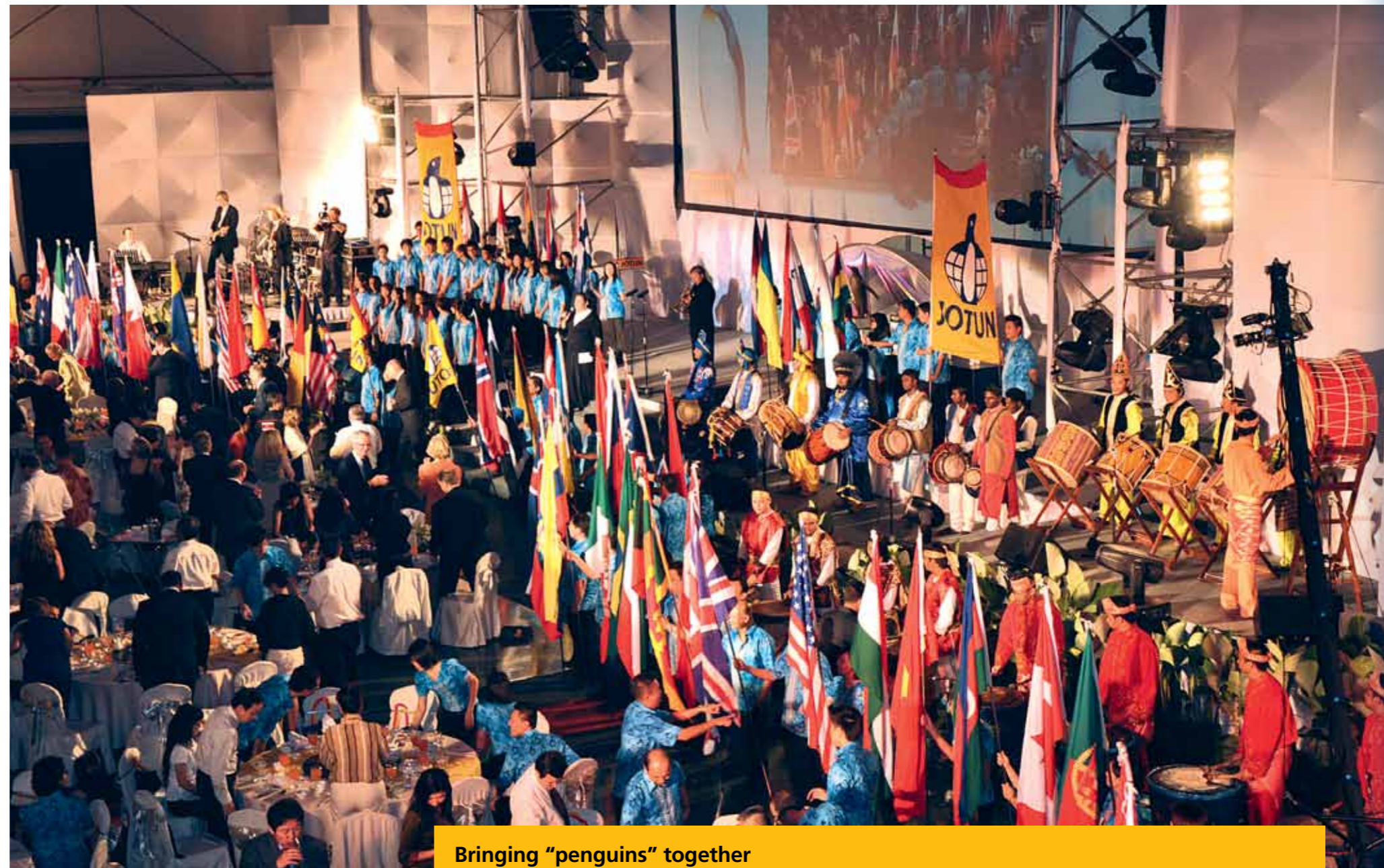
and macro-economic events. Political unrest in the Middle East and North Africa resulted in delays or cancellations of some high profile projects that depressed volumes. The rising cost of raw materials impacted profitability, resulting in upward adjustment of prices. Results in Europe varied but were overall positive.

To achieve optimal distribution of production facilities, the division is in the process of reviewing its supply chain structure. In Asia, the division is building a new factory in China, and is evaluating plans to upgrade its factory in Malaysia to meet rising demand in South East Asia. In Europe, the division is also studying ways to improve its supply structure to lower costs and improve profitability.

In the past three years, Jotun Powder Coatings has focused on the development of new powder coatings that can be used to coat new substrates like Medium Density Fibreboard (MDF) and coatings that reflect heat in countries with warm climates. The division is re-engineering existing products to meet new market needs and has implemented concepts to further strengthen customer relationships.

Last year, the division successfully launched three new products for the Industrial segment. Future focus projects include expanding into new industries and developing coatings for new substrates. The division has also worked to ensure that Jotun GreenSteps is embedded in its innovation process by continuing to push for more sustainable, low-heat curing products and more sustainable powder coatings solutions.

Jotun Powder Coatings anticipates growth will continue next year, but results may be impacted by the threat of recession in Europe and continued unrest in the Middle East and North Africa. However, by remaining focused on the evolving needs of customers in all segments, the division is confident that sales and volume will continue to rise.



Bringing “penguins” together

Jotun has developed in common practices, training programmes and web-based IT systems to ensure the company works effectively across borders. But to build “Penguin Spirit”, nothing can replace face-to-face meetings. From smaller gatherings between colleagues from different countries to larger events involving hundreds of employees, Jotun remains committed to bringing people together.

Jotun held a number of large events in 2011. In March, about 600 people gathered

at Jotun's new Singapore Sales-Service-Logistics & Training Centre to celebrate the opening of the new facility. The following day, about 800 people gathered in Nilai, Malaysia to celebrate the opening of a new state-of-the-art factory. Both events included festive entertainment, speeches and dancing, and were attended by employees from Singapore, Malaysia and other countries in Asia and Europe.

Last summer, Jotun employees from Norway, Sweden and Denmark gathered

at Oslofjord Conference Center for the biggest internal event ever organised by Jotun in Europe. Over 1,500 Jotun personnel and their companions enjoyed an evening of great entertainment. Acts included performances by Jotun staff, and a number of well-known Scandinavian performers. These events require a great deal of work to organise, but remain critical to Jotun's efforts to generate loyalty and strengthen the company's ability to work more effectively across borders.

By some estimates, about one in five vessels in the world fleet have been coated by Jotun. In Turkey, Jotun commands a leading market share in the Tuzla Bay Shipbuilding Region, home to about 48 separate shipyards.



“Jotun’s future success will not only be determined by growth in volumes, profits and market share, but also by how we recruit and develop new and existing employees.”

Per Harald Engesaeth, Group Vice President, Human Resources

It’s all about people

Over the next decade, Jotun will expand its presence in both new and existing markets. While this effort will require significant capital resources, Jotun’s future success depends on its ability to attract, develop and support a new generation of competent, dedicated, and skilled workers.

Jotun has always relied on skilled local Human Resources (HR) staff to recruit, train and retain new personnel. But with the company entering a period of rapid expansion, Jotun’s challenge will be to attract and select the right candidates who can contribute to this growth. By the end of 2011, Jotun is made up of about 8,600 people, and the company expects to add between six to eight thousand employees by 2020. To facilitate this expansion, Group HR has improved and strengthened the recruitment process and increased the competence development initiatives.

Hire for life

In 2011, Jotun launched a number of training activities and workshops that cover all phases of the recruiting process, including employer branding, advertising, document handling, interviewing, selection and induction. These practices will not only help Jotun find the right candidates but enable more efficient and targeted recruiting. Proper mapping of the position’s required competencies helps Jotun save time by focusing on the most appropriate recruiting pool and offers potential candidates a better sense of Jotun’s expectations for a specific job. Likewise, Jotun will use psychometric and ability tests, which provide reliable tools to evaluate potential employees more accurately and fairly. By taking a more scientific approach to recruiting, Jotun is in better position to attract and hire the candidates who will develop themselves and support the company’s goals.

Train for life

While Jotun’s business is paints and coatings, the company is a knowledge-based enterprise that relies on the technical, operational, marketing and management skills of its employees to succeed. Established in 2006, the Competence Development Department (CDD) is responsible for

gathering and coordinating training activities and programmes that support the group and segment business strategies. The CDD has invested in a broad range of tools and systems to support employee growth, from executive and intermediate management training to technical skills development, language proficiency to safety awareness. Many of these courses are offered in a classroom setting through the Jotun Academy, but the CDD also provides employees with a broad range of career development opportunities via e-learning modules, available in different languages. While these courses and training programmes support Jotun’s growth strategy, they also enable employees to develop their careers, helping to build loyalty to the organisation.

With about 1,300 new employees hired in 2011, Jotun’s rapid expansion has already impacted company’s employee demographic, creating a younger, more ethnically and culturally diverse workforce. However, the company’s organic growth strategy allows Jotun to internalise new employees over time, strengthening its strong corporate culture and creating a rich talent pool of experienced Jotun employees with the skills necessary to manage the company’s future growth. To retain its ability to cooperate effectively across borders, all of the company’s recruiting and competence development efforts remain focused on strengthening the organisation’s common culture, grounded in Jotun values.



Jotun Academy

Jotun Academy lies at the heart of Jotun’s competence development efforts. In total, the Academy offers 32 courses in eight different multi-tiered categories, including Management, Human Resources, Sales, Purchasing, R&D, Operations, Technical Sales Support, and stand-alone modules on Project Management and Presentation Skills. The company also cooperates with a number of external organisations, including select universities and Orkla, Jotun’s largest shareholder, which offers valuable courses on Brand Academy, Communications, Key Account Management, and Purchasing, among others. As a knowledge-based company, Jotun Academy remains a critical element in Jotun’s growth objectives, helping to build competence throughout the organisation.

Structured growth

Over the last three decades, Jotun's expansion into new markets has been characterised by a bold entrepreneurial spirit that has fuelled the company's remarkable growth. To generate market opportunities for the next generation, Jotun is working to accelerate its organic growth strategy in a more ambitious and structured way.

While Jotun's strong results in 2011 owe much to the hard work and dedication of Jotun employees during the year, the foundations for the company's success lie in the past. Indeed, Jotun had the foresight to establish operations in promising regions in the Middle East, South East Asia and China decades before these markets experienced rapid and long-term economic growth. Jotun remains committed to further expansion in both new and existing markets, but understands that the time required to pursue an organic growth strategy may represent a competitive disadvantage in some regions. By structuring this process more effectively, Jotun can achieve better results, faster.

The Turkish model

While focused on the future, Jotun also looks to the company's past record of successful expansion projects to identify best practices, such as the company's development in Turkey. Jotun representatives first made contact with an agent in Turkey in 1986 to manage a marine coatings account. By 1989, the company had established a joint venture with two partners in Istanbul, who began bidding for contracts in the Marine and Protective segments and evaluating the market for decorative paints. In the early 1990's, Jotun began construction of a wet paint factory, invested in warehousing facilities, and acquired a powder coatings factory.

It should be noted that during this period, the Turkish economy was suffering from high inflation, but economic reforms put in place in 2001 helped stabilise prices and lay the foundation for future growth. With production capacity for all four segments in place, Jotun was in an excellent position to serve Turkey's rapidly expanding economy and growing middle class. Today, the two companies are wholly-owned by Jotun and staffed by more than

300 employees. Jotun commands leading market shares in all segments, and the company has become a vital distribution hub for Jotun's growing business in Eastern Europe and Central Asia.

Investing in the future

Jotun's growth strategy is managed by the Business Development Department (BDD). Launched in 2006, the BDD is responsible for providing feasibility studies, business support and assistance in coordinating investment capital for divisions and regional managers to expand into new markets. More recently, the BDD has worked to generate new projects, and helped to accelerate the implementation of company growth initiatives. Each division remains responsible for its own growth strategy, but the BDD works to ensure that these initiatives are consistent with overall group and segment strategy and that projects are implemented in a way consistent with Jotun's core business principles.

While Jotun recognises that all markets are different, the BDD is seeking to replicate the company's successes in Turkey and in other regions. At present, the BDD is supporting expansion projects in Morocco, Algeria and Brazil. In the latter, Jotun has acquired land to build a factory to produce marine and protective coatings. Jotun has also identified 22 markets with significant market potential some of which are strong candidates for factory construction, such as the Philippines, Bangladesh, and Cambodia. Jotun anticipates that by 2020, the company will double the output from existing factories, and add about 10 new factories in new markets. Achieving Jotun's strategic ambitions represents a significant challenge, but by providing a stronger framework for growth, Jotun can accelerate its expansion and secure the company's success for decades to come.

"Our goal is to identify promising new markets and act decisively to establish Jotun entities as quickly as possible."

Svein Stolpestad, Group Vice President, Business Development & Strategy



Building in Russia

Summer 2011, Jotun announced the purchase of nine hectares of land in the Fyodorovskoye Industrial Park, about 20 kilometres South East of St. Petersburg. Jotun will construct a new factory at the site, capable of producing 15 million litres of marine and protective coatings and 3,000 tons of powder coatings annually.

Jotun has been active in Russia since 1992, where it has recorded growing sales over time. Most marine and protective coatings sold in Russia are produced in Jotun's factory in Flixborough, England and powder coatings are sourced from the Czech Republic. Once the new factory is operational at the end of 2013, Jotun will be in an even stronger position to gain market share in Russia's dynamic economy.



“Jotun’s values are grounded in our history and are the key to our future success.”

Morten Fon, President and CEO, Jotun Group

We are the world
We are the Penguins
We are the ones to make a
brighter day with all our colors
There’s a chance you may find
New friends along the way
It’s true we make a better day,
just you and me

Jotun diversity

By end of 2011, Jotun had 8,514 employees in more than 80 countries representing 76 different nationalities. The average age of Jotun’s employees is 36, although it varies significantly from region to region. For example, in Asia, where more than 4,000 employees work, the average age is 33, while in Europe, the average age is 42. Jotun’s workforce has become increasingly multinational in the past decade. Jotun places great importance on its values and in particular on building loyalty among the employees. These efforts have resulted in a low average global turnover rate of six per cent.

“Penguin Spirit”

With 8,600 employees spread all over the world, Jotun’s global workforce is defined by its ethnic, religious and cultural diversity. But for all their differences, Jotun employees are joined by “Penguin Spirit”, the corporate culture that supports ethical behaviour, teamwork and engagement with the communities where the company is active.

Jotun’s values have been shaped by the Gleditsch family, who for three generations have consistently championed ethical business standards, while maintaining a strong commercial focus. The family has demonstrated a willingness to stand behind employees, support both global and local charities and invest significant resources into health, safety and environmental initiatives.

As Jotun expanded into new markets, the corporate values became enriched by different cultures, where Jotun employees often see their colleagues as part of an extended family.

The strong Jotun brand, expressed by the penguin logo, has also become a powerful symbol that has helped unite employees from different parts of the company’s global network. For years, Jotun successfully relied on the good judgment of managers to communicate Jotun values and ensure the company behaved responsibly. However, as Jotun entered a period of rapid international expansion, the company recognised that significant investments are required to support the growth of a stronger corporate culture.

Strengthening corporate culture

Over the years, Jotun has emphasised events that bring employees together through international assignments for various personnel, face-to-face network meetings between individuals from different countries and large-scale celebrations involving hundreds of employees. These multinational interactions help build relationships and improve communication – not only between individuals in different countries but across functions, segments and divisions.

Jotun’s success in building a strong corporate culture has contributed to low

employee turnover, a solid global reputation for responsible behaviour and helped the company attract quality personnel. “Penguin Spirit” is also recognised by customers, partners and Jotun’s network of dealers who appreciate responsive and professional service. Indeed, Jotun has enjoyed success in building long-term relationships with both local and multinational customers all over the world – relationships built on trust established over time.

Expressing Jotun values

Jotun’s corporate culture is reflected in the company’s approach to Corporate Responsibility (CR). This approach embraces the responsible attitudes towards customer and suppliers, employees, shareholders, the society and the environment. With an ambitious growth strategy that aims to double the company’s production by 2020, Jotun faces many challenges. However, because this growth will occur organically, Jotun avoids the corporate identity conflicts that often beset companies that grow by acquisition. Investment in systems and programmes will strengthen Jotun’s durable platform of shared values, and through the action the company is confident that “Penguin Spirit” will be successfully transferred to the next generation.

The future is innovation

Jotun's success has always been grounded in innovation and the company continues to be committed to growing its research and development capacity.

Jotun R&D faces three primary challenges: Responding quickly to emerging market trends, managing complex competitive conditions in different markets and helping to lower production costs by developing new formulations by the use of less expensive raw materials. At the same time, Jotun's ability to develop and launch innovative, specialised coatings solutions in all segments is critical to the company's growth ambitions. To meet these challenges, Jotun is committed to investing in new R&D personnel and facilities worldwide to support the company's expansion.

Meeting market demands

Jotun already has established itself as an industry pioneer in the development of new paints and coatings. For example, increased demand for healthier, more environmentally-friendly paints and coatings has resulted in the development of water borne paints in the decorative segment, such as Majestic EcoHealth, Lady Supreme Finish and SENS, an odour-free interior paint formulated for users sensitive to emissions.

At the same time, the rising cost of energy has spurred Jotun to develop a broad range of new products to help customers reduce fuel costs, from heat-reflective exterior paints to powder coatings that cure at lower temperatures. In the Marine segment, Jotun has developed SeaQuantum X200 a premium antifouling that can help owners significantly reduce bunker costs. In the Protective segment, Jotun is leveraging its R&D competence to develop specialised products for renewable energy infrastructure and thereby enter new market segments.

Building a competitive advantage

In emerging markets, Jotun competes with low-cost providers, many of who market coatings as commodities. In mature markets Jotun competes with multinational companies with strong R&D budgets. To

remain competitive, Jotun must continue to develop unique, premium products that add genuine value and are difficult to reproduce.

To meet all these challenges, Jotun needs to grow its R&D capacity. At present, Jotun has about 250 R&D personnel, but plans to recruit an additional 200 skilled personnel throughout the world by 2020. Jotun is also investing in new R&D facilities in China, and is evaluating plans to expand existing R&D facilities and Dubai, Norway and Malaysia.

Next-generation coatings

Looking ahead, Jotun will continue to invest in the development of performance-driven functional coatings and specialised products for specific industry segments. Already, the company is working with new odour-free paint formulations that are washable, dry faster, and resist dirt and bacteria, creating healthier interiors. Jotun engineers are also working with new technologies that help reduce Jotun's dependence on titanium dioxide, a raw material that has become increasingly expensive.

While some new formulations may take time to reach the market, Jotun remains committed to pushing the development of new kinds of coatings to strengthen its global brand for quality. By investing in research and development facilities and personnel, Jotun will continue to produce quality products that will help drive future growth.

“At Jotun, research and development is more than science – it represents a critical strategic asset that is key to achieving the company's growth ambitions.”

Bent W. Haflan, Group Vice President, Research & Development



Life cycle analysis

With a rising global focus on sustainability, coatings have attracted increased attention from users seeking to protect and preserve assets. To help customers understand this issue, Jotun has leveraged its technical knowledge to perform Life Cycle Analyses (LCA) for select customers and projects. LCA is the only internationally recognised standard method to evaluate the environmental footprint of manufactured goods and industrial construction projects. LCAs track environmental impacts along the entire value chain, allowing customers a more accurate tool to measure the total impact their operations have on the environment. For example, an internal Jotun LCA concluded that more energy is consumed extracting and producing raw materials than in the paint production phase, while transportation represents a greater portion of carbon output than emissions from paint factories.

In 2011, Jotun successfully launched a number of products in support of its LADY brand, including LADY Interior Finish for wood wall and ceiling panels and LADY Supreme Finish, a washable paint for wood mouldings and furniture.



“Building strong premium brands in the Decorative segment requires a deep understanding of customer needs supported by an innovation-driven product development process. But to make the sale, the company relies on sales and marketing personnel to reach our target groups and R&D to ensure our products keep Jotun’s promises.”

Erik R. Aaberg, Group Executive Vice President, Jotun Paints
Bård K. Tonning, Group Executive Vice President, Jotun Dekorativ

Understanding the consumer

By understanding what informs decisions made by consumers and professionals and being sensitive to how they use Jotun products and evaluate the end result, Jotun has been successful in identifying key drivers that lie behind purchasing decisions.

Jotun’s decorative paints provide end-users with value and beautification through colour, finishes and protection. But Jotun’s success in this segment also relies on the company’s ability to ensure its premium products are available in high quality shops, wherever Jotun is active. Being the paint company that consistently delivers on quality and achieves good distribution will continue to give Jotun the edge.

Interior Finish for wood wall and ceiling panels and LADY Supreme Finish, a washable paint for wood mouldings and furniture. In MENA and Asia, Jotun re-launched its popular Woodshield stain and varnish, and Jotun launched Strax Easy Clean, a washable paint that contains no harmful chemicals in China and South East Asia.

Reaching the market

The company has also developed a number of innovative marketing strategies to appeal to consumers. In Scandinavia, Jotun has re-packaged its popular topcoat product Jotaplast and introduced new in-store displays that encourage shoppers to view related Jotun products as one integrated system. In the Middle East, Jotun worked with an international team of designers, architects, and consultants to create Colour Trends 2011 – a brochure and website that helps consumers learn about exciting the developments in home design. Jotun has also invested in Jotun kiosks placed at strategic locations at high-end malls in the Middle East to raise Jotun’s profile and help direct consumers to Jotun Inspiration Centers.

The sale of decorative paints represents about 34 per cent of Jotun’s business. While results for the project market are sensitive to macro-economic trends, the retail market tends to produce more consistent results, even in regions experiencing slow growth. Together with product innovation and strong marketing, Jotun is confident that the company will continue to build a strong global brand for quality and innovation in this dynamic segment.

Emerging trends

Three trends dominate the global Decorative segment. First, rising concerns about the environment has led to increased investment in the development of solvent-free water borne paints. Second, consumers suffering from allergies and respiratory illnesses are seeking healthier paints that do not contain chemicals that may aggravate symptoms. Finally, consumers and professionals are seeking longer-lasting and washable paints that are easier to apply and dry faster.

Jotun markets decorative paint in Scandinavia, the Middle East & North Africa (MENA), Southern Europe (including Turkey), South East Asia and China. In the past few years, Jotun has launched a number of products to meet these trends, including solvent-free interior paints such as SENS in Scandinavia and Majestic Eco-Health in South East Asia and China. Last year, the company introduced Jotashield Extreme, a heat reflective exterior paint that helps users reduce fuel-usage related to cooling buildings in hot climates, and continues to find success with Lady Effects, a paint that provides consumers with stylish design options.

Pioneering smarter paints

In 2011, Jotun continued its pioneering tradition in the development of advanced decorative paints. In Scandinavia, Jotun launched a number of products in support of its LADY brand, including LADY



Protecting assets in Urban Heat Islands

In an increasingly urbanised world, the Urban Heat Island (UHI) effect has become a growing phenomenon. The combination of waste heat generated by energy usage in densely populated areas combined with building materials that retain heat can raise urban temperatures significantly. Cooling buildings in UHIs, especially in tropical climates, represents a significant cost. To help developers and architects combat the UHI effect, Jotun has developed Jotashield Extreme, which protects assets in harsh tropical climates against the corrosive effects of both ultraviolet and infrared light. Now available in the Middle East, North Africa, South East Asia and China, Jotashield Extreme offers long lasting protection and cooler interiors, reducing energy consumption and corresponding emissions.



Positioned for growth

Jotun is in strong position to grow rapidly in the Protective coatings segment by remaining committed to excellent customer service and anticipating the evolving needs of the market.

With an estimated global market value of more than USD six billion, the protective coatings industry provides anti-corrosion and fire protection to oil and gas facilities, power generation stations, heavy industry, storage tanks and infrastructure projects such as stadiums, bridges and airports. Most of these projects are developed by local businesses, municipal governments and regional authorities but some involve multinational developers working with a global network of engineers, architects and contractors. Similarly, protective coatings suppliers are divided between local suppliers, which serve about two thirds of the global market, and a number of global suppliers (including Jotun) that compete for larger, high profile projects.

Regional and segment diversity

In 2011, Jotun recorded positive sales growth compared with the year before. Despite uncertain economic conditions in Europe and political unrest in the Middle East and North Africa, Jotun continued to grow, building on its strong market share in the Asia Pacific region and Eastern Europe. The company also achieved a solid 50 per cent increase in sales in Russia, Turkey, Poland, India as well as Abu Dhabi.

Jotun Protective Coatings has organised its business around different segments, including Energy, Hydrocarbon Processing (HPI), Infrastructure, Offshore and Storage Tanks. Over the past five years, the company has worked to identify a number of sub-segments in these categories, each of which requires a different approach to sales, specific industry expertise and product refinements. This focus on developing concepts for specific segments has been highly effective. For example, in the Offshore (new construction) segment, Jotun secured contracts at a value more than 35 per cent higher than 2010.

Managing specifications

Jotun has also worked to ensure it can compete for mega-projects that often involve multinational stakeholders located in different countries. This process requires focused customer management and borderless coordination across Jotun's Divisions to ensure Jotun effectively manages international project specifications. In this way, Jotun can leverage its global presence to win more high profile projects and gain the confidence of key market players – wherever they are.

Specialised coatings

Product innovation remains a core key to Jotun's success in protective coatings. By offering high quality, premium coatings solutions developed for specific industry segments, the company can more effectively position itself as a preferred supplier of specialist coatings. In 2011, the company saw improved sales for Jotatemp 650, which provides corrosion protection of structures exposed to extremely high and/or extreme low temperatures and is working to develop specialised coatings for the offshore, HPI and wind energy sub-segments.

At present, sales of protective coatings represents about 21 per cent of Jotun's total revenues but with strong market potential in all the sub-segments, Jotun is in strong position to increase sales volume in the years ahead.

“To achieve strong growth potential, we must continue to develop the products, the expertise and the personnel to strengthen our market share in existing markets and seize opportunities in new industrial segments.”

Gene Town, Divisional Vice President, Jotun Protective Coatings



Ruwais Refinery project

Last summer, Jotun was awarded a significant contract to supply protective coatings to seven main packages of the Takreer Ruwais Refinery Expansion Project in Abu Dhabi. The project, developed to increase Takreer's refining capacity of crude oil by 417,000 bpd and nearly double its production of transportation fuels, involves a broad range of multinational stakeholders. Jotun got involved as early as 2009, helping Takreer develop coatings specifications for the project. At the same time, Jotun's specification management team in the USA worked closely with Bechtel, responsible for the FEED. The project was managed by Jotun Abu Dhabi, which secured the confidence of local contractors and coordinated with Jotun personnel in Dubai, Saudi, Turkey, China and Korea to secure packages overseas. The project is an excellent example of how Jotun can manage even the most complex mega-projects involving multinational stakeholders.



“While the newbuilding market is likely to slow in the next few years, Jotun’s focus on product innovation and the maintenance and repair market will help secure our leading market position.”

Geir Bøe, Divisional Vice President, Jotun Marine Coatings

Challenging markets ahead

Jotun continued to achieve strong results in the sale of marine coatings in 2011, despite persistent tonnage overcapacity issues in many segments. However, with the launch of new products and continued focus on building customer loyalty, the company is in good position to defend its leading market share in antifoulings.

Over the past three years, the shipping industry has undergone significant change. The lingering effect of the global financial crisis continues to depress freight rates in most segments, while the rising cost of fuel and an emerging debt-crisis in the Eurozone has slowed investment in new tonnage. In addition, many vessels ordered in more confident times are still being delivered when global demand for marine transportation has not fully recovered, further exacerbating tonnage capacity issues, especially in the tanker, bulk carrier and container segments.

Positive sales growth

Jotun recorded healthy sales volumes for marine coatings in 2011, especially in China, Korea, Turkey and India. Sales were satisfactory for specialised coatings for the yachting market. However, newbuilding activity is expected to decline over the next few years, which will impact Jotun’s sales going forward.

Despite these uncertainties, Jotun remains in good position to defend its leading market share in antifoulings. Over the past three years, the company has focused product innovation, strengthening long-term relationships with owners, shipyards and repair yards (drydocks). It should be noted that the number of vessels in the world fleet has never been higher, which should support more investment in maintenance and repair. To grow in this market, Jotun has taken steps to improve the efficiency of its seastock locations and worked more closely with global customers to build loyalty.

Building stronger relationships

Industry consolidation over the last decade has led to the emergence of a number of larger multinational shipping companies with operations all over the world. To serve these demanding customers, Jotun

Marine has developed an integrated approach to Global Key Account Management. Jotun has identified a number of global shipowners and assigned each one a Key Account Manager. The KAM is supported by a dedicated team of experienced personnel responsible for coordinating all interactions with the customer to ensure quality uniform service worldwide.

Product innovation

Product innovation remains a critical component of Jotun’s success in the marine market. In 2011, the company launched Jotamastic 90, an epoxy mastic topcoat and SeaConomy, an affordable coating introduced to support the company’s premium SeaQuantum antifouling brand. Late last year, the company launched Hull Performance Solutions (HPS), a new concept to help standardise how coatings impact fuel consumption and corresponding carbon emissions. The company is confident that as more owners become familiar with HPS, the concept will help change the marine coatings industry and strengthen Jotun’s position as a recognised industry resource on hull performance.

Looking ahead, the rising cost of bunkering and emerging regulations targeting emissions have lead owners, operators and charterers to focus on fuel reduction and life cycle analysis. By working more closely with key customers, and investing in the development of new products to improve hull performance, Jotun is in a strong position to weather the uncertain markets that lie ahead.

Jotamastic 90

For the past 25 years, Jotun’s Jotamastic range of primers has been the preferred choice for customers seeking lasting protection on aged steel and surfaces without optimal preparations, thus saving time and money during the maintenance process. In 2011, Jotun celebrated the successful launch of Jotamastic 90, an innovative surface-tolerant repair and maintenance primer based on advanced epoxy mastic technology. Jotamastic 90 is compatible with all Jotun topcoats, formulated with a proven hydrocarbon resin that provides excellent wetting and surface penetration, creating a highly durable coating.



Changing market perceptions

Rising customer demand for improved functionality, energy-saving solutions and more options for colours and textures has created significant opportunities in the Powder Coatings segment.

The powder coatings industry represents a highly dynamic market serving different industries and segments – from manufacturers of domestic appliances and automobiles (Industrial) to international companies active in construction (Architectural), oil and gas infrastructure, waste and water treatment facilities, among others (Functional). The ten largest international powder manufacturers supply about 40 per cent of the total powder market. The remaining 60 per cent is produced by local suppliers, who are mostly active in the industrial market.

With rising global concern for the environment, powder coatings are attracting more market interest from customers seeking sustainable coatings solutions. Because powder coatings do not contain Volatile Organic Compounds (VOCs) often found in some wet paints, powder coatings are also preferred in markets with strict environmental regulations limiting the use of certain chemical compounds.

Sustainability meets functionality

In addition to providing customers with a broad range of colours, Jotun is continuously challenging industry norms by developing powder coatings that cure at lower temperatures, helping customers reduce energy costs. Jotun's innovation process has also resulted in coatings ideal for new kinds of substrates, such as Medium Density Fiberboard (MDF). For example, the new Guard range and Era-Coat MDF, all come in flexible lower temperature cure options suitable for wood and plastic. Likewise, Guard Miles and Guard Miles+ have been designed to give more mileage together with good flow and optimal protection to suit diverse needs, allowing customers to coat more surfaces with less powder thus maximising operational efficiency.

To create value for equipment manufacturers of industrial and commercial stor-

age racks, metal furniture and shelving, Jotun has also launched Guard Gaze, which comes in a number of colour shades for manufacturers looking to enhance the value of their products through appearance.

In the Functional segment, Jotun provides a Single Source Solution for pipeline coatings, allowing customers an extensive range of powder and liquid coatings to meet all types of pipeline coatings needs. In the Architectural segment, Jotun has introduced Jotun Façade, a TGIC-free powder coating designed for architects seeking more sustainable coatings solutions.

Making the case

Demand for improved functionality, operational efficiency, sustainable solutions and more options for colours and special effects have created significant opportunities in the powder coatings segment. By remaining attentive to customers preferences and continuing to invest in research and development, Jotun can strengthen its position in this dynamic segment and demonstrate that powder coatings are not a commodity, but a coating system that adds value.



Delivering on market expectations

In response to market demand for more specialised powder coatings, Jotun launched the Guard range in 2011. These new powder products cure at lower temperatures, resulting in lower energy costs for the applicator. The formulation of Guard Miles enables reduced average film thickness that covers a higher surface area for the same amount of powder. For Guard Miles+, Jotun used the most advanced manufacturing technologies in Particle Size Management (PSM) to create a better finish and provide the applicators with cost-effective powder solutions that optimise material utilisation. Guard Gaze has been specifically designed to meet the applicators needs for home accessories metal furniture and other fixtures, offering a wide array of colour choices that create more decorative interiors.

“Our ambition is to let the market know that powder coatings are more than just a standard commodity available in different colours.”

Martin Chew, Group Executive Vice President, Jotun Powder Coatings

Designed by internationally renowned architectural firm RMJM, the multiple award-winning Varyap Meridian Project is Turkey's first Leadership in Energy and Environmental Design (LEED) registered project. Jotun supplied powder coatings to coat the project's window frames and surface panels, covering the whole facade with sixteen different colours of Jotun Super Durable powder coatings.



“Jotun’s success has been created by bold decisions taken in the past and decisions made today will have far-reaching consequences for the company for decades to come.”

Odd Gleditsch d.y., Chairman of the Board

Investing in the future

Jotun’s long-term organic growth strategy has helped the company emerge as a truly global player in the coatings industry. But with plans to commit significant resources to double Jotun’s global production capacity, the company faces significant challenges.

Jotun’s remarkable growth over the last ten years is due in large part with the company’s entry into emerging markets in North Africa, the Middle East and Asia several decades ago. The success of these projects laid the foundation for Jotun’s durable model that has since seen the company expand into more than 80 countries all over the world, generating positive shareholder value.

Today, Jotun has entered a new phase of development, committing to an ambitious investment programme to accelerate growth in existing and new markets. Jotun’s strong balance sheet has and will support this growth. However, Jotun recognises that it takes more than investment capital, new factories, and additional personnel to succeed. Therefore, the Board of Directors has also actively supported initiatives to ensure the company manages this growth effectively and in ways consistent with Jotun values.

Over the past few years, Jotun has developed and invested in a broad range of group functions to facilitate the company’s growth, such as Business Development to coordinate expansion efforts, Human Resources to recruit, train and retain employees, the Technical Department to streamline factory construction and improve operational efficiencies, among others. At the same time, the Board of Directors continues to actively support Jotun’s efforts to reduce its impact on the environment and push for improvements in health and safety.

Another area that will help determine Jotun’s ability to succeed ahead is research and development. The Board of Directors will continue to support initiatives that enable Jotun to stay ahead of the competition in the development of more innovative and environmentally sustainable coatings solutions.



Decisions taken today will have an impact on company for many years to come. Jotun has demonstrated an ability to embrace change without compromising its corporate culture and strong values. By investing now in expansion projects and systems to support Jotun’s goals, the company can ensure its future growth for the next generation.

Directors’ Report

1. MAIN ACTIVITIES

By the end of 2011, 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. The Jotun Group is 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 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 joint ventures. The group, including Joint Ventures and associates, comprises 74 companies in 43 countries, including 39 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 2011 are rendered on this assumption.

Transition to IFRS

With effect from 2011, including comparable figures from 2010, Jotun has transitioned to International Financial Reporting Standards (IFRS) from Norwegian Accounting Standards (NGAAP). The purpose of the transition is to make financial information from Jotun more easily understandable for a wider international group of readers. The transition has a number of effects on the reported accounts. Please see note 23 in the Accounts/Annual Report regarding explanations of the transitional effects.

Profits

The group’s total operating income was NOK 10,659 million in 2011 compared with NOK 9,767 million in 2010. The company’s long-term growth trend continued in 2011, with improved sales in most segments and divisions, primarily ascribable to improved markets particularly in Asia and parts of the Middle East. However, Middle East markets were affected by the Arabic Spring, and European markets struggle with slow economic growth. Despite a number of unexpected events in the global economy, Jotun’s business model has proven to be resilient.

The group achieved a consolidated profit for the year of NOK 634 million compared to NOK 861 million in 2010. Group operating profit amounted to NOK 956 million, compared with NOK 1,240 million in 2010. Net financial costs totalled NOK 63 million, and pre-tax profit amounted to NOK 893 million. Jotun’s activities are subject to ordinary company tax in the countries in which the group operates. The tax amounted to NOK 259 million for 2011 representing an average tax rate of 29 per cent, slightly up from last year.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 404 million, compared to NOK 780 million in 2010. The decrease is in part attributable to increased raw material costs, reduced dividends from subsidiaries, increases in financial costs and write downs of shares in subsidiaries.

Strong demand for raw materials continued from 2010 into 2011 resulting in shortage of key raw materials, longer delivery times and frequent price increases. For the group, the cost of goods sold rose 16% compared with last year. Gross margin continued to decline, although the price of some raw materials levelled out during the last part of the year. Price increases and other improvement measures were taken in most product segments, but these were not sufficient to maintain the margin from last year. Around mid-year the situation eased following major events like the Euro zone turbulence, China’s stricter monetary policy to curb inflation and a continued slow growth in the USA. Combined, this led to slower world economic growth.

Associated companies and joint ventures consist of Jotun’s equity interests in South Korea, China, the UAE., Saudi 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 265 million compared with NOK 323 million in 2010.

Financial position, capital structure and risk

The Jotun Group had a positive cash position of NOK 618 million at year end 2011 compared to a positive cash position of NOK 717 million as of 31 December 2010.

The group increased its investments in 2011 to NOK 796 million from NOK 512 million in 2010, and the sales growth also resulted in more tied up working capital. This led to an increase in the net debt of the group. The net interest bearing debt increased from a net cash position of NOK 24 million at year end 2010 to a net debt position of NOK 837 million at year end 2011.

During 2011 Jotun A/S started using the short term certificate loan market as its main funding source. At year end 2011 Jotun A/S had NOK 700 million of certificate loans. Most of the external lending in the subsidiaries is short term local bank loans.



Board of Directors (from left to right): Einar Abrahamsen, Richard Arnesen, Torkild Nordberg, Odd Gleditsch d.y., Paul Jordahl, Ingrid Luberth, Birger Amundsen and Nicolai A. Eger.

Jotun A/S had committed long-term bank credit lines of NOK 1,400 million that were available at year end. Additionally, NOK 600 million of long-term credit lines were agreed in the first week of January 2012. The NOK 2,000 million of long-term credit lines serves as a back stop for the certificate loans, and will be utilised if the short term certificate market dries up. The NOK 2,000 million credit lines also serve as a strategic reserve for short-term financing for the group companies.

The group's equity ratio was 55 per cent at the end of the year as opposed to 60 per cent the previous year. The reduction in equity ratio is attributable to increased investments in factories and growing operational working capital. The group is in a sound financial position.

In its regular business operations, Jotun is exposed to risks relating to credit, interest rates, raw material prices, commodity prices and currency exchange rates. To reduce risk, Jotun has established procedures for currency and commodity hedging as well as customer credit rating. Following instability in the global economy and reduced margins mainly due to raw material prices, Jotun has increased its focus on improvement measures in all parts of the business.

The main risk regarding exchange rates is connected with the USD and USD-related currencies as well as the EUR. The group hedges its currency risk through foreign exchange loans, forward contracts, currency swaps and options.

Allocation of profit for the year

The allocation of the total comprehensive income for 2011 is presented in the statement of changes in equity. Additionally, the Board of Directors proposes a dividend of NOK 513 million for 2011. Free equity after the proposed dividend amounts to NOK 2,708 million.

The Board of Directors proposes the distribution of an ordinary dividend of NOK 1.500 per share for the 2011 financial year.

3. THE MARKET

Jotun Dekorativ

Jotun has strengthened its position in Scandinavia with steady sales growth in 2011. To improve margins and profitability, internal programmes focusing on prices and lowering manageable cost have been initiated.

The mature markets in Norway, Sweden and Denmark are characterised by increasingly demanding customers and a complex, highly competitive environment. Jotun's position in Sweden has

strengthened in the last year. Jotun Denmark's result improved satisfactorily after having undergone a significant improvement programme. In Norway, Jotun is the overall market leader with strong brands in both the consumer market and the professional market.

Jotun continuously strives to improve the customer's experience with Jotun and Jotun products. This is done by working closely with dealers and chain stores through in-store concepts and equipment. The division has also invested in more user-friendly web-enabled software for Multicolor tinting machines. Innovation and new product launches are crucial to strengthening Jotun's position and to combat private labelled products in the market. A number of new products, such as Lady Pure Color, were launched in 2011 adding a high quality product with new features to the Lady series.

Jotun's production structure in Scandinavia has been a challenge for years. A new state-of-the-art factory in Sandefjord has been constructed throughout 2011 and is expected to be operational in early 2012. The factory will house a number of automated systems that will improve worker safety, bring flexibility to the processes and thereby raise productivity.

Jotun Coatings

The division's overall result was satisfactory as the division delivered growth in both the Marine and Protective segments in 2011. The result was, however, affected by low margins mainly due to the raw material situation. Like the other divisions, a number of steps have been taken to improve profitability.

The Marine market is expected to remain challenging in the years to come and Jotun's focus is on product innovation as well as moving resources from the new-building segment to gain a stronger foothold in the repair and maintenance market. This will enhance Jotun's market position as the number of vessels in the world fleet has never been higher. Furthermore, Jotun continues to aim to be the preferred supplier for ship owners. To achieve this, key account programmes, new and innovative products and concepts are important measures. The Hull Performance Concept is an example of the latter, making it possible to document how quality coatings reduce fuel consumption and corresponding carbon emissions.

The Protective segment saw significant growth in 2011, especially in the offshore market. The company expects further growth also in the years to come and the segment is in a good position to gain an even stronger foothold in new industries, such as mining and renewable energy. Jotun launched Jotamastic 90 in 2011, an innovative epoxy mastic coating which among other innovations and programmes will enhance Jotun's effort to take a leading position in selected markets.

Jotun is well positioned in different regions and markets, which in turn reduces exposure to economic risks and downturn in the shipping market. The division has proved its ability to adapt to different economic conditions and it is well positioned to secure future growth in line with the overall strategy of the Jotun Group.

Jotun Paints

Jotun Paints continued its long-term growth trend recording positive development in both sales value and volume in 2011. The regional and segment diversity enabled the division to deliver strong results despite political unrest and slower growth in many of the division's major markets in the Middle East and Northern Africa. In countries like Yemen, Libya, Syria and Jordan, poor security and limited access to fuel and raw materials made conditions very difficult in 2011.

The division's margins have been under pressure and measures to stem the negative impact of raw material price increases were taken throughout the organisation.

Jotun remains the market leader in the Middle East and strives to strengthen its position in South East Asia, in both existing and new markets. The division launched Lady Effects in the Middle East and Strax Easy Clean in South Asia in 2011, which complimented well Jotun's already sustainable product range. Majestic EcoHealth and Jotashield Extreme (temperature reducing exterior coating) were introduced in more countries in South East Asia during 2011. An efficient production and supply structure is crucial for a leading market player, and the division continues to invest in improved and new facilities to meet the demand for capacity in growing markets. A new state-of-the-art production facility, the largest factory in South East Asia, opened in Nilai, Malaysia in 2011.

Entering new markets in line with the Jotun Group's organic growth strategy is a focus for the division. The division will typically develop sales in countries where economic stability has created increased demand for paints. In 2011 Jotun took steps to expand in countries like Laos, Cambodia and Pakistan.

The division has demonstrated that it can generate growth even in difficult circumstances. Jotun expects the division's strong growth over the past years will continue ahead.

Jotun Powder Coatings

The division's growth trend continued in 2011 with overall improvement in both sales value and volume. The 2011 results were affected by unrest in the Middle East, the difficult situation in Europe, as well as raw material prices, which have all impacted the profitability.

There are significant possibilities in Asia, and the division entered the Chinese market in 2011. A new production unit is under construction in China, expected to be operational in 2012. Overall growth has led to a need for improved production capacity also elsewhere and steps have been taken to fulfil this need. The supply chain situation in Europe is up for evaluation with a view to improving the structure and gaining optimum efficiency.

The division is positioned to be outside the commodity market, and innovations and concepts are being developed to support this strategic direction and fulfil demanding customer needs. In 2011 the division launched the Guard product range allowing customers to coat more surfaces with less powder. Furthermore, the new products cure at lower temperature, which represents a major innovation leading to reduced energy cost and lower carbon footprint at the customer side. The environmental aspect is a rising concern and since powder coatings do not contain VOCs, the division offers an alternative to wet paints.

Through regional diversity, an extensive segmentation of the division's products along with improvement programmes and launching innovative solutions to the customers, the division is in a strong position to grow along with the significant opportunities in the years to come.

4. RESEARCH AND DEVELOPMENT

Future oriented, highly skilled and efficient research and development (R&D) resources are crucial in order to support Jotun's market positions. Over the years Jotun has built an active R&D function located in the head-quarters in Sandefjord,

supported by regional laboratories. This decentralisation is important for ensuring more effective product development with proximity to the different market and regional needs.

Within the coatings business, new and more stringent environmental legislation is applied. As a responsible company, it is important that Jotun is in the forefront of the legislative development so that quality substitutes can in time replace products containing banned raw materials or components. A substantial part of R&D resources are employed in developing new technology and more sustainable products and solutions to various markets.

Through Jotun's structured innovation process, the R&D function is tightly involved in a cross-functional network. This process ensures that development and innovations are linked to marketing and sales as well as customer needs.

5. COMPETENCE DEVELOPMENT

Jotun invests in development of employees in order to bring about continuous improvement and shared value for the company and the employee. The Jotun Academy contains Jotun's internal training courses which cover learning in Human Resources, Sales, Purchasing, R&D, Operations, Technical Sales Support and Management in addition to stand alone courses and e-learning modules. In 2011 Jotun ran around 150 academies covering more than 2,000 employees.

6. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Goals and activities

All Jotun's activities shall be carried out in accordance with local laws and regulations and Jotun HSE standard. Occupational diseases shall be prevented and physical and psychological good health promoted. Life and property shall be safeguarded, and our environmental footprint minimised.

35 companies are now certified according ISO 14001 and OHSAS 18001. In addition a revised and improved Jotun HSE standard was introduced in 2011.

Group HSE carried out 14 HSE audits of Jotun's production facilities in 2011. The results from these audits indicate that some of the factories have a good HSE level. However, there is need for improvements in some units.

Jotun recognises the importance of maintenance for factory safety, but also for on-time deliveries. Benefits of the ongoing maintenance improvement programme are now visible.

Training

Developing knowledge is of key importance for Jotun in achieving long-term and healthy growth. The Jotun Operations Academy is a two-week internal training programme primarily aimed at technical staff in management positions. This programme covers a large number of elements relating to HSE. In 2011, 54 employees attended this training.

All Jotun companies with production facility have a HSE coordinator who receives HSE training annually. In 2011 a three-day gathering for all HSE coordinators was arranged, to ensure learning across regions and to support competence development. Jotun companies with production facilities are required to have an "HSE day" with relevant training.

In 2011 each employee in Jotun had an average of 7.3 hours specific HSE training.

Working environment

A tragic accident took place in the raw material store in one of our factories in China in July, when an operator was killed by a falling pallet of raw materials. Several measures have since been implemented in all factories in order to avoid recurrence.

For the group as a whole, 82 injuries were reported resulting in lost-time-due-to-injury (LTI) absences in 2011, compared with 85 in 2010. The number of injuries resulting in an absence of one day or more per one million working hours (H1-value) was 5.5, the same level as in 2010. The H1-value for Jotun A/S was 4.3 compared with 0.6 in 2010.

Absence due to sickness for the group in 2011 was 1.6 per cent; unchanged from 2010. Absence due to sickness in Jotun A/S was 4.5 per cent in 2011 compared with 5.1 per cent in 2010.

Environment

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

A CO2 footprint analysis based on Scope 1 and 2 of the International Greenhouse Gas Protocol has been carried out. The total emissions from our activities are 61,900 tonnes of CO2 equivalents. Relative to the volume produced this is a reduction of 6 per cent compared to 2010.

The total electrical consumption was 110,900 MWh. Relative to the volume produced the electricity consumption has been reduced by 6 per cent.

The group generated 18,000 tonnes of waste in 2011, with 10,900 tonnes classified as hazardous waste. Corresponding figures for 2010 were 16,600 tonnes, of which 10,500 tonnes were hazardous waste. The volume of waste generated relative to the volume produced was 2.5 per cent in 2011, the same as in 2010.

There were no discharges to water or soil in 2011 causing any significant pollution to the environment.

Safety

Four fires registered in 2011 had the potential to cause significant injury to personnel or damage to property, compared to three in 2010. In addition some early stages of fire or small fires were reported. None of the fires in 2011 resulted in injuries, and only minor damage was caused to equipment. All of the fires were extinguished by Jotun's own staff.

The Board emphasises that fire incidents are unacceptable and that there is need for an even stronger focus in this area. Special measures to avoid fire incidents related to electrical equipment will be carried out.

Challenges ahead

Jotun views seriously all HSE deviations, and has a vision of zero tolerance in relation to serious incidents. 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 is a true Corporate Responsibility (CR) commitment, well anchored in the Board and Group Management. As a result of the CR commitment, Jotun policies and conduct are

built on UN Human Rights, ILO convention and UN's Global Compact principles as well as local regulations in the locations where Jotun operates.

Over the last years, Jotun has boosted activities to structure its CR work. Among other focus areas in 2011, Jotun GreenSteps was launched to communicate Jotun's responsible position towards the environment. Furthermore, Jotun launched new policies, training and awareness tools to enhance Jotun's commitment to work actively against corruption.

8. DIVERSITY

Diversity and cultural understanding are of crucial importance in order to support the group's organic growth strategy. Therefore, Jotun invests a lot in country, regional and cultural interactions and meeting points. Cross-border assignments, network meetings and internal competence development programmes ensure that Jotun employees are exposed to and value differences and diversity.

Jotun A/S has employees with disabilities, and will to the extent that it is possible adjust working conditions to ensure that disabled persons can work in the company.

Two of the nine senior management positions that report to the President & CEO

are female. Of those with personnel responsibility in Jotun A/S, 22.6 per cent are women (18.7 per cent in 2010 and 15.5 per cent in 2009). Women make up 9 per cent of skilled workers (10 per cent in 2010 and 9.5 per cent in 2009), while the corresponding percentage for women among office staff is 33 per cent (33 per cent in 2010 and 32 per cent in 2009).

The Jotun Group has a firm and professional recruitment policy, tools and practices securing equal opportunities regardless of culture, ethnicity, religion, gender and age.

9. FUTURE PROSPECTS

In the face of a turbulent macro-economic environment in the past few years Jotun has proved its ability to adjust to challenging market conditions with a differentiated approach. This enables Jotun to continue with its ambitious growth strategy that represents both significant challenges and opportunities for the group.

Operational efficiency and production capacity are of crucial importance and a significant investment programme was initiated in new and existing markets. In 2011, Jotun opened new facilities in Malaysia and Singapore and continued to move forward on a number of other construction projects in Norway, China, Brazil, Russia and the United States.

To support an organic growth strategy, development of people is of great importance. Jotun invests considerably in different competence programmes to secure such development, to build loyalty among employees and to offer exciting opportunities benefiting both employees and Jotun long term.


Financially the rising cost of raw materials is likely to continue to put pressure on profits, and an expected slowdown in the Marine market will impact results ahead. In the short term, the company has taken steps to manage these potential risks and continues to improve efficiency throughout the organisation and to lower costs.

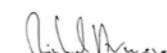
Jotun's differentiated approach to different markets helps mitigate risk. The group's presence in high-growth countries like China, India, Brazil and Russia is likely to offset slower growth in more mature markets.


In spite of challenges in a number of different markets, Jotun expects to continue its growth with stable results in the year to come. With its solid business model, a sound financial foundation with satisfactory liquidity and a good equity base, Jotun is in a good position to invest further in line with a well proven organic growth strategy.

Sandefjord, Norway, 16 February 2012
Board of Directors
Jotun A/S



Odd Gleditsch d.y.
Chairman


Einar Abrahamson


Richard Arnesen


Birger Amundsen


Paul Jordahl


Ingrid Lubert


Torkild Nordberg


Nicolai A. Eger


Morten Fon
President & CEO

Consolidated statement of income

1 JANUARY - 31 DECEMBER (NOK thousand)	2011	2010
Operating Revenue	10 658 991	9 767 290
Share of profit of associated companies and joint ventures	265 002	323 458
Cost of goods sold	-6 220 856	-5 366 042
Payroll expenses	-1 674 822	-1 530 335
Other operating expenses	-1 825 061	-1 693 374
Depreciation, amortisations and write downs	-247 573	-261 123
Operating profit	955 680	1 239 874
Finance income	99 455	54 072
Finance costs	-162 180	-94 930
Profit before tax	892 955	1 199 016
Income tax expense	-258 650	-337 815
Profit for the year	634 305	861 201

On page 48 and 49 you find extracts from the Jotun Group annual accounts and should be read in connection with the full set of account that can be obtained in a separate Annual Report.

Consolidated statement of financial position

(NOK thousand)	31.12.11	31.12.10
ASSETS		
Non-current assets		
Deferred tax assets	142 755	111 031
Other intangible assets	138 318	65 685
Fixed assets	2 331 819	1 818 204
Investments in associated companies and joint ventures	945 912	851 893
Other investments	8 248	15 939
Pension assets	6 214	21 544
Derivative financial instruments	-	14 601
Other long-term receivables	168 890	138 157
Total non-current assets	3 742 157	3 037 055
Current assets		
Inventories	1 839 452	1 498 089
Trade and other receivables	2 940 537	2 483 887
Cash and cash equivalents	617 923	716 552
Total current assets	5 397 912	4 698 528
TOTAL ASSETS	9 140 069	7 735 582
EQUITY AND LIABILITIES		
Equity		
Share capital	102 600	102 600
Other equity	4 846 891	4 477 723
Non-controlling interests	78 411	85 501
TOTAL EQUITY	5 027 902	4 665 824
Non-current liabilities		
Pension liability	173 090	160 820
Deferred tax	14 106	9 492
Provisions	155 823	107 958
Interest-bearing debt	4 067	10 783
Interest-free long term debt	28 415	19 843
Total non-current liabilities	375 500	308 896
Current liabilities		
Interest-bearing debt	1 451 219	682 248
Other current liabilities	2 285 448	2 078 613
Total current liabilities	3 736 668	2 760 861
TOTAL LIABILITIES	4 112 167	3 069 757
TOTAL EQUITY AND LIABILITIES	9 140 069	7 735 582

Consolidated statement of cash flows

(NOK thousand)

	2011	2010
Cash flow from operating activities		
Profit before tax	892 955	1 199 016
Share of profit of associated companies and joint ventures	-265 002	-323 458
Dividend paid from associated companies and joint ventures	226 269	264 802
Tax payments	-177 802	-111 223
Gains/losses on sale of fixed assets	8 734	3 728
Depreciation	247 573	261 123
Change in inventories, trade receivables and trade creditors	-582 598	-484 388
Change in accruals, provisions and other	-46 793	-105 180
Net cash flow from operating activities	303 336	704 420
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	7 033	10 516
Purchase of property, plant and equipment	-867 024	-552 201
Net cash flow used in investing activities	-859 991	-541 685
Cash flows from financing activities		
Proceeds from borrowings	937 139	313 213
Cash payments for new lending	-167 615	-158 853
Dividend paid to equity holders of the parent	-256 500	-225 720
Dividend paid to minority interests	-41 781	-46 644
Net cash flow from financing activities	471 243	-118 004
Net currency translation effect	-13 217	-9 744
Net increase/(decrease) in cash and cash equivalents	-85 412	44 731
Cash and cash equivalents at beginning of period	716 552	681 565
Cash and cash equivalents at end of period	617 923	716 552

On page 50 you find extracts from the Jotun Group annual accounts and should be read in connection with the full set of account that can be obtained in a separate Annual Report.

Executive summary of the financial statement for 2011

General

The consolidated financial statement consists of fifty-seven subsidiaries (more than 50 per cent ownership), four joint ventures in China/HK and Korea (50 per cent ownership) and seven associated companies in U.A.E., Saudi and Yemen (less than 50 per cent ownership). Subsidiaries are consolidated with the full amount independent of shareholding while joint ventures and associates are presented as net interest based on the actual shareholding. New subsidiaries during the year were Jotun Kazakhstan, Jotun Romania, Jotun Algeria and Jotun (Cambodia).

First time adoption of IFRS

The Jotun Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements for 2011 are Jotun Group's first IFRS financial statements. Comparable figures for 2010 have been transformed to IFRS meaning there are no changes in accounting principles between 2010 and 2011.

Revenue

Operating revenue for the group was NOK 10,659 million. The growth of 9 per cent is primarily ascribable to improved markets particular in Asia and parts of the Middle East. Considering the full revenues in associates and joint ventures, total sales of Jotun branded products was NOK 14.742 million.

Operating profit

Operating profit in 2011 declined by 23 per cent compared to 2010, ending up with an operating margin of 9 per cent (2010: 12.7 per cent). The whole year was influenced by higher raw material costs which only partly were offset by increased sales prices. Increase in other costs than raw materials was in line with the general sales growth.

Jotun's share of net result after tax in associates and joint ventures totalling NOK 265 million (2010: NOK 323 million) are reported in a single line of the consolidated income statement as an operating item.

Profit for the year

Profit for the year amounted to NOK 634 million (2010: NOK 861 million). Net financing charges for the year are still at a low level but increasing from last year. This is mainly related to high level of invested capital. Net financial costs ended NOK 63 million (2010: NOK 41 million). The group effective tax rate was 29 per cent (2010: 28.2 per cent) slightly above the tax rate in the Norwegian holding jurisdiction at 28 per cent.

Investments

Total purchase of property, plant and equipment (PP&E) and intangible assets amounted to NOK 867 million for 2011 (2010: NOK 552 million). This represents 8.1 per cent of operating revenue. Total investment in PP&E for the purpose of producing Jotun branded products was NOK 989 million. New factory in Malaysia and construction in progress of new factories in Norway, China and USA represent the major part of the investments.

Jotun's share of total equity in associates and joint ventures amounts to NOK 946 million (2010: NOK 852 million), and is reported as non-current assets in the balance sheet.

Working Capital

To facilitate revenue growth, net investment in operational working capital (inventory, trade receivables and suppliers) amounted to NOK 583 million (2010: NOK 484 million).

Net interest bearing debt

The net interest bearing debt increased from a net cash position of NOK 24 million at the 2010 year end to a net debt position of NOK 837 million at the 2011 year end. During 2011 Jotun A/S started using the short term Certificate loan market as its main funding source. At the year end Jotun A/S had NOK 700 million of short term Certificate loans. Additionally the Group had NOK 1,400 million of unused and unrestricted long term credit lines as a back stop for the Certificate loans. Another NOK 600 mill was added to the credit lines in January 2012.

Shareholders equity

Shareholders' equity (including non-controlling interests) increased to NOK 5,028 million due to the net effect of net income NOK 634 million, other comprehensive income of NOK 26 and payment of the dividend for 2010 (declared in 2011) of NOK 298 million. The equity ratio is still strong at a level of 55 per cent (2010: 60 per cent).

The proposed dividend for Jotun A/S for 2011 amounting to NOK 513 million, will according to IFRS not be recognised in equity until finally declared in 2012.

Cash flow

Operating activities in 2011 resulted in a cash inflow of NOK 303 million (2010: NOK 704 million). The change compared with 2010 is due to lower operating result and increased working capital related to the growth in operating revenues.

Workforce

At year-end 2010, Jotun employed 6,013 staff for ongoing business in Jotun A/S and its subsidiaries (2010: 5,577 staff). In addition another 2,283 employees were employed in associates and joint ventures. The increase in total workforce has mainly been in Asia, where growth in business is higher.



Sales Office

Production

P

Jotun Powder Coatings

Jotun Paints

Jotun Coatings

Jotun Dekorativ

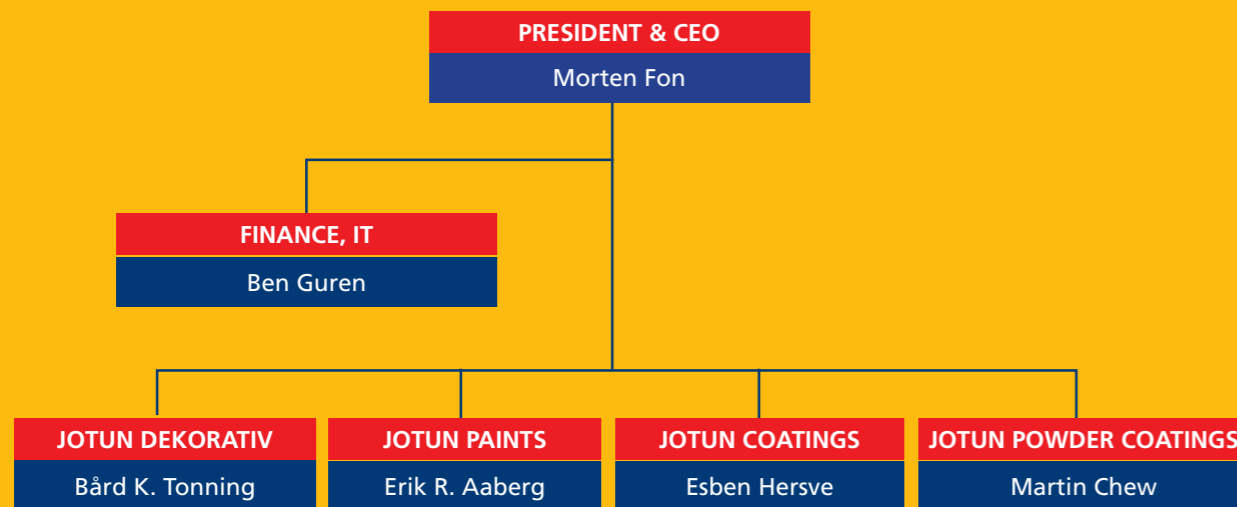
COUNTRY	COMPANY	SHARE HOLDING %	
Algeria	Jotun Algerie SARL, Algiers	70	
Australia	Jotun Australia Pty. Ltd., Victoria	100	P
Brazil	Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	
Bulgaria	Jotun Bulgaria EOOD, Sofia	100	
Cambodia	Jotun (Cambodia) Ltd., Phnom Penh	100	
China	Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang	100	P
	Jotun COSCO Marine Coatings (GZ) Co. Ltd., Guangzhou	50	P
	Jotun COSCO Marine Coatings (HK) Co. Ltd., Hong Kong	50	
	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd., Qingdao	50	
	Jotun Paints (H.K.) Ltd., Hong Kong	100	
Cyprus	Jotun Cyprus Ltd, Limassol	100	
Czech Republic	Jotun Powder Coatings (CZ) a.s., Usti nad Labem	100	P
Denmark	Jotun Danmark A/S, Kolding	100	
Egypt	El-Mohandes Jotun S.A.E., Cairo	70	P
Finland	Nor-Maali OY, Lahti	33	P
France	Jotun France S.A.S., Paris	100	
Germany	Jotun (Deutschland) GmbH, Hamburg	100	
Greece	Jotun Hellas Ltd. Piraeus	100	
India	Jotun India Pvt. Ltd., Pune	100	P P
Indonesia	P.T. Jotun Indonesia, Jakarta	99	P
	P.T. Jotun Powder Coatings Indonesia, Jakarta	100	P
Ireland	Jotun (Ireland) Ltd., Cork	100	
Italy	Jotun Italia S.p.A., Trieste	100	
Kazakhstan	Jotun Kazakhstan L.L.P. Almaty	100	
Libya	Jotun Libya J.S.Co., Tripoli	80	
Malaysia	Jotun (Malaysia) Sdn. Bhd., Shah Alam	93	P
	Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	81	P
	Jotun Paints Sdn.Bhd., Nilai	100	P
Morocco	Jotun Maroc SARL/AU, Casablanca	100	
Netherlands	Jotun B.V., Spijkenisse	100	
Norway	Jotun A/S, Sandefjord	100	P P
	Jotun Powder Coatings (N) AS, Larvik	100	P
	Scanox AS, Drammen	100	P

COUNTRY	COMPANY	SHARE HOLDING %	
Oman	Jotun Paints Co. L.L.C., Muscat	62	P
Pakistan	Jotun Pakistan (Pvt.) Lda., Karachi	100	
	Jotun Powder Coatings Pakistan (Pvt.) Lda., Lahore	93	P
Philippines	Jotun (Philippines) Inc., Manila	100	
Poland	Jotun Polska Sp.zo.o., Gdynia	100	
Romania	Jotun Romania S.R.L., Otopeni	100	
Russian Federation	Jotun Paints OOO, St. Petersburg	100	
Saudi Arabia	Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	49	P
	Jotun Saudia Co. Ltd., Jeddah	40	P
Singapore	Jotun (Singapore) Pte. Ltd., Singapore	100	
South Africa	Jotun Paint South Africa (Pty) Ltd., Cape Town	100	P
South Korea	Chokwang Jotun Ltd., Kyungnam	50	P
Spain	Jotun Ibérica S.A., Barcelona	100	P
Sweden	Jotun Sverige AB, Gothenburg	100	
Thailand	Jotun Powder Coatings (Thailand) Ltd., ChonBuri	100	P
	Jotun Thailand Ltd., Samutprakarn	95	P
Turkey	Jotun Boya San. ve Tic. A.S., Istanbul	100	P
	Jotun Toz Boya San. ve Tic. A.S., Istanbul	100	P
United Arab Emirates	Jotun Abu Dhabi Ltd. (L.L.C.), Abu Dhabi	52	P
	Jotun Powder Coatings U.A.E. Ltd. (L.L.C.), Dubai	47	P
	Jotun U.A.E. Ltd. (L.L.C.), Dubai	42	P
	Jotun F.Z.E., Jebel Ali Free Zone	100	
United Kingdom	Jotun Paints (Europe) Ltd., Flixborough	100	P
	Jotun Powder Coatings Ltd., Flixborough	100	
USA	Jotun Paints Inc., Belle Chasse, LA	100	P
Vietnam	Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P
Yemen	Jotun Yemen Paints Ltd., Aden	26	P

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

In addition to legal companies Jotun has branch offices, agents, distributors and licensees in Argentina, Azerbaijan, Bahrain, Belgium, Canada, Chile, Croatia, Dominican Republic, Ecuador, Estonia, Ghana, Haiti, Hungary, Iceland, Iran, Japan, Jordan, Kenya, Kuwait, Latvia, Lebanon, Lithuania, Malta, Mauritius, Mexico Monaco, Montenegro, Namibia, Netherland Antilles, New Zealand, Nigeria, Panama, Peru, Portugal, Puerto Rico, Qatar, Slovak Republic, Slovenia, Sri Lanka, Sudan, Suriname, Switzerland, Syria, Taiwan, Trinidad, Tunisia, Ukraine and Uruguay.

The Jotun Group



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

