



JOTUN

Jotun Protects Property



2018

Jotun values



Loyalty

Reliable and trustworthy

Long term relationships between customers, Jotun and colleagues

Commitment to Jotun's values, strategies, policies and decisions



Care

Help and support others

Display trust and empathy

Appraise and judge fairly

Protect internal and external environment



Respect

Values differences in people

Be honest and fair

Build diverse teams across culture and gender

Follow laws and regulations

Treat others the way they expect to be treated



Boldness

Take initiatives to create the future

Initiate and nurture change

Communicate openly, honestly and with integrity

Be proactive

Address difficulties constructively

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Scheduled to open in 2020, Jotun's new headquarters and R&D centre in Sandefjord, Norway represents the company's single largest investment to date.

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Selling solutions

In response to consumer and industrial demand, Jotun is migrating from a products-based offering to a solutions-based offering.

For more than 90 years, Jotun has developed paints and coatings to protect and beautify assets. However, as more consumers and businesses are turning to paints and coatings to help solve different challenges, Jotun has expanded its service offering in every segment to meet specific end user needs.

Performance coatings solutions

For example, shipowners seeking to reduce fuel costs and lower corresponding carbon emissions can utilise Jotun's Hull Performance Solutions, which combines premium marine antifoulings, priority technical service and tools to measure hull performance. For stakeholders seeking to reduce application and maintenance costs in the hydrocarbon processing industry, Jotun offers Thermosafe. This collection of five coatings solutions provides protection against a range of risks and issues, from fire to cryogenic spills, thermal exposure to corrosion under insulation.

In the Powder Coatings segment, Jotun develops solutions not only for end users but also for applicators. To serve this important customer group, Jotun has created client teams that include sales, technical sales support and R&D personnel to work closely with applicators to help them achieve optimal results. In the Decorative Paints segment, Jotun offers Global Colour Trends, an annual collection of trendy, inspiring colour schemes, linked by a common theme, that makes it easier for consumers and designers to select and match complementary colours. For project owners seeking to simplify supplier relationships, Jotun works across the Decorative Paints, and Protective and Powder Coatings segments to offer the Single Source Solution.

Customer loyalty

By developing products and services to meet specific needs, Jotun helps customers manage challenges. This approach encourages long-term partnerships, builds customer loyalty and allows Jotun to compete for more profitable contracts.

Profitability

14.1 %


Return on capital employed


8.1 %


Return on equity

7.7 %

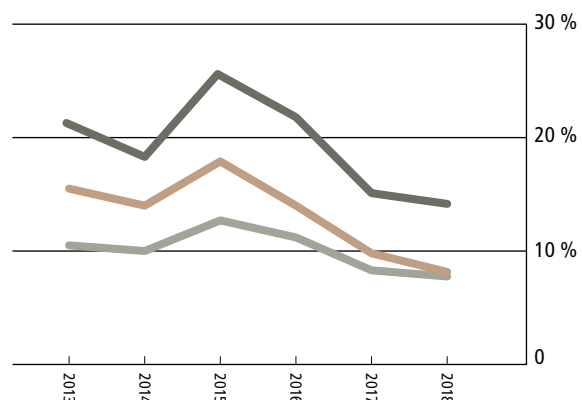
Operating margin

- 1)  Return on capital employed, in %

$$\frac{\text{Operating profit} + \text{amortisation of intangible assets}}{\text{Average capital employed}} \times 100$$
- 2)  Return on equity, in %

$$\frac{\text{Total comprehensive income for the year}}{\text{Average equity}} \times 100$$
- 3)  Operating margin, in %

$$\frac{\text{Operating profit}}{\text{Operating revenue}} \times 100$$

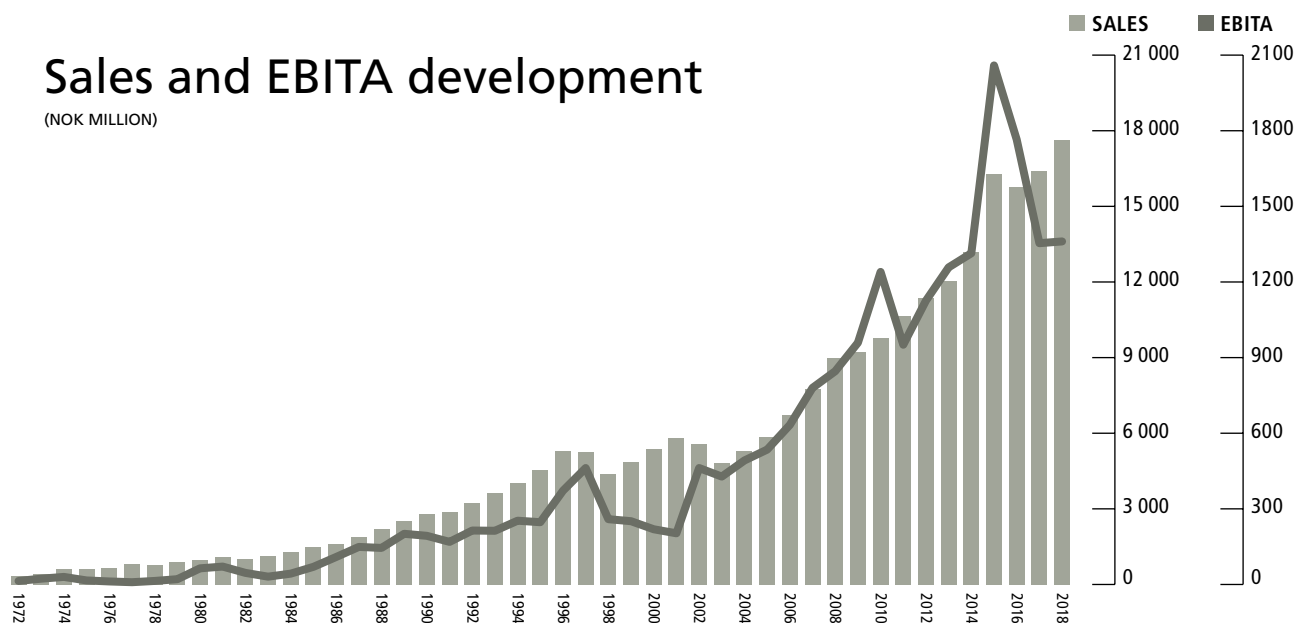


Group key figures

(NOK MILLION)	2018	2017	2016	2015	2014	2013
Financial performance						
Operating revenue	17 660	16 401	15 785	16 282	13 171	12 034
Sales revenue outside Norway, in %	88	88	88	88	85	83
Operating profit	1 361	1 354	1 763	2 064	1 314	1 258
Profit before tax	1 115	1 236	1 594	1 918	1 301	1 191
Net cash flow from operating activities	1 018	1 097	2 027	1 500	919	819
Financial positions						
Total assets	16 715	15 708	15 158	15 187	13 300	10 799
Investments in intangible and fixed assets	1 089	967	1 133	922	911	733
Equity (including non-controlling interests)	8 469	8 254	8 035	7 932	6 739	5 515
Equity / assets ratio, in %	50.7	52.5	53.0	52.2	50.7	51.1
Number of employees in the Group, including 100 per cent in joint ventures and associated companies	9 872	9 789	9 819	9 842	9 676	8 991
Profitability						
Return on capital employed, in %	1) 14.1	15.1	21.8	25.6	18.3	21.4
Return on equity, in %	2) 8.1	9.8	14.1	17.9	14.0	15.5
Operating margin, in %	3) 7.7	8.3	11.2	12.7	10.0	10.5

Sales and EBITA development

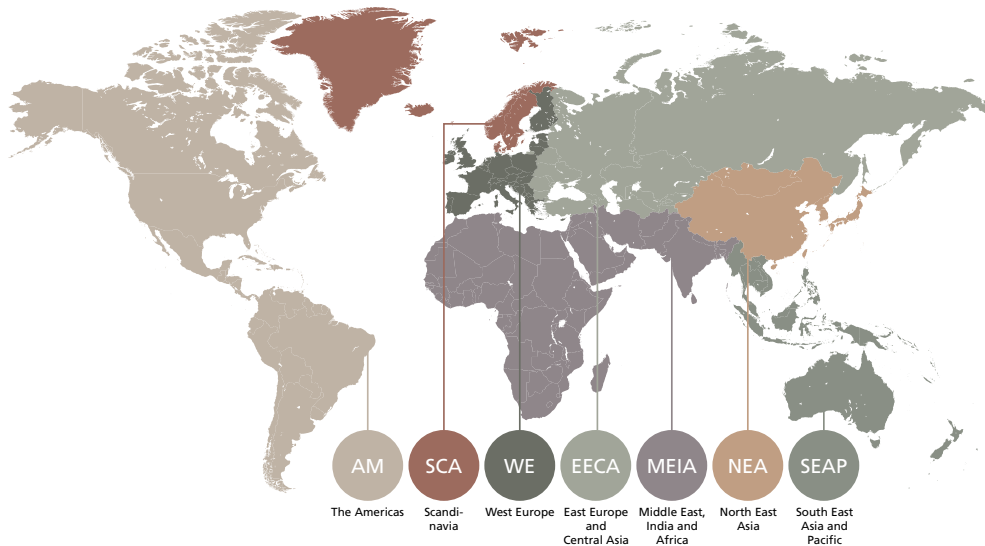
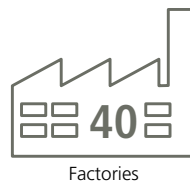
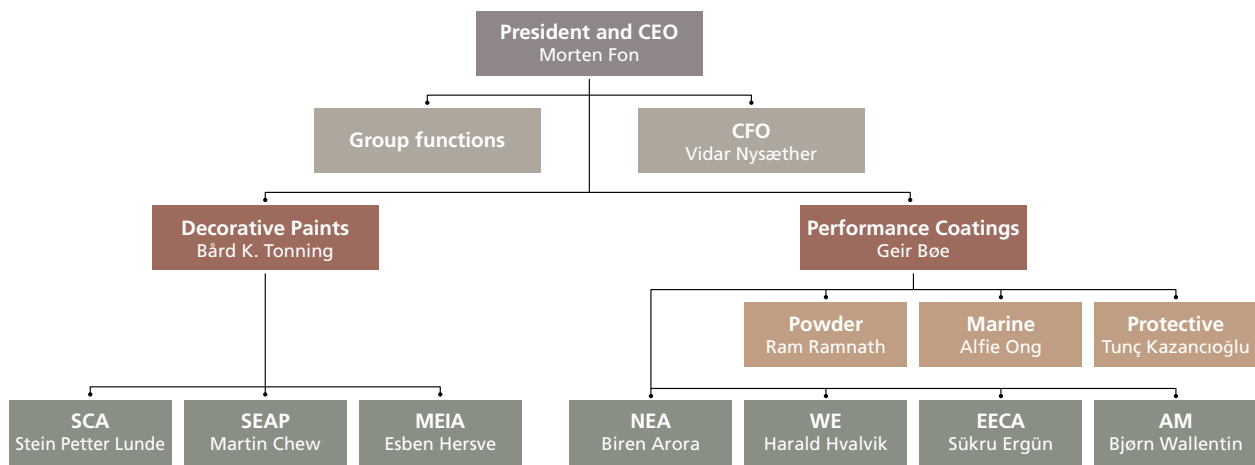
(NOK MILLION)



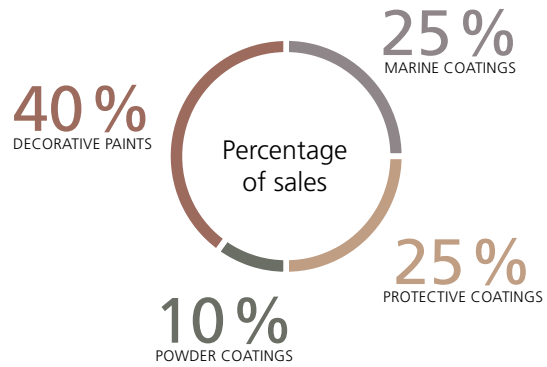
At a glance

The Jotun Group is a matrix organisation divided into seven regions responsible for the sale of Decorative Paints and Marine, Protective and Powder Coatings.

The company has 40 production facilities in 24 countries, 62 companies in 45 countries and is represented in more than 100 countries around the world.

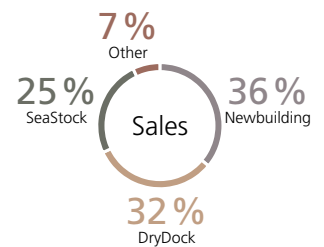


Four segments



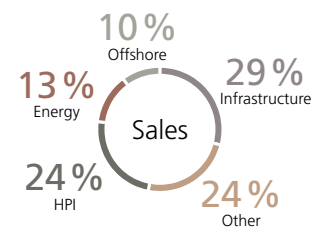
Marine Coatings

Jotun is a world leading provider of marine coatings to the Newbuilding, DryDock and SeaStock markets. In addition, Jotun supplies coating solutions for megayachts and leisure yachts.



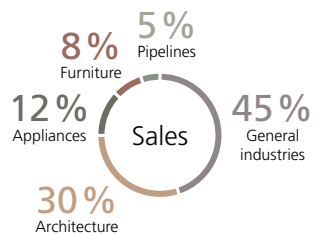
Protective Coatings

Jotun's protective coatings are sold to companies active in industries related to offshore, energy, infrastructure and hydrocarbon processing.



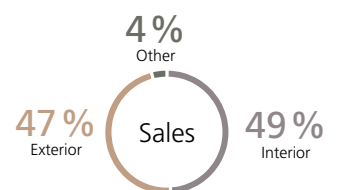
Powder Coatings

Jotun Powder Coatings is a leading supplier to companies active in industries related to appliances, furniture, architecture, pipelines and general industries.



Decorative Paints

Jotun Decorative is a leading paint supplier to commercial buildings, public buildings and homes, serving both professionals and home owners, directly and through a substantial network of Jotun Multicolor centres.



Regional highlights



AM THE AMERICAS

- Sales of Jotachar 1709 surpassed 13 million USD in the region. The US is the main contributor, but demand in Brazil is growing
- Jotun USA is securing higher market share in the Marine Coatings segment through the HPS concept, securing drydockings from key customers with SeaQuantum X200, scheduled for 2019
- Jotun supplies protective coatings to energy major GE for new hydroelectric energy project in Brazil
- Jotun's marine coatings export distributors in Central and South America are now targeting protective projects with Jotun-branded products
- Jotun Mexico secured 100 per cent business with all Grupo R subsidiaries. Grupo R is one of the largest on and offshore contractors for Pemex, Mexico's state-controlled energy company



SCA SCANDINAVIA

- Jotun achieves all-time high decorative paint sales in Scandinavia, driven by increased premium sales and a strong increase in professional sales and large project wins
- Mining company LKAB selects Jotamastic for the interior of ore carrier cars in service on the Kiruna – Narvik railway line
- Jotun secures contract for the world's largest FPSO, to serve Equinor's North Sea Offshore project (Johan Castberg), and topsides for units serving the Johan Sverdrup oil field, Phase 2
- Jotun signs SeaStock contract with G2 Ocean and Drydock contract with Wilhelmsen, including orders for 53 vessels using Jotun SeaQuantum X200 antifouling
- Jotun secures newbuilding contract with Vard shipyard to provide coatings for the world's largest research and expedition ship, REV Ocean



WE WEST EUROPE

- Jotun takes the lead in the cruise ship newbuilding market by securing multiple contracts at Germany's Meyer Yard and Italy's Fincantieri Yard from leading owners including Carnival, MSC and Virgin Cruises
- A focused approach on the industry-leading Dutch superyacht sector, results in an excellent growth in yachting products to both newbuildings and refit projects, including some iconic yachts up to 90m in length
- Over the course of the year, Jotun supplies PFP products (Jotachar and Steelmaster) to an area equal to 1 000 football pitches
- Powder Coatings launches a range of innovative products for Non-Metal Substrates to beautify and protect natural and engineered wood
- Marine and Powder Coatings earn the EU Marine Equipment Directive (MED) "mark of conformity", which allows Jotun to deliver a Single Source Solution to producers of equipment used on board ships and cruise liners





EECA

EAST EUROPE AND CENTRAL ASIA

- Jotun Turkey initiates "Perfect Customer Experience Academy" training for more than 160 dealers in less than two months to maximise retail service quality and focus on profitable growth in the Decorative Paints segment
- Despite challenging economic conditions in Turkey, Jotun achieves high growth rate in the Decorative Paints segment of a 40 per cent growth and overall sales value growth of 30 per cent
- In Turkey, Jotun secures the "1915 Çanakkale Bridge", an iconic bridge project connecting Asia to Europe
- Jotun successfully launches new interior products, Fenomastic Mat and Fenomastic Ipek Mat throughout the region
- Jotun Russia achieves high sales growth, led by the Powder Coatings segment which recorded a growth rate of 70 per cent

1991



828



4



NEA

NORTH EAST ASIA

- Marine Coatings secures a total of 35.4 million DWT in newbuildings in China and South Korea, a result three times higher than 2017
- Jotun supplies the Shenzhen New Exhibition Centre Project with a broad range of premium products, including 450 000 litres of Passive Fire Protection (PFP) coatings
- Jotun supplies "Reveal Era", a high weathering powder coating solution to Sungrow, a world leading provider of solar photovoltaic inverters
- In China, Jotun pulls out of the general decorative paints project market to focus exclusively on high-end consumers, opening 10 Multicolor centres with the new "Nordic concept"
- In Taiwan, Jotun secures the Formosa EG2 megaproject, supplying a total of 270 000 litres of Jotachar 1709 to fabrication and construction sites in China and Taiwan

1983



1879



4



MEIA

MIDDLE EAST, INDIA AND AFRICA

- Jotun opens a state-of-the-art Marketing Training Centre in Saudi Arabia and new R&D Centre in Pune, India
- Decorative Paints launches Master Painter Rewards App, a new loyalty programme targeting painters and small contractors
- Jotun successfully rolls out Jotun Colour Academy in the UAE, Egypt, Oman and Saudi Arabia
- Jotun secures a number of prestigious protective coatings projects, including the world's tallest statue in India (182m), the Reem Mall in Abu Dhabi and the Dubai Hills Mall, which includes the largest floor-coating project in Jotun's history
- Jotun begins to supply powder coatings to the Qatar Metro, Dubai Expo 2020, the Sabah hospital in Kuwait, Infosys Centre in India, Dubai Mall expansion, and Dolmen City Towers in Karachi

1962



2834



14



SEAP

SOUTH EAST ASIA AND PACIFIC

- Jotun wins contract to become the Single Source Solution provider to PNB118 in Kuala Lumpur, Malaysia. When completed, PNB118 will be South East Asia's tallest building
- Jotun Indonesia becomes the Single Source Solution supplier for all stadiums in Jakarta used in the 2018 Asian Games
- Jotun successfully launches Jotashield Antifade Colours, a high performance, environmentally friendly exterior paint, across the region
- Jotun Vietnam supplies paints and coatings to the VinFast Project, South East Asia's largest auto manufacturing factory
- Myanmar secured first-ever contract with National carrier, Myanmar Five Star Lines

1968



2135



11





Our business



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Promising future

Despite facing headwinds in some markets and segments, Jotun achieved overall sales growth in 2018 and strengthened its business in anticipation of more activity in the years ahead.

Jotun performed well in the Decorative Paints and Protective Coatings segments in 2018, but despite promising developments in the second half of the year, demand for Jotun coatings in the Marine Coatings segment fell short of expectations. Sales in the Powder Coatings segment were flat. Operating revenue increased by eight per cent, helping Jotun retain its long-term growth trend. However, overall profitability has been under pressure due to the significant rise in raw material prices, an increasingly cost-conscious customer base and losses due to claims reported last year.

Improving profitability

While sales volume remains an important metric of the company's growth, Jotun acted decisively in 2018 to improve profitability. For example, Jotun implemented price increases to compensate for higher raw materials costs, refocused on the sale of premium products in all segments and worked successfully to control growth in operating costs.

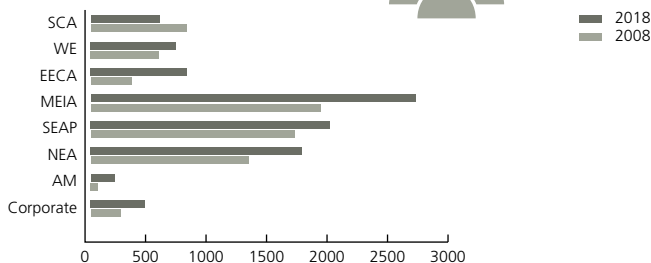
Jotun has also been successful in building for the future. In addition to entering new markets, expanding production

capacity in existing markets and launching a number of potentially game-changing products in all segments, Jotun continues to migrate from a paints and coatings supplier to a solutions provider to help meet the specific needs of customers and end users. Internally, Jotun continues to make significant investments to upgrade standardised IT systems that help the global organisation become more efficient and connected. Jotun has also increased investments in its global R&D network to improve the quality and speed of the innovation processes.

Continuous improvement

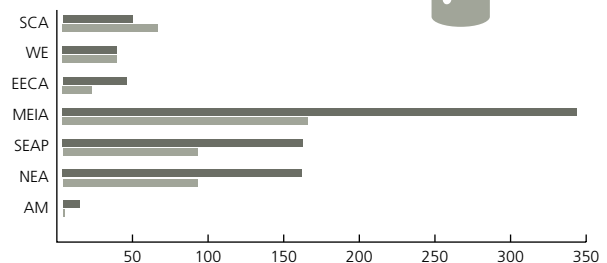
Looking ahead, Jotun is working to strengthen its organic growth model by investing in tools and systems to allow the company to enter new markets more forcefully and at less cost. At the same time, the company is working to reduce the per unit cost of production by improving processes at every stage of the value chain. These and other steps the company has taken, combined with the anticipated recovery of both the marine newbuildings and oil and gas industries suggests Jotun will experience improved results in 2019.

Full time employees

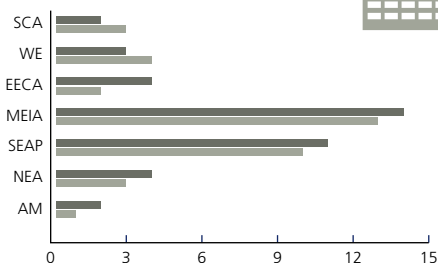


Production volume

Litres/kilos (1 000 tonnes)

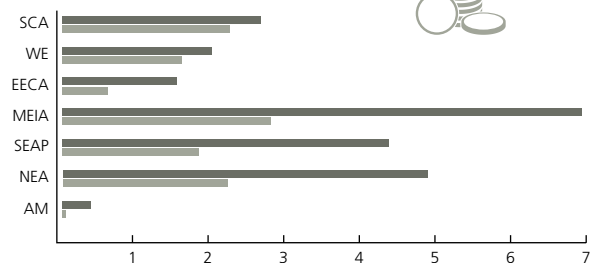


Production facilities



Total sales (100 %)

Sales in billion





Jotun Group Management (from left): Vidar Nysæther, Group Executive Vice President/CFO; Bård K. Tønning, Group Executive Vice President – Decorative Paints; Morten Fon, President & CEO and Geir Bøe, Group Executive Vice President – Performance Coatings.

Adapting to a changing market

As the world's number one provider of advanced marine coatings, Jotun is pioneering the use of digital tools and solution-based services to meet the demands of an evolving industry.

The newbuilding market improved in 2018, gaining strength in the second half of the year. While it is premature to assume this modest recovery signals the beginning of a sustainable, long term growth trend, Jotun anticipates improved results in the newbuilding market by the end of 2019. In the drydock market, activity slowed compared to last year, but Jotun recorded a modest increase in sales for the SeaStock concept. Jotun maintained its top market position in marine coatings, although profits were slowed by high prices for raw materials.

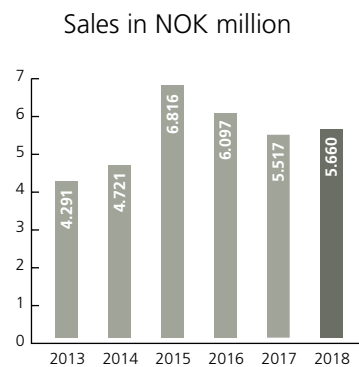
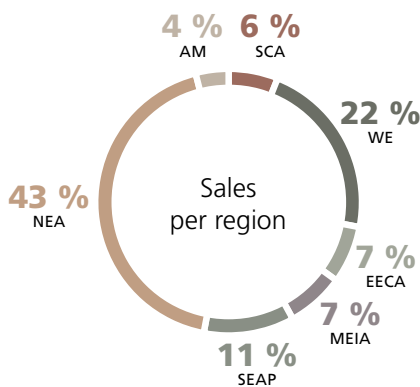
Meeting customer demand

The effects of low freight rates over the past five years have resulted in consolidation in all shipping segments, creating fewer, larger owners. At the same time, the introduction of strict regulations on emissions and ballast water treatment have put pressure on both yards and owners to stay in compliance. To help customers achieve their business goals, Jotun has realigned its business to develop products, solutions and digital tools to meet their challenges. For example, to help owners in the chemical tanker segment avoid lengthy cleaning and ventilation periods between loadings, Jotun launched Tankguard Flexline, a cargo tank coating that allows owners greater flexibility, long-term performance and improved vessel utilisation.

In the Drydock concept, Jotun utilises digital tools to collect data on the specific trade, average speed, cargo and time between scheduled vessel maintenance to recommend the best coating solution. In the SeaStock concept, Jotun has launched the SeaStock Management Solution, a service that includes strategic planning, product recommendations, improved order processing and logistics, training, and technical and business reviews.

Investing in data analytics

Looking ahead, Jotun will continue to meet demand for solutions that help owners to improve operational efficiency and comply with emerging regulations. While product development will continue to play an important role in Jotun's offering, the company is investing in enhanced data analytics and decision support tools to help owners reduce costs and improve efficiency. Internally, Jotun will focus both on selling valued-added premium products and implementing cost control measures to improve profitability.







Optimising on board maintenance

With the 2018 launch of the SeaStock Management Solution (SSMS), Jotun is moving from product supplier to integrated partner.

About 25 per cent of Jotun's volume in Marine Coatings is in the SeaStock concept, where products developed specifically for on board maintenance are delivered directly to vessels in ports. Following an analysis of the market, Jotun identified an opportunity to provide a service that would help owners control costs, improve maintenance performance and optimise the port and product mix to suit the needs of individual vessels.

Enhanced service

Owners and ship management companies who participate in Jotun's SeaStock Management Solution (SSMS) pay Jotun a fixed annual fee per vessel to manage on board maintenance. The service includes strategic planning, defining and supplying the right products for individual vessels, improved order processing and logistics, crew training (both on board and onshore), bi-annual technical and business reviews and condition inspections.

For owners, predictable costs and more control over on board maintenance is a genuine advantage. By outsourcing the management of seastock to Jotun, they can devote more time and resources on their core business. In addition, owners participating in the SSMS programme report improved vessel condition, longer intervals between planned maintenance routines and increased crew competence. Because the product assortment is optimised for each vessel, there is less waste, lower paint consumption and reduced need for stocking products on board.

Building loyalty

By assuming a larger role in helping to manage customers' on board maintenance, Jotun gains better control over logistics and demand planning, which reduces the need for expensive delivery of small orders of paint. The greatest benefit of SSMS is that it allows Jotun to work more closely with owners to help them achieve their business objectives and form long-term relationships.



Marathon IQ2

Jotun's Marathon family of products represent the "gold standard" for coatings used in corrosive environments or for vessels operating in icy conditions. However, rising concerns about the health risks of certain substances and new regulations in South Korea resulted in an R&D project to develop a phenol-free version of Marathon IQ for ice-going vessels. Following a two-year development process, Jotun launched Marathon IQ2, a two-component polyamine cured epoxy coating. Based on rigorous testing performed internally and by a leading third-party testing organisation, Marathon IQ2 exceeded expectations for abrasion and impact resistance, with outstanding ice friction and ice slip properties.

Regaining momentum

Following a period of slow growth, demand for Jotun’s protective coatings accelerated in the second half of the year, suggesting a stronger performance in 2019.

Weak demand for construction of offshore units in 2017 and the first quarter of 2018 impacted Jotun’s performance in the Protective Coatings segment. Profitability was also affected by high raw material prices and changing market conditions in some markets, including Turkey (currency depreciation) and certain countries in the Middle East (political unrest). However, sales growth improved significantly in the second half of the year thanks to strong performances in India, Russia, Singapore and Vietnam.

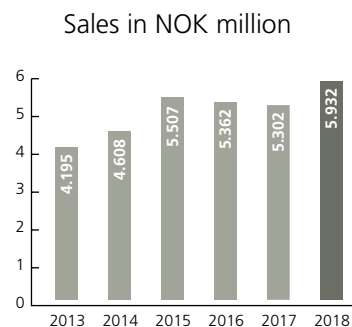
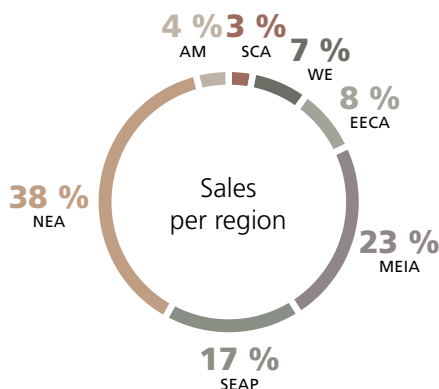
Strengthening Jotun’s service offerings

Jotun has moved quickly to respond to these changing market conditions. By combining products and services engineered to help end users save money or solve critical challenges, Jotun has developed a number of unique solutions. For example, Jotun developed maintenance solutions for offshore units, putting the company in a strong position to compete for newbuilding contracts as the offshore industry recovery accelerates.

In 2018, Jotun launched a collection of products that provide protection from fire, cryogenic spills, thermal exposure and corrosion under insulation for owners, contractors and engineers in the Hydrocarbon Processing Industry (HPI). In the Energy concept, Jotun offers a suite of coatings systems for wind towers, subsea foundations for offshore windfarms and in China, wind blades. In the Infrastructure concept, Jotun offers Green Building Solutions, a collection of waterborne products supported by the necessary documentation to make it easier for architects and designers to achieve green building certification.

Positive outlook

In preparation for improved market conditions, Jotun will prioritise more profitable projects and leverage its ability to deliver value added services combined with premium, specialised products, especially within the passive fire protection and intumescent steel protection product ranges. The company is also working to grow its global network of dealers, which are responsible for about 25 per cent of existing sales. With the offshore industry’s recovery expected to gain strength in 2019, Jotun is in an excellent position to regain momentum in the Protective Coatings segment.







Embracing complexity

The sale of protective coatings in the Infrastructure concept requires the right product mix, close cooperation with customers and the capacity to manage complex projects.

Jotun has been active in the sale of protective coatings to the offshore, energy and hydrocarbon processing industries for decades, but it wasn't until recently that the company put extra focus on targeting major infrastructure projects. Unlike offshore units, windfarms or refineries, Infrastructure projects are often developed locally, requiring close cooperation with regional R&D, marketing, and technical service support to manage a broad range of constructions, from bridges to malls, skyscrapers to hospitals. At the same time, different regulations apply to different regions and countries. To ensure Jotun products are specified at an early stage, the company must ensure products comply with local requirements.

High market potential

While representing only a part of Jotun's total sales in the Protective Coatings segment, the global market potential for the Infrastructure concept is significant. And because Jotun is firmly established in a number of high growth countries, has a strong product portfolio developed both locally and globally, and excellent references that include about half of the world's tallest and most iconic buildings, the company is in an excellent position to gain market share in this dynamic sector.

To meet the needs of diverse stakeholders, Jotun tailors products and services to satisfy different project requirements, no matter how complex. For example, an airport project may include paints and coating solutions for terminals, airport

traffic control towers, tank farms, hangars, parking structures, transportation hubs, hotel facilities, and so on. By offering a Single Source Solution, including decorative paints and protective and powder coatings to withstand corrosion, fire, floor traffic abrasion and protection against the harshest chemicals, Jotun helps owners reduce complexity. Likewise, Jotun offers Green Building Solutions, a series of products that aid society's efforts to create a more sustainable environmental future, supported by documentation that makes it easier for architects, engineers and project owners to earn points toward "green building" certification.

Partnering with project owners

While Jotun offers solutions for maintenance projects, the company is primarily focused on new constructions, particularly buildings, airports and bridges. The company is utilising regional experience to create "centres of excellence" to win bridge and airport projects and has set up a Key Account Management system to identify and track multinational architects and consultants working on major building projects, worldwide. Jotun will continue to invest in the development of products within steel and concrete protection and accelerate training to help sales personnel understand their customers' business needs. By migrating from the role of a coatings supplier to an integrated project partner, Jotun will be in a stronger position to compete for high value contracts in the Infrastructure concept in the years ahead.



Thermosafe

To gain market share in the Hydrocarbon Processing Industry (HPI), Jotun offers Thermosafe, a collection of five coatings solutions optimised for temperature ranges between $-196\text{ }^{\circ}\text{C}$ and $1\ 000\text{ }^{\circ}\text{C}$. Thermosafe products provide protection from fire and to cryogenic spills, thermal exposure to corrosion under insulation, serving as a "Single Source Solution" for project owners, purchasers, contractors and engineers seeking to solve critical challenges and add value to their business.

Meeting customer needs

With the launch of innovative powder coatings solutions, Jotun anticipates improved performance in the years ahead.

In 2018, Jotun's growth in the Powder Coatings segment was slowed by challenging conditions in some key markets. Economic slowdowns in the Middle East, particularly Saudi Arabia and the UAE, had a high impact on overall volumes. Currency volatility in Turkey led to a more careful approach and a drop in volumes. Stagnant market conditions in Malaysia and Thailand also impacted sales growth in 2018. Jotun performed better in higher growth markets such as India and Indonesia. There was also rapid growth in Russia, supported by increased activity in domestic manufacturing.

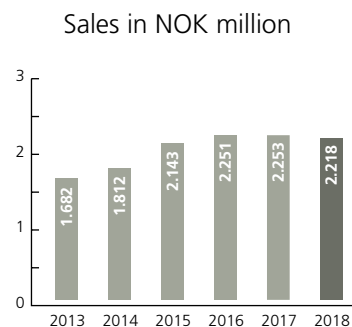
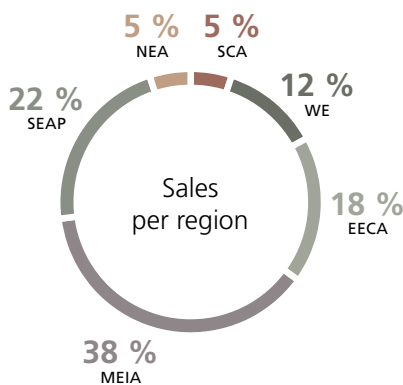
Product innovations

In 2018, Jotun launched several breakthrough innovations that have the potential to expand the powder market significantly. For furniture manufacturers, the company launched a range of single coat powder coating solutions for engineered and natural wood, an entirely new application area for the powder coatings industry. Jotun also introduced a powder coating solution for diamond cut or machined alloy wheels, and a superior durability solution for electrical and control cabinets used in demanding service conditions. For manufacturers of appliances, Jotun now offers a high performance, thin film range of metallic powder coatings.

While Jotun has raised prices to keep pace with high raw material costs, the company continues to work to differentiate itself from competitors by adding value to customers through dedicated service and support teams, consisting of sales, technical service and R&D. Jotun teams work with customers across all product areas to ensure that the customer's application lines operate in the most efficient way.

Differentiating through service value

Looking ahead, Jotun has also identified demand for faster, more responsive service in all areas of the business. In addition to understanding the business needs of both applicators and end users, Jotun is working to raise the company's service level, from supply chain management to colour matching, product customisation services to reducing the lead time for delivery of both products and services. The company's focus on improved response times, tailored solutions, new applications and premium products will help achieve better results in the coming years.







Differentiation through innovation

Jotun Powder Coatings is working closely with key customers to collect market insight, leading to the development of breakthrough products.

In 2018, Jotun Powder Coatings launched several specialised products designed for engineered and natural wood that is both kinder to the environment and improves the efficiency of customer's operations. Ultra One, which is available in both smooth and fine textured finishes, offers a one coat solution for engineered wood such as Medium and High Density Fiberboard (MDF and HDF). Ultra One provides excellent humidity resistance and mechanical properties such as scratch and abrasion resistance in a single coat, increasing a customer's productivity and efficiency without the use of harmful solvents.

Offering alternative solutions

Primax Excel is a powder coating primer solution for engineered wood, developed for customers seeking a solvent free alternative to existing coatings processes that require several coats of liquid paint. Primax Excel can be applied in a single coat, sanded to a smooth finish, and be easily over-coated with a variety of liquid topcoats to deliver the desired finish. The solution is ideal for use in areas where humidity can be an issue, such as cabinets in kitchens and bathrooms. For the appliance

industry, Jotun has launched Reveal Edge+, a thinner film version of the existing Reveal Edge range of bonded metallic powder coatings. By offering a thin-film solution, customers can achieve improved productivity and more efficient operations, without compromising on the appearance and performance of the products.

Overcoming challenges

Diamond cutting of alloy wheels is becoming much more popular in the alloy wheel manufacturing industry, but the process presents some unique challenges for applicators. To help meet these challenges, Jotun launched Primax Diamond, a range of efficient powder coatings with superior flow that offers enhanced corrosion protection and machinability. Jotun has also launched Reveal Era, a durable product that meets growing demand for corrosion and weathering resistance for customers in the energy transmission industries. Taken together, the 2018 launch of these key products will help Jotun strengthen its reputation as a provider of specialised products and solutions developed through customer insights.



Ultra Lite, for natural wood

Natural woods such as oak, beech and birch have always been a popular choice for furniture and other household fittings. Until recently, manufacturers relied on clear liquid paints and varnishes to protect and preserve the wood's unique grain and appearance. However, manufacturers and consumers alike have become increasingly concerned about the environmental impact of solvents contained in conventional paints and varnishes. In 2018, Jotun launched Ultra Lite, a revolutionary new solution that allows wood to be powder coated for the first time. It is an odour free, solvent free, one-coat powder coating solution that not only protects and preserves the natural beauty of wood, but is also environmentally responsible and operationally efficient.

A winning formula

Building on a long history of success, Jotun enjoyed another year of excellent results in the Decorative Paints segment.

Led by double-digit growth in South East Asia, strong project sales in Scandinavia and high sales volume in Turkey, Jotun Decorative Paints recorded strong results in 2018. Growth in the Middle East – an important market for Jotun – was slowed by political unrest in Saudi Arabia and challenging market conditions in Abu Dhabi and Oman. Overall profitability for the Decorative Paints segment was supported by timely price increases to offset rising raw materials costs, alongside a series of new product launches in both the premium and medium range categories.

Innovative products

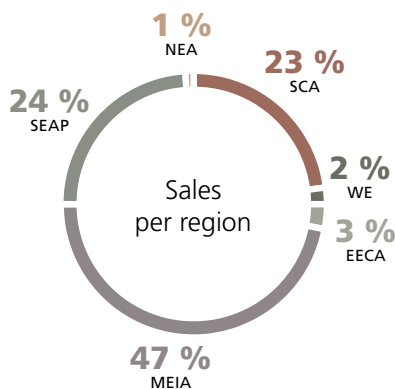
In South East Asia, Jotun launched Jotashield AntiFade Colours, an environmentally friendly exterior paint with longer-lasting colours, superior UV protection, heat reflective properties and the ability to resist water streaking marks. In the Middle East, Jotun launched two medium range exterior paint products (Durosan Action and Easy Coat Textures) and in Scandinavia, Jotun launched Drygolin Nordic Extreme and Demidekk Infinity, two premium exterior wood protection products. Jotun has also continued to develop the Colour Design app, which allows consumers to visualise rooms in different inspiring colours, save

favourites, calculate the recommended amount of paint needed, and share their projects with others via social media.

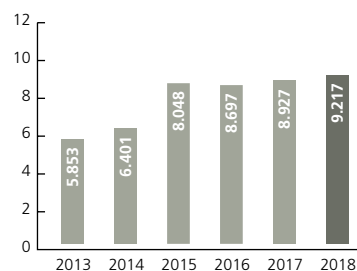
Jotun continues to strengthen relationships with dealers, project stakeholders and applicators. In the Middle East, Jotun introduced Colour Academy, a two-day training course developed to help architects, designers and specifiers to understand the art and science of colour. Jotun Design Days, a celebration of design and architecture organised for about 150 key stakeholders from Scandinavia, Turkey, the Middle East, India and South East Asia was held in Copenhagen in September.

Improving the shopping experience

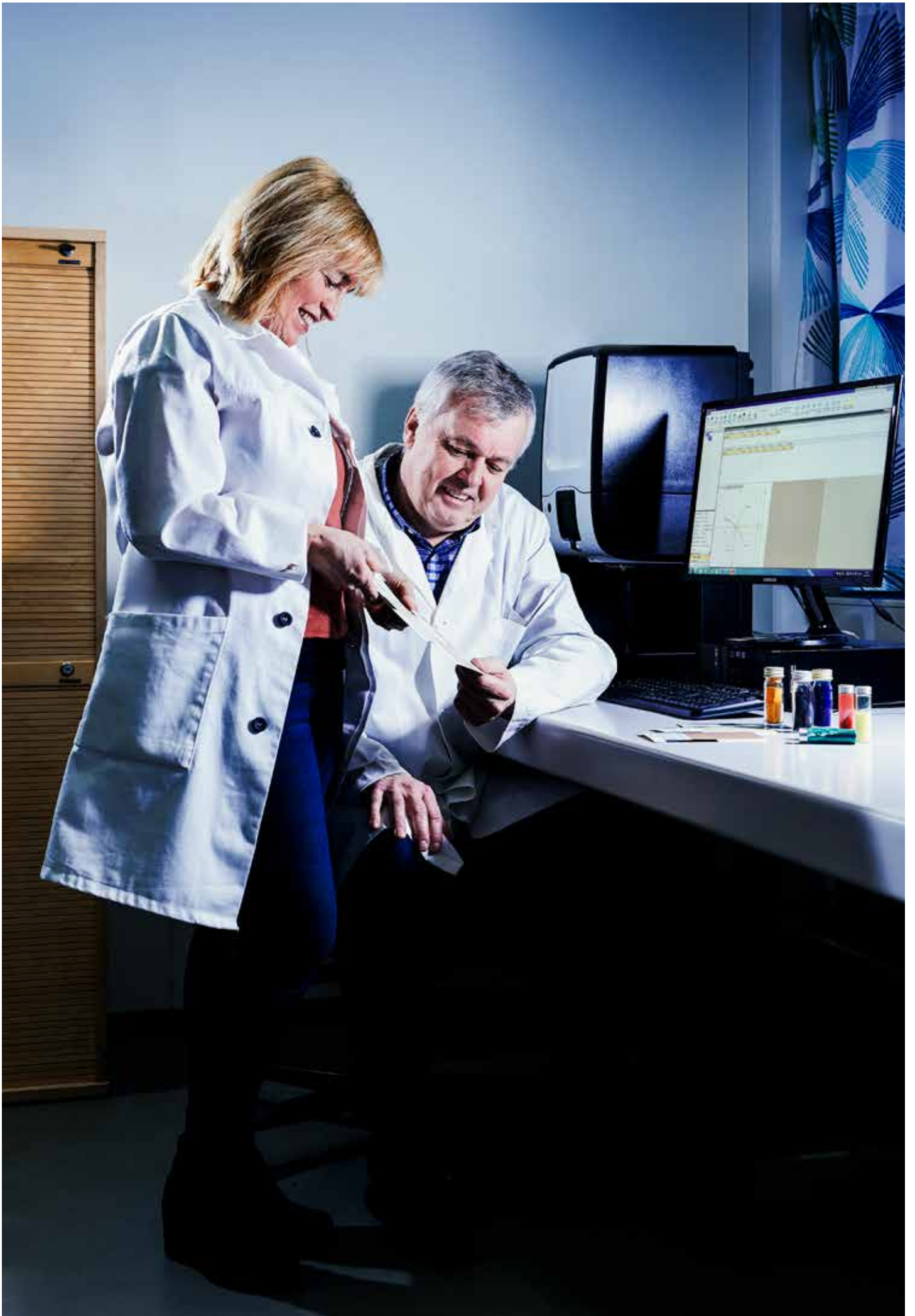
Today, Jotun offers the industry's best in-shop tinting system (Jotun Multicolor), superior colour quality and accuracy and colour selection tools. Over the past five years, the company has been working closely with its global network of 8 500 dealers to create the best shopping experience for consumers and painters alike. By continuing to focus on innovative products in beautiful trendy colours and finishes, Jotun is confident that its global market share in the Decorative Paints segment will continue to grow.



Sales in NOK million







The colour experts

Ensuring that Jotun colours are accurate, beautiful and vibrant involves close cooperation between Jotun's colour experts and laboratory technicians.

As a leading provider of premium decorative paints in many countries around the world, Jotun prides itself on offering consumers a near infinite selection of colours. And with the annual launch of Global Colour Trends, a selection of colour schemes all linked by a common theme, Jotun has emerged as a leading trendsetter in interior design. However, selecting trendy colour schemes is only part of the work required to retain Jotun's reputation for quality.

From concept to the laboratory

Colours are developed by Jotun's colour specialists, together with a team from the Technology Laboratory. Once a colour is approved, the Colourant Technology Laboratory develops a quality assured colour formulation. Technicians verify that the colour is unique, determine the cost of producing the colour and whether or not the colour can be formulated in compliance with Jotun's high standards for accuracy, light stability and hiding.

Colour formulations for new colours contain colourants which are manufactured or approved by Jotun's Colourant Technology department. Each new colour is subject to a broad range of

tests, depending on different criterias. For exterior paints, the primary challenge is to ensure colours don't fade when exposed to sunlight or other harsh weather conditions. Interior paints are also quality tested, with a main focus on "metameric failure", a phenomenon where colours appear to change under different light sources.

Uniform quality

The new colour is given a name, an ID number, and entered into Jotun's colour database, where market related information, product details and colour formulations are stored. The information in this database is shared via Jotun Global Network with about 8 500 Jotun Multicolor machines worldwide. These computerised in-shop tinting machines guarantee uniform quality and colour, from can to can. Today, Jotun offers about 160 000 colours in different finishes, each one individually formulated and tested to meet Jotun's standards. The company's decades of experience in colorant technology not only creates beautiful, accurate and long-lasting colours, but also helps strengthen Jotun's brand as the leading global manufacturer of quality, premium decorative paints.



Global Colour Trends

First launched in 2013, Jotun's Global Colour Trends concept has helped establish Jotun as a trendsetter among consumers and international designers, architects and developers. The 2019 edition (released in late 2018) was developed around the theme of "Identity". Jotun introduced three different primary colour schemes (Calm, Refined and Raw) that help consumers define and express their identity. Launch events for the 2019 Collection are coordinated regionally to generate maximum impact among designers, architects, influencers and the press. Consumers also have access to feature-rich digital tools that help take some of the guesswork out of colour selection.



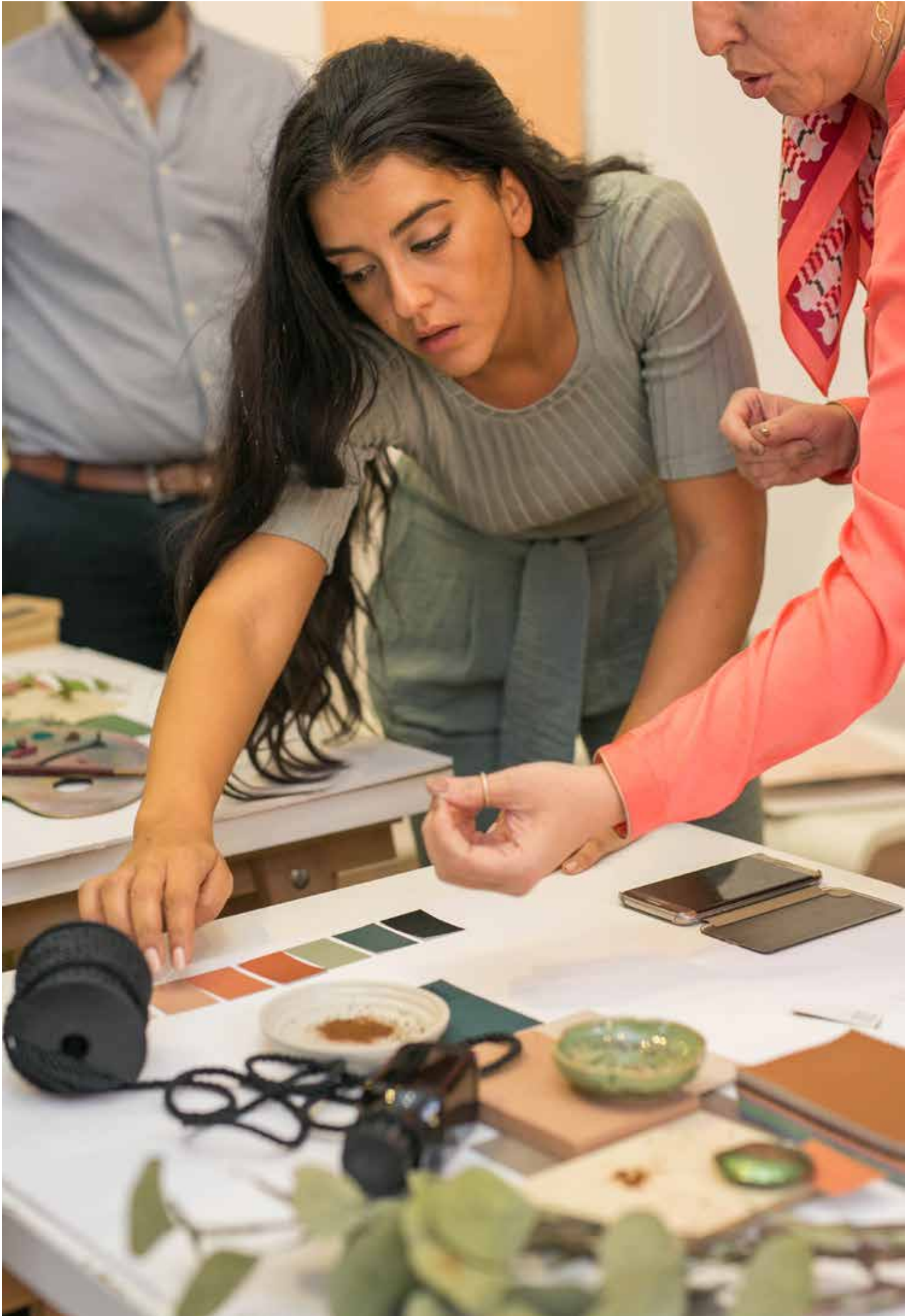
Customers and innovation

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The language of colour

With the launch of Colour Academy, Jotun is informing and inspiring interior designers, architects, specifiers and consultants about the role colours play in our everyday life.

Many stakeholders are responsible for the decisions that go into the design of interior spaces. For example, architects determine the floorplan and layout, while interior designers are responsible for selecting other elements, such as lighting, furniture, fabrics and window treatments. While these stakeholders may have a sense of colour, many do not have the training in the science of colour theory to understand how different colour schemes and decorative paint finishes can transform interior spaces.

Educating the market

In 2018, Jotun launched Colour Academy, a two-day training course specifically developed to teach stakeholders about the art and science of colour. Participants gain an in-depth understanding of colour theory, which can help them raise their level of competence, win new business, and convince project owners to sign off on fresh colour schemes.

Jotun offers lectures from top Jotun specialists on colour perceptions and how the language of colour can be used to communicate different emotions. Participants are also

provided with a brief, practical introduction to paint; how it is manufactured, tinted and applied, and how different finishes can impact the look and feel of spaces. Other topics covered include presentations on colour harmonies, the colour design process, and an introduction to the Natural Colour System (NCS), which assigns different values to colours in a structured way. Participants are also invited to engage in practical assignments, where they can apply their knowledge to different design challenges.

Sharing a passion for colours

For Jotun, the Colour Academy strengthens the company's reputation as the industry's leading "colour expert", builds strong relationships with designers, architects and specifiers and helps attract new customers to increase sales in the project market. So far, Jotun has run Colour Academy workshops in the UAE, Egypt, Oman and Saudi Arabia among other markets in the region. Based on positive feedback, the company is planning to train new workshop leaders and export the concept to other regions.

Adapting to local requirements

With 10 regional R&D centres strategically located in key markets around the world, Jotun is in a strong position to develop and adapt products to meet local requirements.

As a global manufacturer of paints and coatings, Jotun is active in countries with different regulatory requirements, customer preferences and access to raw materials. To meet these different requirements, Jotun relies on the expertise of chemists working in the company's regional laboratories in Norway, The UK, Turkey, Malaysia, Thailand, the US, the UAE, India, South Korea and China. While most of their work is related to adapting or customising existing products, many R&D centres are tasked with developing new products specific to individual markets.

Consumer preferences

Jotun develops decorative paints to meet the preferences of consumers or to manage competition in the market. For example, in the Middle East, Jotun chemists developed two medium range exterior paint products (Durosan Action and Easy Coat Textures) and Lady Design, a series of interior special effect paints available in different finishes. In Norway, Jotun launched Drygolin Nordic Extreme for the 2019 season, an exterior wood protection product specifically engineered for Norway's tough climate. In Malaysia, Jotun chemists developed Jotashield AntiFade Colours, an environmentally friendly exterior paint specifically engineered for the hot and humid climate in South East Asia.

In the Protective Coatings segment, meeting local regulatory requirements is the responsibility of Jotun chemists in all regions. Limits on the use of Volatile Organic Compounds (VOCs) and biocides in China and South Korea have required extensive work to adapt a broad range of primers, topcoats and intumescent coatings. In Europe, coatings manufacturers must comply with a number of EU regulations limiting the use of potentially harmful substances, including VOCs. Also, many individual countries have different standards, which require product adaptation for Jotun products to meet regulations. Jotun chemists are also asked to customise powder coatings products to fit the needs of individual customers.

Supporting operations

Jotun's regional laboratories are also tasked with helping operations reduce the per litre cost of production by testing and evaluating local raw materials. While raw materials for marine coatings are standardised throughout the network, Jotun sources raw materials locally whenever possible to reduce the cost of manufacturing paints and coatings in other segments. Jotun continues to invest in personnel, equipment and facilities in all regional laboratories to meet increasingly strict regulations, evolving customer preferences and Jotun's own internal objectives.



Drygolin: Building on a history of success

As Norway's leading exterior wood protection product for more than 70 years, Drygolin has a proud history to live up to. With the 2018 launch of Drygolin Nordic Extreme, the brand's position will be strengthened even further.

First launched in 1948, Drygolin was Norway's first thixotropic alkyd oil paint for outdoor use. Developed by the Norwegian paint manufacturer Fleischer (which merged with Jotun in 1972), Drygolin soon established itself as a leader in the domestic market. To retain this position, the product has been continuously improved as new technology has become available.

Continuous improvement

In the 1990s, Drygolin grew into a family of products engineered to protect and colour different surfaces, including window frames and doors. In the 2000s, the product was upgraded to comply with increasingly strict environmental and health regulations, requiring different formulations to replace potentially harmful substances. By the 2010s, the range was expanded to include Drygolin Pluss and Drygolin Ultimat, two hybrid products that mixed alkyds and acrylics to achieve improved gloss and colour durability.

In 2018, Jotun continued this legacy of innovation with the launch of Drygolin Nordic Extreme, a genuine breakthrough product, built on new technology. In addition to high gloss and colour retention, this self-cleaning product is easy to apply and resists cracking that may result from extreme temperature changes. Jotun also launched new colour cards, allowing homeowners to select from a broad array of beautiful colour schemes.

Outstanding protection

Testing for Drygolin Nordic Extreme was extensive. Test areas were set up in a variety of different climactic conditions, from Jotun's arctic test centre in Svalbard to sunny Florida, from the urban landscape of Bergen to the Kråkenes lighthouse on the stormy west coast of Norway. Drygolin Nordic Extreme also received unanimous praise during a blind test with applicators, who rated the product as superior to competing brands. The addition of Drygolin Nordic Extreme to the Drygolin family of products builds on a 70-year legacy of innovation, and helps to strengthen Jotun's position as the market leader in wood protection.



70 years of innovation

First launched in 1948, Drygolin was developed by the Norwegian paint manufacturer Fleischer, which merged with Jotun in 1972. As new technology became available, the product has been continuously improved – along with the design of the cans.







Corporate Responsibility and governance

Business ethics ... 38





"Jotun is defined by its approach to Corporate Responsibility and governance. We are committed to investing in the development and implementation of long-term programmes that deliver the very highest standards, while building our global reputation, business results and trusted stakeholder relationships.

Jotun's Board fully supports our CR activities, which are defined by our values and clearly aligned with the 10 United Nations Global Compact principles."

Morten Fon, President and CEO

Model behaviour

Jotun's corporate culture is grounded in our values of Loyalty, Care, Respect and Boldness that guides our behaviour and strengthens our reputation as a responsible corporate citizen. Jotun has a governance structure in place in order to enhance this responsible behaviour.

Jotun's business ethics are strengthened by a structured approach to Corporate Responsibility (CR) and governance. As a company of almost 10 000 employees active in over 100 countries, Jotun is a remarkably diverse organisation representing many different cultures, religions and political perspectives. However, all employees are required to comply with Group policies. These internal policies reinforce a responsible attitude that cascades down through every region, segment, company and team.

International standards

Jotun's CR and governance policies and standards are based upon the Human Rights convention of the United Nations (UN), the International Labour Organization (ILO) convention, Organisation for Economic Co-operation and Development (OECD) guidelines for multinational companies and the UN's Global Compact principles, which focuses on four key areas – human rights, labour, the environment and anti-corruption.

Jotun's approach to ethical business extends to communities where the company is active. In addition to meeting or exceeding, local regulations governing waste, financial reporting, transparency and environmental rules, the company also audits suppliers to ensure they meet with international, local and internal policies covering a broad range of issues. These include human rights, diversity, environmental performance and ethical business practices, among other considerations.

Structured governance policies

Jotun works continuously to refine, strengthen and develop governance policies to ensure transparency, integrity and strong business ethics. Guided by the Board of Directors and Senior Management, governance policies are developed centrally and implemented locally, ensuring that all companies share not only the same attitudes, but also the same high standards. Governance standards include HSEQ audits, business reviews, financial audits, HR reviews and supplier audits, among others.

In 2018, Jotun developed the Jotun Management System (JMS) to make it easier for employees to navigate company requirements and policies. JMS provides:

- Easy overview of policies, processes and navigation
- Link to references and supporting documentation of key processes
- Basis for improvement of processes
- Clear definition of process owners

Protecting our brand

Jotun recognises that as a multinational player, the company has a responsibility to take a leadership role in modelling good corporate behaviour. In addition to serving as an example to other companies, Jotun's CR and governance policies, supported by comprehensive internal training and active community engagement, help to protect and strengthen Jotun's brand and create a healthier, motivated workforce.





Employees and the workplace

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Putting our people first

Jotun focuses on achieving long-term, sustainable growth through continual investment in its global workforce.

In another challenging year for the coatings industry, Jotun concentrated on the retention and development of its people, maintaining steady workforce.

This approach supports our long-term organic growth strategy, ensuring Jotun keeps qualified people and achieves competitive advantage.

Enhancing efficiency

A new Human Resource Management System (HRMS) will enable Jotun to deliver significant operational efficiencies, business insights and enhanced decision-making support. 2018 has been defined by significant groundwork to prepare for the new system, with a planned rollout in 2019.

Upon implementation this fully-integrated, cloud-based system will be the 'one-stop shop' for all employee data, allowing for optimal administrative efficiency, enhanced personnel and team management, more efficient GDPR compliance and data security, greater strategic alignment and better real time insights to facilitate better decision making across the Group.

This cutting-edge system will be integral to the ongoing development of our staff worldwide.

Rewarding excellence

Jotun has a policy of rewarding its employees with right, fair and competitive remuneration – right for their position,

fair compared to colleagues, and competitive with regard to external market benchmarks.

In 2018, we launched a Reward pilot programme in the Middle East to ensure that our compensation and benefit professionals are fully educated as to how they can use Jotun's advanced systems to execute effective compensation decisions. This demonstrates how to access detailed internal and external analysis tools, while identifying key trends. This initiative is now rolling out throughout the Group, creating a common, efficient and effective way to address compensation issues and reward employees in line with Jotun policy.

Further HR developments

Global mobility – utilising insights on the sustainability of our programme to strengthen Jotun's culture of sharing expertise, creating cross-border opportunity, and building a competitive, flexible and attractive internal labour market.

Building leadership – increased emphasis on Jotun's leadership pipeline and development initiatives to ensure qualified, motivated and high-quality leaders, now and into the future.

Worldwide review – continuing the Group-wide HR review to ensure all employees have fair, valid and comprehensive contracts, protecting their rights and ensuring universally high standards for Jotun.



Number of employees



Female



Male



Nationalities

	9872	1819	8053	87
Jotun total				
Scandinavia	1 148	351	797	39
West Europe	795	195	600	33
East Europe and Central Asia	828	165	663	8
North East Asia	1 879	339	1 540	12
South East Asia and Pacific	2 135	533	1 602	26
Middle East, India and Africa	2 834	183	2 651	48
The Americas	253	53	200	17

MAKE Y/OUR MARK!

As a company with an ambitious growth strategy, engaging with potential employees is business critical to Jotun's future development.

As a highly successful multinational company with a history of innovation, financial strength and a friendly, supportive culture, Jotun has long been recognised as an attractive workplace. However, in today's hiring market, characterised by fierce competition for a limited pool of qualified candidates, Jotun identified a need to present the company to potential employees in a new way.

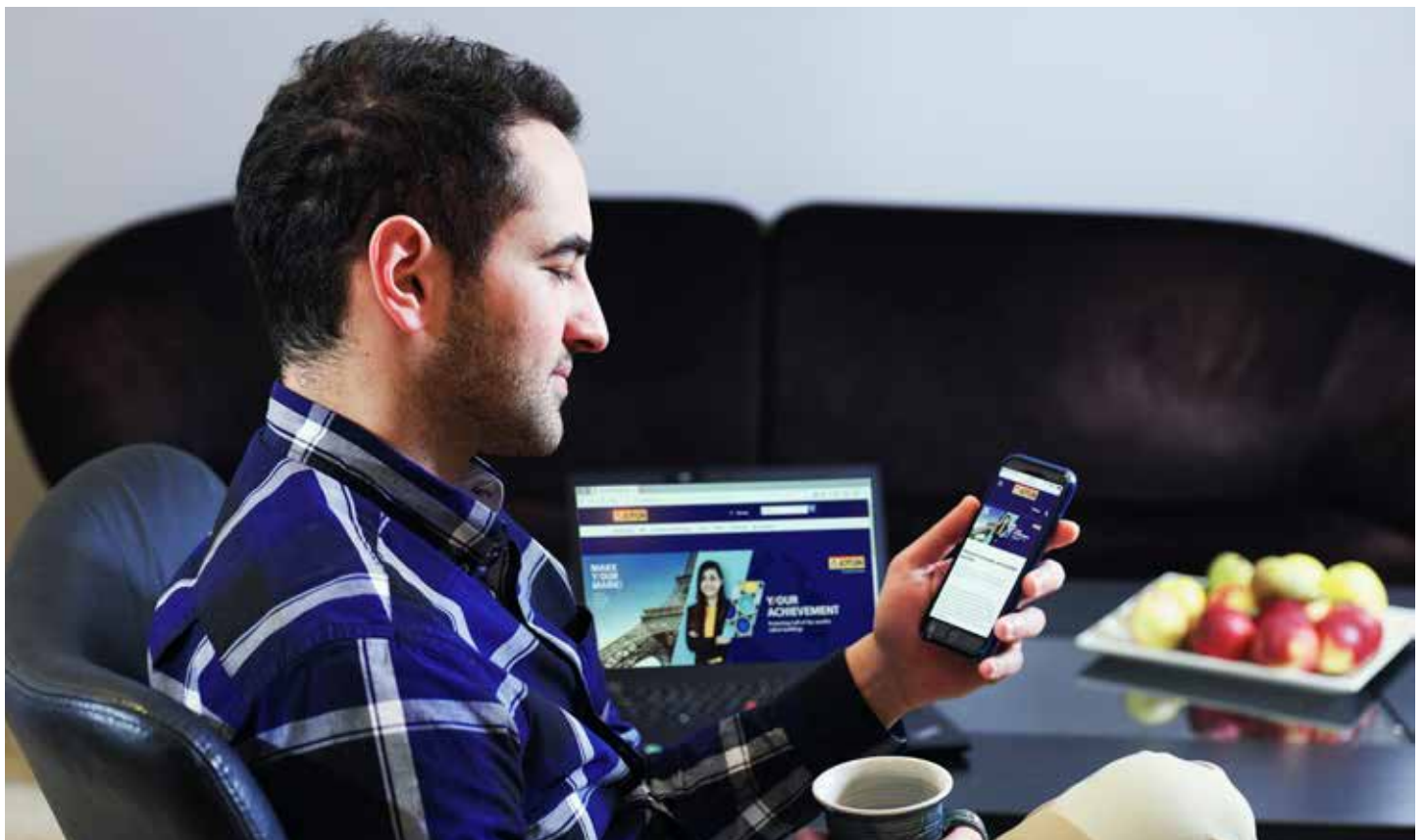
Meeting career goals

Based on an internal survey of what makes Jotun desirable as an employer and external surveys of what career opportunities potential applicants look for in a company, Jotun developed an employer branding campaign. Rather than focus exclusively on Jotun's qualities as an employer, the new campaign highlights how Jotun's teamwork approach supports not only the company's success, but also individual career goals.

In 2018, Jotun launched the "MAKE Y/OUR MARK" campaign, a concept which combines "your mark as an individual" and "our mark as a company". The concept seeks to attract top talent through multiple platforms, from job fairs to online recruiting services, print ads to social media. Jotun has also produced employer branding templates and testimonials, together with a global career website.

A team effort

Jotun's success depends on all employees, current and future, to "make their mark". Working together, Jotun makes its mark on both industry development and everyday lives: From iconic landmarks to beautiful homes. For applicants who share the company's bold growth ambitions and are willing to join hands with colleagues to make a difference, Jotun is the right place to "MAKE Y/OUR MARK!"





Jotun Protects Property

MAKE Y/OUR MARK!

Protect
and colour
the world
with us



Jotun Protects Property

EXPLORE Y/OUR POSSIBILITIES



MAKE Y/OUR MARK!

Protect
and colour
the world
with us



The path to improvement

Jotun follows a long-term global, mandatory and integrated HSEQ strategy to build a uniform culture where safety, quality and environmental care are central to everything we do.

Jotun's high standards are the result of an established, structured and responsible approach that constantly evolves in the quest for incremental improvement.

From Jotun Group management down and across our global network, employees are trained to achieve optimal levels of care, safety and efficiency, targeting the objective of zero incidents, fires, claims and spills. Jotun's new HSEQ Management System, which completed its full implementation last year, is the cornerstone of our strategy.

This ensures that every production company within the Group delegates responsibilities according to 14 different elements (i.e. risk management, quality, and product safety), working towards the same universal goals.

The result of our efforts from 2018 demonstrates that Jotun continues to move in the right direction.

'I Care'

Every Jotun company runs one mandatory 'I Care' campaign a year – focusing on raising HSE awareness and reducing

operational risk. In addition, each company must also run two further campaigns tailored to address their individual needs and risk environments. The initiatives seek to engage all employees and influence behaviour, with the companies required to report on their impact and effectiveness at Group level.

The best local ideas are shared throughout the Group, while the standout mandatory campaign is recognised with the 'I Care Campaign of the Year' award. In 2018 the mandatory activity focused on the 'man-machine' interface to build awareness of risk and reduce injury potential. In 2018, Jotun Thailand won the overall campaign of the year title.

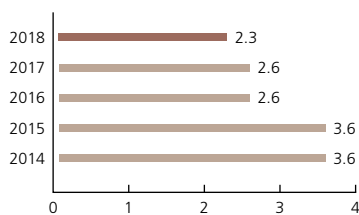
'Lessons Learned'

All incidents of high-risk potential, such as fires, are reported, analysed and followed up to mitigate the possibility of future reoccurrence. 'Lessons Learned' case studies are key improvement tools.

'Lessons Learned' document an event's chronology, its cause, the corrective actions to be taken, and preventative actions to avoid repeat incidents. Finally 'expected actions from all' are

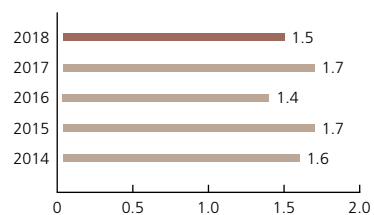
Lost time injury rate

Number of injuries resulting in more than one day absence per million working hours – (H-value) for Jotun Group



Absence due to sickness

Days of absence in per cent of number of days worked



included to ensure that similar occurrences do not take place at other Jotun sites. The case studies are shared throughout the network, demonstrating the Group approach to a continual process of learning and improvement.

Zero tolerance

In an industrial environment characterised by the use of chemicals, including solvents, fires pose the greatest threat for Jotun operations. As such, Jotun follows a zero tolerance policy whereby every incident and potential incident is fully documented and investigated to learn from experiences and build expertise. This complements a structured fire prevention programme that includes thermographic surveys of sites, fire risk assessments, regular inspections of fire fighting systems, and continual training and e-learning initiatives.

Maintaining standards

The HSEQ Management System is firmly established and a rolling cycle of audits will ensure that optimal standards are maintained. Each site will be audited once every three years, with the option of prioritising those where greater risk potential is identified.

In 2018, a total of 10 HSEQ audits were conducted, with a further 11 planned for 2019.

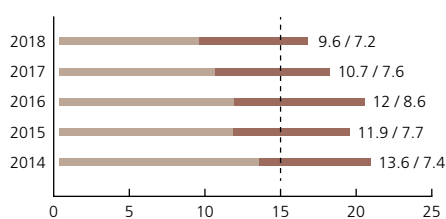
Further developments in 2018

E-learning – introduction of new e-learning modules within ‘working permits’, reducing the likelihood of accidents while undertaking high-risk, non-routine work.

Waste – A further reduction of hazardous and non-hazardous waste per tonne of produced product was achieved.

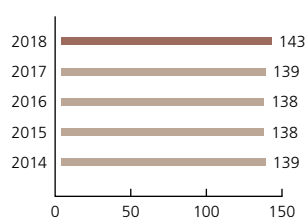
Hazardous and non-hazardous waste

(Kg waste per tonne produced) for Jotun Group
 ■ Non-hazardous waste ■ Hazardous waste --- Objective/year



Electricity consumption

(kWh per tonne produced) for Jotun Group





Driving greater efficiencies

Jotun strives to deliver increased operational efficiency through growing competence in Operations. At the heart of the initiative lie seven mandatory global programmes.

Enhanced operational efficiency delivers powerful benefits for Jotun stakeholders. Increased speed, less waste (of time as well as other vital resources), heightened effectiveness, and improved quality and standards all work in unison to help produce a more profitable, predictable and effective global organisation.

Jotun is committed to a process of continual improvement in Operations, enabling better efficiency (measured by operations costs per litre/kg of produced product) through a highly structured framework of key programmes.

Unlocking development

The programmes cover Flow Efficiency, 5S (safety and order within the workplace), Production Planning, Operator Driven Maintenance, Transport Tenders (the management of logistics partners), SC Network Analysis (optimizing warehouse setups), and Factory Design and Technology (standardising factory design and implementing new technology).

These initiatives are tailored to address key areas that are applicable to all Jotun operational facilities, creating a strong culture of uniform standards and quality. Although all programmes are long-term, ongoing projects, three were focal points during 2018, namely: Operator Driven Maintenance (ODM), Flow Efficiency and Production Planning.

Optimising performance

Flow Efficiency centres on reducing throughput time – from an inbound order to an outbound product. Jotun is focusing on achieving this through standardised and increasingly stable processes, alongside greater operator involvement.

In 2018, the Group laid key foundation stones for improved Flow Efficiency with the initiation of work to standardise Jotun's automation control system (automated processes are a powerful tool for enhancing efficiency) and the beginning of a scheme to perform and record time measurements for all operations processes. This will help map current performance and create future targets.

Production Planning impacts upon all parts of the business value chain. This involves optimising planning to ensure that Jotun produces the right quantity of products to satisfy demand and drive overall performance. A highly complex area, it entails integrating business forecasts, customer orders and operational data into a system that ensures Jotun utilises its capacity in an optimal manner. In 2018 work commenced on creating new standards, producing documentation and planning pilot initiatives for 2019.

Empowering operators

2018 saw the launch of the ODM programme, with a ten-step implementation procedure created to establish a uniform culture whereby operators are trained to conduct systematic equipment maintenance. This introduces a stronger sense of ownership, while reducing wear and tear and machinery downtime.

Each company initially commits to the programme, before identifying suitable ODM equipment (e.g. forklifts, cranes, filling machines etc.), defining tasks, creating standard operating procedures, and providing requisite tools and training. Successful implementation leads to 'black belt' maintenance certification, with internal follow-up quarterly ODM audits and Group Operations and Maintenance audits every second year.

By the end of 2018, five facilities had achieved black belt status, with a further 16 sites scheduled for certification in 2019.

Ongoing impact

The result of Jotun's ongoing campaign for enhanced operational efficiency is a positive one, with overall operations cost per litre/kg of product maintained in 2018 (year-on-year), despite increased operational complexity and the impact of inflation worldwide. The sites demonstrating the greatest operational efficiency are those that are frontrunners in the implementation of Jotun's seven key programmes, illustrating their effectiveness.

Developing people

To meet Jotun's business objectives, the company has invested in increasingly sophisticated learning tools and systems to provide personnel with the knowledge, skills and attitude they need to succeed.

Over the past decade, Jotun's growing size and more expansive global reach has created a highly diverse and complex organisation. At the same time, the company's focus on selling solutions tailored to different industries has increased the need for more specialised training in all segments and functions. To manage these challenges, Jotun has invested in a broad range of digital learning tools.

Building competence

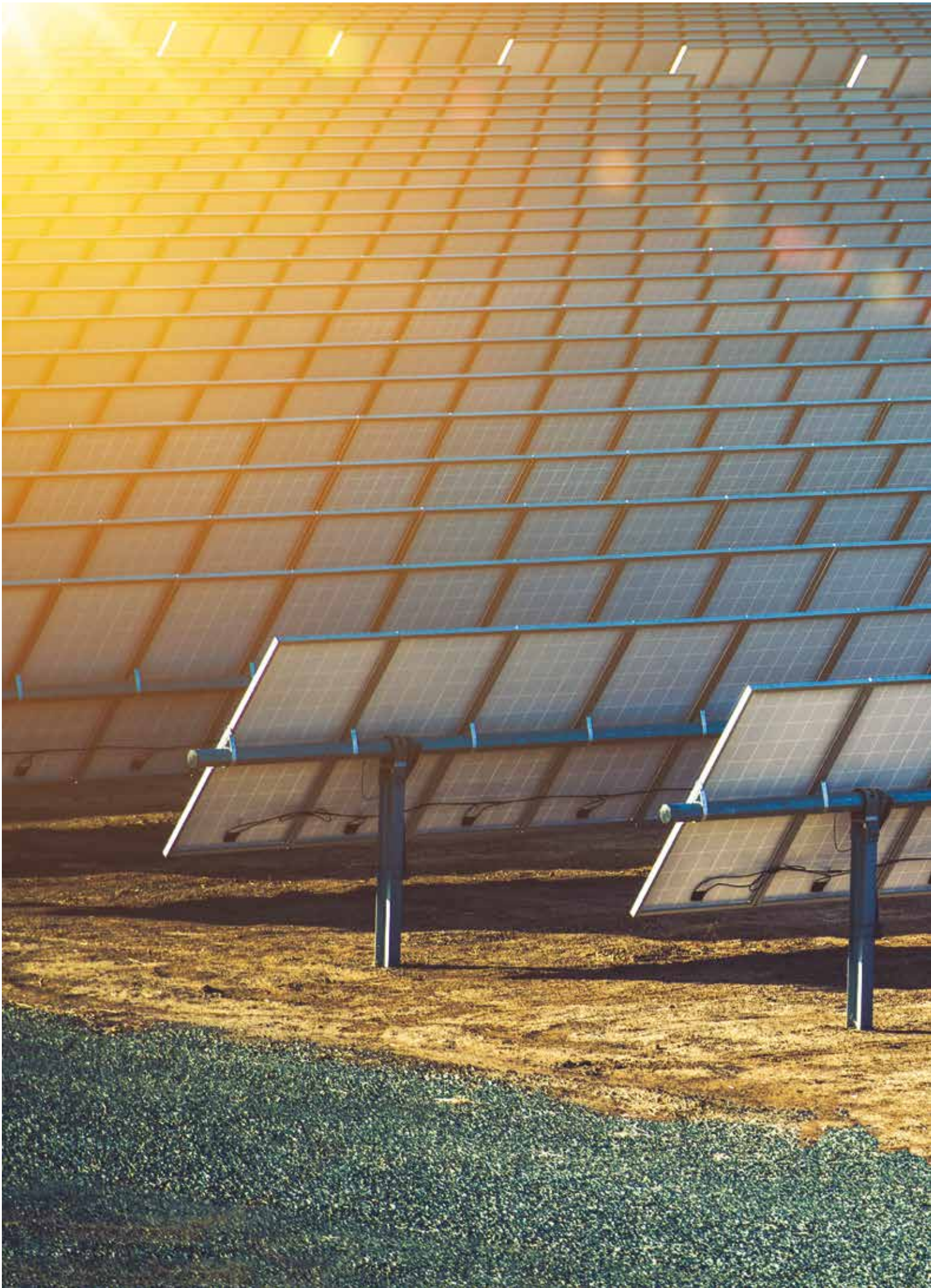
Jotun delivers online training to the company's 7 500 PC users in a number of ways. Through Learning Gateway, Jotun offers more than 400 e-learning courses, covering everything from Corporate Responsibility to GDPR, product tutorials, Paint School for dealers and distributors, introduction to Sitemaster for Marine, Coating Advisor training, finance routines and anti-corruption policies. To help unify the organisation, Jotun also offers virtual English language training and cultural awareness online courses. Competencies are also reinforced with targeted nano-learning modules and other support functions. Through the Digital Workplace project, 170 qualified trainers globally provide basic training in Microsoft Office 365.

In addition to generating digital courses, Jotun has invested in a video studio, where trainers can record small video clips that can be used in addition to classroom training. By leveraging these digital tools, Jotun can increase operational efficiency, improve the sharing of best practices, and enhance the speed the organisation develops both digital skills and competences specific to job roles.

Concept specific training

Group Competence Development provides a structured platform in support of training programmes developed by different segments and functions internally. In 2018 a new Sales Competence Forum was established, including members from all segments. Looking ahead, a major focus area will be to align corporate and segment specific sales training to strengthen the use of best practice tools and techniques.







Environmental commitment

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Stepping up performance

With growing concerns about the environment, Jotun is working internally and with industry stakeholders to improve performance.

Jotun GreenSteps programme coordinates the company's efforts to support a more sustainable environment. Jotun GreenSteps works both as a platform to improve Jotun's environmental performance and a framework to help customers achieve their own sustainability goals. GreenSteps also helps promote Jotun's corporate profile as an environmentally responsible company and strengthens its reputation as a leading supplier of green solutions.

Active steps

Jotun GreenSteps tracks Jotun's performance in five categories: Reducing VOC emissions, hazardous materials, energy consumption, carbon emissions and waste. Over the past decade, Jotun has invested significant resources into the development of high-solid products that reduce or eliminate VOCs. At the same time, Jotun is actively working with industry peers and raw material suppliers to reduce the concentration and quantity of hazardous substances in our products, based on the substitution principle as defined by Jotun's Chemical Policy.

With a presence in more than 100 countries including energy-intensive factories, warehouses and office buildings, Jotun works continually to track, report and reduce energy consumption, waste and the company's carbon footprint. Externally, Jotun offers end users products to help lower fuel costs and corresponding emissions. These include heat reflective paints and coatings systems for buildings in warm climates, marine antifoulings that reduce drag on ships' hulls, and long-lasting protective coatings that extend the lifecycle of assets.

External engagement

Jotun participates in projects with customers, industry peers, NGOs and government organisations on a broad range of environmental issues, including new ISO standards, corrosion analysis and Life Cycle Assessments. While the company recognises its first obligation is to reduce its own environmental impact, these projects help strengthen the organisation's ability to achieve targets defined by Jotun GreenSteps – both internally and externally.

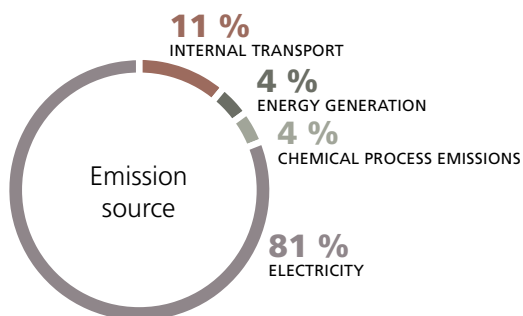




HPS: A win-win for shipowners and the environment

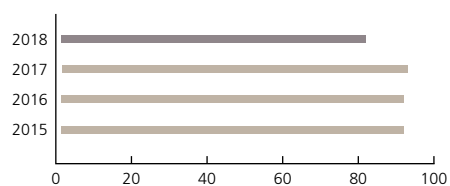
While Jotun's first obligation is to reduce its own environmental footprint, Jotun GreenSteps also includes the development of products and solutions to help end users improve their environmental performance. For example, in the Marine Coatings segment, Jotun offers Hull Performance Solutions

(HPS), which delivers a hydrodynamic efficiency gain of around 13.5 per cent. This not only helps lower bunkering costs; it reduces greenhouse gas emissions by about 7.5 per cent below the market average. Since its launch in 2013, Jotun has supplied HPS to more than 900 vessels.



Emissions per tonne produced

(Kg CO₂ per tonne) for Jotun Group





Winds of change

Significant global investment in both land-based and offshore wind farms has created fresh opportunities for Jotun.

In response to growing concerns over the role carbon emissions play in climate change, global investment in renewable wind energy is soaring. Over the past 20 years, the wind energy industry has grown at around 26 per cent per year and investments are expected to increase in the years ahead, especially in China and Europe.

A growing business

At present, Jotun provides coatings for wind towers and foundations. In China, Jotun provides coatings for wind blades and is working to meet the evolving needs of customers. For example, to generate more power, companies are ordering longer wind blades which increase the speed of the blade tip. Higher speeds increase the risk of rain erosion, requiring more durable products. Jotun is also involved in other areas of the wind energy value chain, including providing coatings for installation vessels, transformers and nacelles, the streamlined outer casing for the turbines. To secure contracts, Jotun must build strong relationships with owners (mostly energy companies), fabricators and wind blade manufacturers for both newbuilding and maintenance projects.

While most windfarms are located on land, increased investment in offshore windfarms represents a significant growth opportunity for Jotun, which has developed a range of proven products engineered to resist both subsea and splash-zone corrosion. In China, which has introduced regulations limiting the use of Volatile Organic Compounds (VOCs), Jotun offers a number of innovative products with low VOC values, top corrosion protection and improved environment profile, which represents a competitive advantage over local suppliers. Besides a total solution, Jotun also offers dedicated technical service, especially for blades.

Single Source Solution

Looking ahead, Jotun is investing in the development of "Leading Edge Protection" (LEP) coatings which protect the most vulnerable part of wind blades. While the development of these coatings is a significant technical challenge, Jotun is confident that by being able to deliver a "Single Source Solution" from foundation to blade, the company will be both in a better position to ensure Jotun products are specified and strengthen Jotun's global reputation as a quality provider of highly durable, specialised coatings.

The easy way to go green

In response to growing concerns about the environmental impact of buildings, Jotun has developed an online tool to help specifiers, architects and project owners specify Jotun products as easily as possible.

By some estimates, the building sector contributes up to 30 per cent of global greenhouse gas emissions. To manage this challenge, governments in some parts of the world offer financial incentives to owners whose buildings meet specific criteria related to energy use, materials, emissions output and indoor environmental quality. At the same time, there is growing demand among owners seeking to make their building more commercially attractive by creating a healthier work environment and lowering operating costs. These drivers have created growing demand for the construction of so-called "green buildings", representing a genuine opportunity for Jotun's Green Building Solutions.

Reducing harmful emissions

The products included in Jotun's Green Building Solutions primarily contribute to "green building" certification in two ways. First, the company offers a broad range of paints and coatings systems that help reduce harmful emissions or substances and reduce energy consumption and corresponding carbon emissions, via heat reflective paints and coatings. Product systems include interior and exterior decorative paints, floor coatings, anti-carbonation coatings for concrete, intumescent coatings for cellulosic fire protection, protective coatings and architectural powder coatings.

In addition to products, Jotun educates the market on how paints and coatings can contribute to "green building" rating points and provides the documentation needed to make it easier for specifiers to select the right products. In fact, Jotun has one of the industry's most extensive listing of products with third-party verified Type III Environmental Product Declarations (EPDs), which provide transparent and comparable information about the life-cycle and environmental impact of products. Jotun posts information with technical data sheets for each product on a dedicated website, along with easy-to-use tools (Guide Specification in CSI format and in accordance with ISO 12944), and links to relevant EPDs.

Supporting the customer

Paints and coatings represent a relatively small percentage of a building's total cost (between 0.5-2 per cent), but they can have a dramatic impact on achieving rating points for various standards. For example, using Jotun products, architects can earn up to 27 per cent of the points required for the Leadership in Energy and Environmental Design (LEED) v4 certification. For architects seeking a LEED Platinum rating, Jotun products can contribute to 14 per cent of the 80 points required. By providing specifiers and owners with a complete range of paints and coatings with transparent information documenting their environmental impacts, Jotun can help stakeholders achieve their environmental and commercial objectives.

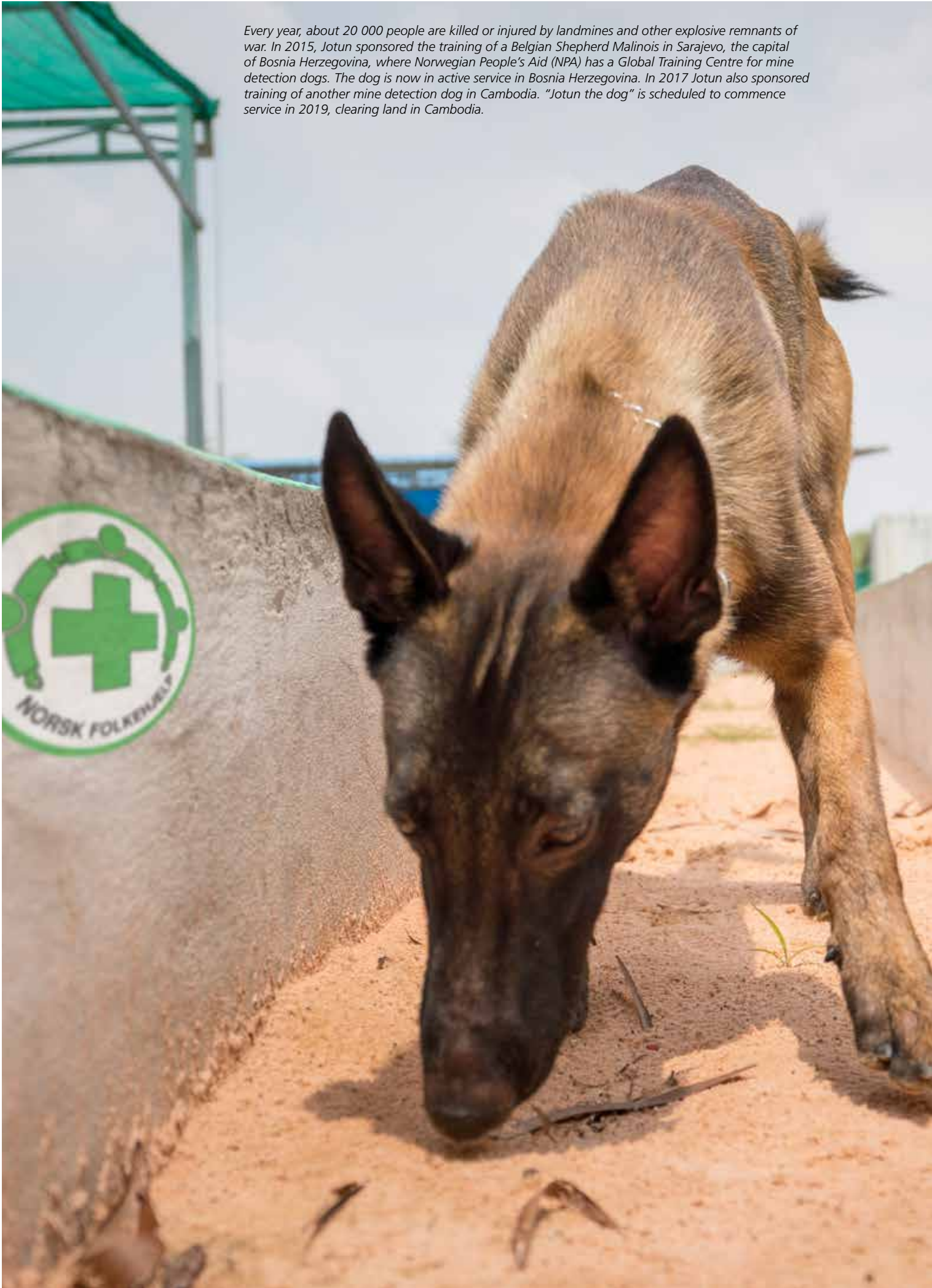


LEED-certified accommodation centre

In 2018, Jotun opened a new accommodation centre for the company's migrant workers in Dubai, UAE. In addition to 190 rooms, the accommodation centre features a gym, cooking and dining areas and 24/7 security. To create healthier, more energy efficient and sustainable living space,

Jotun worked with a consultant to ensure the new facility was constructed in compliance with the Leadership in Energy and Environmental Design (LEED) principles. To meet these requirements, Jotun supplied VOC-free interior and exterior decorative paints and powder coatings.

Every year, about 20 000 people are killed or injured by landmines and other explosive remnants of war. In 2015, Jotun sponsored the training of a Belgian Shepherd Malinois in Sarajevo, the capital of Bosnia Herzegovina, where Norwegian People's Aid (NPA) has a Global Training Centre for mine detection dogs. The dog is now in active service in Bosnia Herzegovina. In 2017 Jotun also sponsored training of another mine detection dog in Cambodia. "Jotun the dog" is scheduled to commence service in 2019, clearing land in Cambodia.



Jotun and society

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Collaborating for care

Jotun puts people first. We pride ourselves on supporting the development of the societies where we operate, providing employment, tax revenue and championing high standards, quality and ethics. However, as a responsible, global corporate citizen we want to do more.

Jotun is committed to helping people that require assistance in the local communities where our business is active – donating funds, providing products and encouraging volunteer work. As a result, every Jotun company allocates a turnover-based contribution to external CR initiatives, working with local partners to ensure that the worthiest projects receive the support they deserve.

This organic approach allows companies to tailor efforts to individual communities, issues and initiatives, maximising value for both the charitable projects and Jotun's local reputational standing.

Global impact

Jotun has worked in partnership with the International Committee of the Red Cross (ICRC) for over 15 years. The ICRC is a global organisation with a vast network of local operations, like Jotun, enabling it to centrally coordinate efforts that fan out worldwide. This strategy aligns with the Jotun Group's overall desire to act globally and impact locally.

ICRC focuses on protecting human life and rights, providing assistance to those facing hardships or dealing with disaster, irrespective of race, religion or ideology.

Jotun works closely with ICRC to target acute situations in the countries where the Group has a presence. In 2018 events in Indonesia provided a natural focus for our endeavours.

Earthquake relief

On 28 September 2018, a magnitude 7.5 earthquake struck Indonesia's Central Sulawesi province, triggering a tsunami and landslides. The result was devastating. Although exact figures remain elusive, more than 2 000 people are known to have died with thousands injured. Approximately 65 000 houses were damaged or destroyed, leaving around 330 000 people without adequate shelter and impacting upon 1.5 million inhabitants.

Cruelly, this natural disaster followed on the heels of a series of earthquakes that hit the island of Lombok in July and August. More than 500 people lost their lives during this period, with another 1 500 injured. Hundreds of thousands of island residents lost their homes.

Jotun will continue to monitor global events and support ICRC's vital activities in 2019 and beyond.



"Indonesia has sadly experienced multiple disasters in 2018 which has caused deaths, injuries and extensive damage affecting close to 640 000 people. Jotun has twice contributed to the disaster relief operations in which the Indonesian Red Cross has a key role supported by our global network.

Jotun's long-term commitment, which is highly appreciated, makes a real difference to vulnerable people."

Bernt G. Apeland, Secretary General of the Norwegian Red Cross

Changing lives

Jotun’s employee-driven approach to supporting local charities helps Jotun personnel to form deeper bonds to the communities where we are active.

Local Corporate Responsibility initiatives are selected, managed and supported by local employees. The projects, which range from providing paint to local schools to supporting orphanages, organising events to raise money for cancer research to offering scholarships to young people, not only make a difference in people’s lives, they help Jotun personnel integrate into local communities.

Supporting a youth programme

In some countries, charitable projects change from year to year, while in other countries Jotun provides long-term support. For example, in Brazil, Jotun has provided financial support to the Karanba Project, a youth programme in Rio de Janeiro, since 2012. Established by Tommy Nilsen, a Norwegian ex-professional footballer, Karanba works with about 700 children and young people from Rio’s favelas to achieve personal development, a better education and a safe way to express themselves.

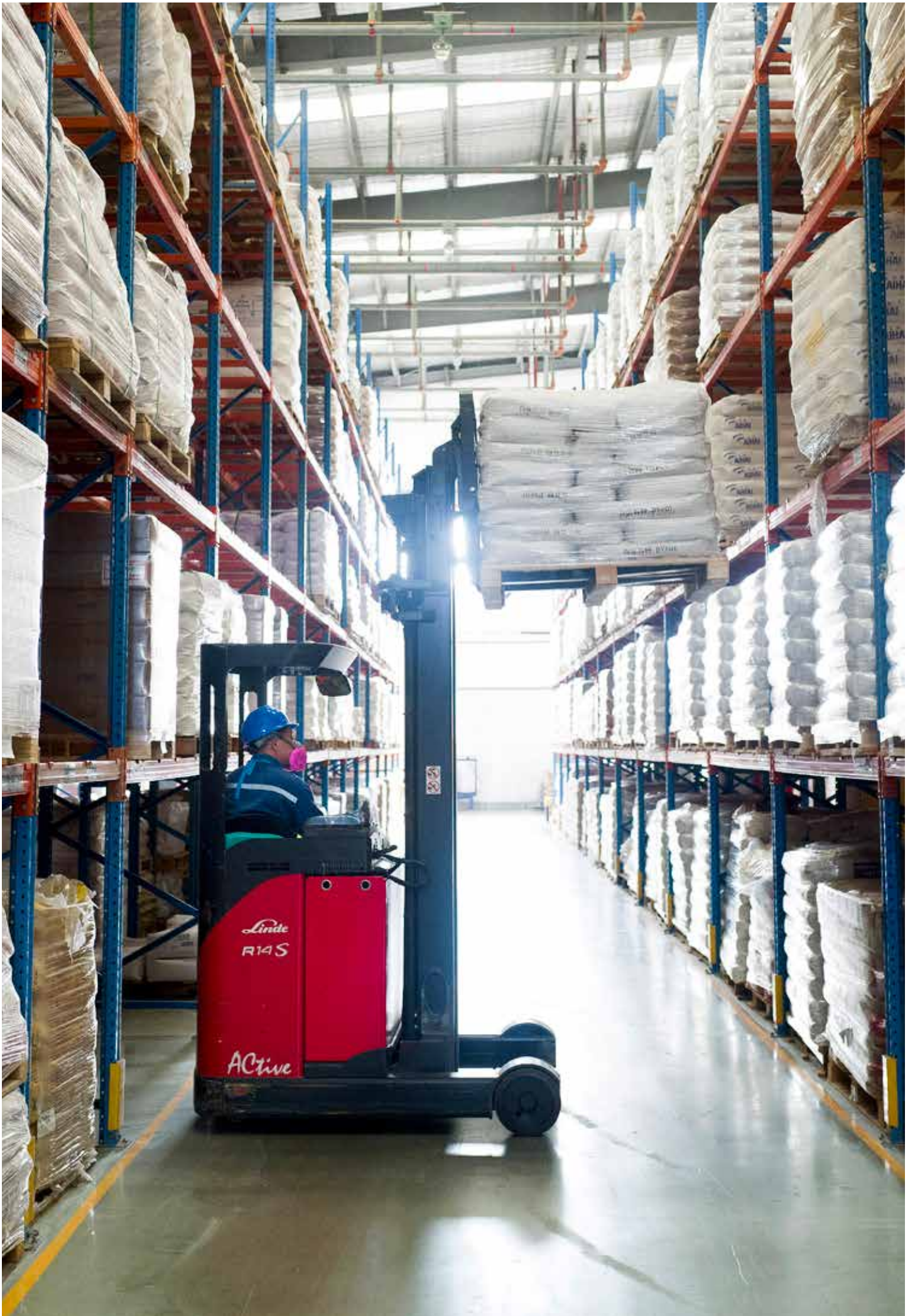
Originally established as a football training programme to keep children off the streets and out of danger, Karanba

has expanded to include basic education, social assistance and vocational training to help prepare participants for the workplace. In cooperation with local non-profit organisations and SENAI Rio, Part of Brazil’s National Industrial Training Service, Karanba participants gain practical work experience related to Karanba’s sponsors, many of which are active in the maritime industry.

Making a difference

In addition to providing financial aid, Jotun hosts Karanba participants at the company’s factory in Itaboraí to experience a successful workplace environment. Jotun also participates in “Career Planning Seminars” at Karanba’s facilities in Rio and offers Karanba graduates a chance to enrol in the Jotun Apprenticeship Programme, a one-year operator training course. Like many of Jotun’s charitable activities worldwide, the company’s support for the Karanba Project is not confined to donations, but involves the active participation of Jotun personnel.





Leading from the front

Jotun protects and supports the human rights of employees, suppliers, contractors, and the societies in which the Group operates. Responsible purchasing is a cornerstone of our ethical approach to doing business.

Jotun invests in the continual development of a corporate structure that works to respect and promote the human rights of all stakeholders. Our human rights policy, clearly aligned to the United Nations Guiding Principles on Human Rights (UNGP), ensures that every Jotun company follows the same standardised, high quality approach.

Employees are protected in accordance with the ILO's Declaration on Fundamental Principles and Rights at Work. At the same time, Jotun strengthens local communities by our demonstrated commitment to high standards, while demanding that suppliers follow our example.

Supplier commitment

In 2018, Jotun developed the Jotun Supplier Integrity Declaration to reinforce the company's commitment to improving performance across the value chain.

The Supplier Integrity Declaration is a new tool to support a procurement policy that aims to impact positively on people, society and the environment. To be distributed bi-annually from 2019, the declaration sets clear requirements for our global supplier base.

This ensures suppliers commit to laws, licences and permissions, and comply with Jotun's stringent approach to labour standards and human rights. Effective health, safety and environmental management is a necessity, as is a supplier's secure, lawful and ethical business conduct. The way suppliers procure their own goods and services should also be compatible to Jotun standards, while they are also required to agree to audits, inspections and corrective actions in line with Jotun's commitment to the ten guiding principles of the United Nations Global Compact.

Evolving efficiency

2018 has seen Jotun focus on strengthening category management to deliver enhanced value, controlling risk and providing structure insight across all purchasing activities.

New digital tools have been introduced to ensure that individual category managers have access to relevant information, creating a uniform approach with increased efficiency, control and the ability to analyse and continually optimise spend.

Increased emphasis on indirect materials

In 2018, Jotun initiated a drive to streamline, structure and standardise the procurement of indirect materials.

A globally aligned account structure – with fewer accounts and increased clarity – will be introduced in 2019 to simplify purchasing, grouping products and services under clear categories. Account guidelines and online training material will support this transition.

During 2019, indirect material purchases will migrate to Jotun's ERP system, enabling a uniform method of procurement and improved data insight. The understanding this delivers will unlock significant value for Jotun, creating predictability, controlling risk and leading to value creation. Data driven value creation projects can realise significant savings, dependent on the product or service procured.

Additional benefits include better control over supplier payments, transparency throughout the Group, improved governance and ongoing cost analysis.

An educated approach

Jotun is committed to operating with integrity and high ethical standards. Combatting corruption across the Group is central to this mission, adhering to local laws, protecting our reputation, and exerting a positive influence everywhere we operate.

Cultures, laws and business customs may change from country to country, but Jotun's approach to fair, compliant and ethical standards does not.

The Group enforces a clear message that corrupt practices are unacceptable. From day one Jotun employees are informed of expectations and, through a dedicated module in their induction training, educated on how to recognise, resist and report corruption.

This is consolidated through e-learning, nano modules, and classroom and dilemma training, with a constant programme of activity – steered centrally but delivered locally – to ensure employees are aligned with Jotun's policy and procedures. Sales teams, management staff, marketing functions and purchasing are key groups exposed to potentially corrupt scenarios and, as such, anti-corruption is included in their specialised Academy training.

In 2018, Jotun concentrated on ensuring its clear corporate stance was communicated locally, with the recruitment and training of regional anti-corruption trainers.

Grass roots impact

Jotun now has dedicated teams of anti-corruption trainers focusing on individual regions. These trainers visit facilities in their areas to conduct classroom and dilemma training and enforce uniform standards. Jotun sees face-to-face discussion and training as crucial tools to build the right attitudes.

In 2019, Jotun will develop the network of local trainers, paying particular attention to boosting resources in the regions and countries that are judged by Transparency International to be 'high risk'. Dilemma training will also be tailored in local languages, which in some countries is more effective than English, Jotun's corporate language.

The confidence to complain

As part of Jotun's commitment to facilitate fair trade, free competition and to actively work against corruption and bribery, the Group empowers employees to flag illegal or unethical activity through a dedicated whistleblowing channel.

Complaints and concerns are dealt with through the business reporting line, although if an employee feels this to be inadequate they are encouraged to make direct contact with Jotun's Compliance function.

In 2019, Jotun will work to raise the profile of the whistleblowing channel and ensure that everyone drawn to use it can do so with complete confidence, safety and anonymity.

Open and honest

Jotun believes the best way to combat corruption is through establishing a culture of openness, transparency and discussion. That way the most difficult situations can be addressed head-on, with full clarity and understanding.

This openness extends beyond the business itself. Corruption can't be stopped by individual corporate players working in isolation – the industry needs a collaborative approach to ensure optimal impact. As such Jotun works with its suppliers and stakeholders to help raise awareness and standards worldwide, while also engaging with Transparency International to support its campaign against corruption.

In addition, the Group adheres to the United Nations Global Compact (UNGC) and contributes to a sustainable and inclusive global economy.




This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.



The UNGC focuses on four key areas - human rights, labour, the environment and anti-corruption, providing companies with 10 principles that help them conduct business in a responsible, ethical and sustainable manner.

As a member of Transparency International Norway Jotun is committed to zero tolerance towards all forms of corruption and to work for the implementation of values, codes of conduct and anti-corruption programmes covering all of the organization.

This table details how Jotun aligns itself with the UNGC framework, listing the individual principles and noting the pages of this report where they appear.

HUMAN RIGHTS		PAGES
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	38-45, 60-65
Principle 2:	make sure that they are not complicit in human rights abuses.	38-45, 60-65
LABOUR		
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	38-45, 60-65
Principle 4:	the elimination of all forms of forced and compulsory labour;	38-45, 60-65
Principle 5:	the effective abolition of child labour; and	38-45, 60-65
Principle 6:	the elimination of discrimination in respect of employment and occupation.	38-45, 60-65
ENVIRONMENT		
Principle 7:	Businesses should support a precautionary approach to environmental challenges;	12-35, 46-47
Principle 8:	undertake initiatives to promote greater environmental responsibility; and	12-35, 46-47
Principle 9:	encourage the development and diffusion of environmentally friendly technologies.	12-35, 46-47, 52-59
ANTI-CORRUPTION		
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	38-39, 51, 60-67

For more information on the Global Compact see www.globalcompact.org



Financial performance

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Preparing for the future

Jotun acted quickly in response to challenging markets in 2018, laying the foundation for improved performance in 2019.

Jotun's long-term growth trend continued in 2018, but was slowed by both global and regional market conditions, which impacted the sale of Jotun products, especially within the Marine and Protective Coatings segments. While underlying growth was positive due in part to another strong year for the Decorative Paints segment, increased raw material prices impacted profitability.

Taking action

Jotun responded quickly to the 2018 challenges. The company has implemented price increases to offset raw material costs and worked to control expenses and generate stronger cash flow from operating activities. Claims reported last year have been handled professionally and steps have been taken to ensure these issues are kept to a minimum and managed in a more structured, professional way.

At the same time, Jotun has worked steadily over the past years to strengthen the company. The Board approved a number

of investments in IT systems, new factories, R&D centres and competence development. The company's mobility initiative, established to create a more flexible, connected organisation was strengthened. Diversity remains a key focus, including at our headquarters in Sandefjord, which includes representatives from 38 countries. The Board is also pleased with Jotun's HSEQ performance, which has shown steady improvement.

Sustainable growth

Looking ahead, Jotun will focus on securing more profitable projects and generating high sales of premium products to improve margins. The Board recognises the need for Jotun to accelerate product development and customisation to respond faster to customer demand, while implementing a more structured approach to entering new markets. With these changes, combined with more stable raw material prices and increased activity in the shipping and offshore industries, the Board anticipates improved performance in the years ahead.



Board of Directors, from left: Birger Amundsen, Terje Andersen, Per Kristian Aagaard, Einar Abrahamsen, Richard Arnesen, Odd Gleditsch d.y. (Chairman), Karl Otto Tvetter and Nicolai A. Eger.

Financial statements

Consolidated income statement

(NOK THOUSAND)	2018	2017
Operating revenue	17 659 863	16 400 998
Share of profit from associated companies and joint ventures	383 747	536 797
Cost of goods sold	-9 913 967	-9 078 415
Payroll expenses	-2 829 570	-2 719 204
Other operating expenses	-3 409 164	-3 297 110
Depreciation, amortisation and impairment	-530 095	-488 802
Operating profit	1 360 814	1 354 264
Net financial items	-245 736	-118 085
Profit before tax	1 115 078	1 236 179
Income tax expense	-441 513	-438 609
Profit for the year	673 566	797 570
Profit for the year attributable to:		
Equity holders of the parent	605 138	721 200
Non-controlling interests	68 427	76 370
Total	673 566	797 570

Consolidated statement of other comprehensive income


(NOK THOUSAND)	2018	2017
Profit for the year	673 566	797 570
Items that will not be reclassified to profit or loss:		
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	8 171	13 836
Items that may be reclassified to profit or loss in subsequent periods:		
Gain / loss (-) on hedge of net investments in foreign operations (net of tax)	-38 062	36 910
Currency translation differences in foreign operations	30 871	-71 363
Other comprehensive income for the year, net of tax	980	-20 618
Total comprehensive income for the year	674 545	776 953
Total comprehensive income attributable to:		
Equity holders of the parent	596 135	703 254
Non-controlling interests	78 410	73 698
Total	674 545	776 953


Consolidated statement of financial position


(NOK THOUSAND)	31.12.2018	31.12.2017
ASSETS		
Non-current assets		
Deferred tax assets	287 006	247 560
Other intangible assets	523 310	430 368
Property, plant and equipment	5 288 252	4 892 394
Investments in associated companies and joint ventures	1 532 513	1 615 654
Other investments	18 026	17 596
Other non-current receivables	94 242	97 313
Total non-current assets	7 743 349	7 300 886
Current assets		
Inventories	2 840 690	2 575 763
Trade and other receivables	5 118 958	4 804 382
Cash and cash equivalents	1 011 564	1 027 165
Total current assets	8 971 212	8 407 310
Total assets	16 714 561	15 708 196
EQUITY AND LIABILITIES		
Equity		
Share capital	102 600	102 600
Other equity	8 142 274	7 973 640
Non-controlling interests	224 390	178 117
Total equity	8 469 264	8 254 357
Non-current liabilities		
Pension liabilities	197 688	214 721
Deferred tax liabilities	37 465	51 707
Provisions	40 673	35 711
Interest-bearing debt	2 252 768	2 044 291
Other non-current liabilities	36 690	35 465
Total non-current liabilities	2 565 284	2 381 895
Current liabilities		
Interest-bearing debt	1 379 401	1 109 173
Trade and other payables	2 030 904	1 913 476
Current tax payable	149 837	145 962
Other current liabilities	2 119 872	1 903 333
Total current liabilities	5 680 013	5 071 943
Total liabilities	8 245 297	7 453 838
Total equity and liabilities	16 714 561	15 708 196

Sandefjord, Norway, 11 February 2019
 The Board of Directors
 Jotun AS


 Odd Gleditsch d.y.
 Chairman


 Einar Abrahamsen


 Birger Amundsen


 Terje Andersen


 Richard Arnesen


 Nicolai A. Eger


 Karl Otto Tveter


 Per Kristian Aagaard


 Morten Fon
 President and CEO

Consolidated statement of cash flows

(NOK THOUSAND)	2018	2017
Cash flow from operating activities		
Operating profit	1 360 814	1 354 264
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associated companies and joint ventures	-383 747	-536 797
Dividend paid from associated companies and joint ventures	557 991	699 553
Depreciation, amortisation and impairment	530 095	488 802
Change in accruals, provisions and other	142 083	182 267
Working capital adjustments:		
Change in trade and other receivables	-314 576	-300 062
Change in trade payables	117 428	220 098
Change in inventories	-264 927	-534 331
Cash generated from operating activities	1 745 161	1 573 793
Net financial items	-245 736	-118 085
Tax payments	-481 784	-358 536
Net cash flow from operating activities	1 017 641	1 097 172
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	32 912	2 616
Purchase of property, plant and equipment	-911 435	-839 011
Purchase of intangible assets	-177 742	-128 245
Net cash flow used in investing activities	-1 056 265	-964 640
Cash flows from financing activities		
Proceeds from borrowings	1 394 688	491 512
Repayment of borrowings	-914 757	-571 503
Dividend paid to equity holders of the parent	-427 500	-513 000
Dividend paid to non-controlling interests	-45 538	-44 153
Share capital increase in associated companies and joint ventures	-	-49 284
Share capital increase in non-controlling interests	13 400	-
Net cash flow from financing activities	20 293	-686 428
Net increase / decrease (-) in cash and cash equivalents	-18 331	-553 896
Net currency translation effect	2 729	-4 973
Cash and cash equivalents as of 1 January	1 027 165	1 586 034
Cash and cash equivalents as of 31 December	1 011 563	1 027 165

Consolidated statement of changes in equity

(NOK THOUSAND)	Attributable to parent company equity holders			Total	Non-controlling interests	Total equity
	Share capital	Other equity	Translation differences			
Equity as of 1 January 2017	102 600	6 859 818	923 567	7 885 984	148 573	8 034 557
Dividends		-513 000		-513 000	-44 153	-557 153
Profit of the year		721 200		721 200	76 370	797 570
Other comprehensive income		15 539	-33 485	-17 946	-2 672	-20 618
Equity as of 31 December 2017	102 600	7 083 558	890 082	8 076 240	178 117	8 254 357
Dividends		-427 500		-427 500	-45 538	-473 038
Profit of the year		605 138		605 138	68 427	673 566
Other comprehensive income		-18 878	9 875	-9 003	9 983	980
Share capital increase					13 400	13 400
Equity as of 31 December 2018	102 600	7 242 318	899 957	8 244 875	224 390	8 469 264



Executive summary of the financial statement for 2018

General

The consolidated financial statement consists of Jotun A/S and 53 subsidiaries, three joint ventures in China and South Korea and five associated companies in the UAE, and Saudi Arabia. Subsidiaries are fully consolidated independent of shareholding, while joint ventures and associates are accounted for based on the equity method and share of profit reported in the income statement based on actual shareholding.

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

Revenue

Operating revenue for the Group was NOK 17 660 million. The revenue increase of eight per cent is primarily ascribable to growth in Protective Coatings and Decorative Paints, as the Marine Coatings and Powder Coatings segments were impacted by lower activity in the markets. Still, all regions and segments reported higher sales in 2018 than in 2017.

Operating profit

Operating profit in 2018 of NOK 1 361 million was on level with last year, yielding an operating margin of eight per cent (2017: eight per cent). A continued increase in raw material costs has

largely been offset by higher selling prices. Jotun Group's share of net result after tax in associates and joint ventures totalled NOK 384 million compared to NOK 537 million in 2017. The reduction is mainly attributable to higher raw material costs, continued weak shipbuilding markets in China and South Korea and lower activity in Saudi Arabia.

Profit for the year

The profit for the year amounted to NOK 674 million, a reduction of NOK 124 million from 2017. Net financing charges increased from 2017 mainly due to currency losses on Jotun A/S' hedging portfolio compared to currency gains last year. Net financial costs ended at NOK 246 million (2017: NOK 118 million).

Investments

Total purchase of property, plant and equipment (PP&E) and intangible assets amounted to NOK 1 089 million for 2018 (2017: NOK 967 million), representing six per cent of operating revenue (2017: 6 per cent). Including investment activity in associates and joint ventures, total investment in PP&E was NOK 1 040 million. The largest investments relate to the new headquarters and R&D centre in Sandefjord, Norway, in addition to new production facilities in Egypt and Vietnam.

Jotun Group's share of total equity in associates and joint ventures amounts to NOK 1 533 million (2017: NOK 1 616 million) and is reported as non-current assets in the balance sheet.

Working Capital

Working capital increased to NOK 5 929 million as of 31 December 2018 (2017: NOK 5 467 million). The increase is mainly tied to further growth in revenues.

Net interest-bearing debt

The net interest-bearing debt for the Group was NOK 2 526 million at year-end 2018 compared to NOK 2 029 million as of 31 December 2017, and net interest-bearing debt relative to the operating profit before amortisation and depreciation (EBITDA) was 1.3 (2017: 1.1). The Group's main sources of financing are loans in the Norwegian bond market and loans from the Group's relationship banks. At year-end 2018, Jotun A/S had NOK 1 400 million in long-term bonds and NOK 884 million in USD bank debt, of which NOK 161 million was short-term, outstanding. External borrowing in the subsidiaries is primarily short-term and through local banks.

Jotun A/S has NOK 1 200 million of long-term credit lines. This committed funding serves as a back stop for certificate loans as well as a strategic reserve for short-term financing of the Group. At year-end these credit lines, in addition to a short-term credit line of NOK 100 million, were all unused.

Shareholder equity

Total equity including non-controlling interests amounted to NOK 8 469 million (2017: NOK 8 254 million). The increase in total equity is mainly due to the net effect of profit for the year of NOK 674 million, share capital injection from minority shareholders of NOK 13 million, and dividend payments of in total NOK 473 million. The equity ratio decreased two percentage points from 2017 to 51 per cent at the end of the year.

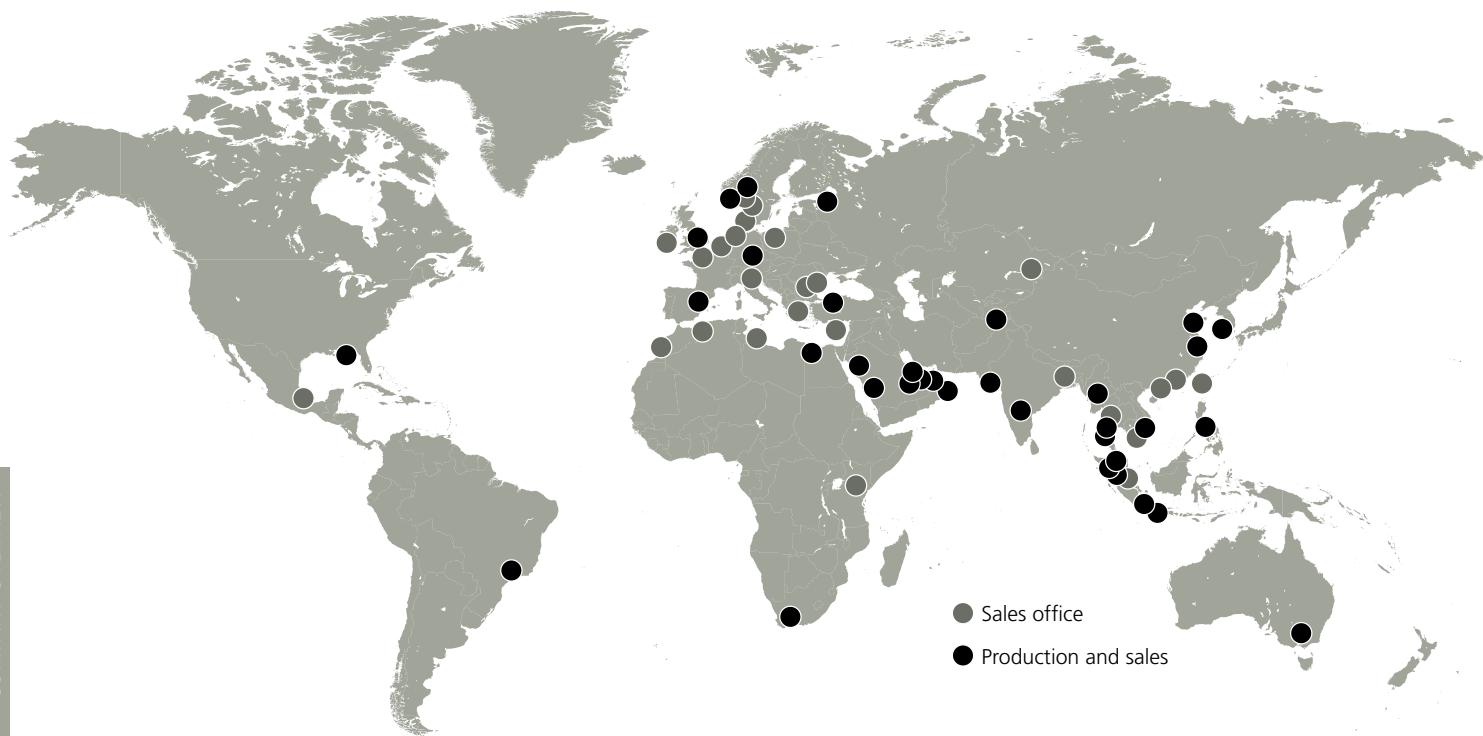
The proposed dividend for Jotun A/S for 2018 amounting to NOK 428 million will not be recognised in equity until finally declared in 2019.

Cash flow

Cash generated from operating activities improved by NOK 171 million to NOK 1 745 million. However, due to higher financial costs and tax payments, net cash flow from operating activities decreased by NOK 80 million to NOK 1 018 million.














































































































































Workforce

In 2018, Jotun Group had on average 7 069 full-time equivalents related to its ongoing business in Jotun A/S and its subsidiaries (2017: 6 976 average full-time equivalents). Including employees in joint ventures and associates, Jotun had in total 9 872 employees at year end 2018 (2017: 9 789 employees).



● Sales office
● Production and sales

Country	Company	Share holding %	
ALGERIA	Jotun Algeria SARL, Algiers	70	S ● ● ● ● ●
AUSTRALIA	Jotun Australia Pty. Ltd., Victoria	100	P ○ ● ● ● ●
BANGLADESH	Jotun Bangladesh Ltd., Dhaka	100	S ● ● ● ● ○
BRAZIL	Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	P ○ ● ● ● ○
BULGARIA	Jotun Bulgaria EOOD, Sofia	100	S ● ● ● ● ●
CAMBODIA	Jotun (Cambodia) Ltd., Phnom Penh	100	S ● ○ ● ● ●
CHINA	Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang	100	P ● ○ ● ● ●
	Jotun COSCO Marine Coatings (HK) Co. Ltd., Hong Kong	50	S ○ ● ○ ○ ○
	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd., Qingdao	50	P ○ ● ○ ○ ○
	Jotun Paints (H.K.) Ltd., Hong Kong	100	S ○ ○ ● ○ ○
	Jotun (Shanghai) Management Co. Ltd., Shanghai	100	S ● ● ● ● ●
	Jotun Coatings (Taiwan) Ltd. Company	100	S ○ ● ● ● ○
CYPRUS	Jotun Cyprus Ltd, Limassol	100	S ○ ● ● ● ○
CZECH REPUBLIC	Jotun CZECH a.s., Usti nad Labem	100	P ○ ○ ○ ● ●
DENMARK	Jotun Danmark A/S, Kolding	100	S ● ● ● ● ●
EGYPT	El-Mohandes Jotun S.A.E., Cairo	70	P ● ● ● ● ○
FRANCE	Jotun France S.A.S., Paris	100	S ○ ● ● ● ○
GERMANY	Jotun (Deutschland) GmbH, Hamburg	100	S ● ● ● ● ○
GREECE	Jotun Hellas Ltd. Piraeus	100	S ○ ● ○ ○ ○
INDIA	Jotun India Pvt. Ltd., Pune	100	P ● ● ● ● ●
INDONESIA	P.T. Jotun Indonesia, Jakarta	100	P ● ● ● ● ●
IRELAND	Jotun (Ireland) Ltd., Cork	100	S ○ ● ● ● ○
ITALY	Jotun Italia Srl, Trieste	100	S ○ ● ● ● ○
KAZAKHSTAN	Jotun Kazakhstan L.L.P. Almaty	100	S ● ○ ● ● ●

KENYA		Jotun Kenya Ltd., Nairobi	100	S	   
LIBYA		Jotun Libya J.S.Co., Tripoli	80	S	   
MALAYSIA		Jotun (Malaysia) Sdn. Bhd., Shah Alam	100	P	   
		Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	100	P	   
		Jotun Paints (Malaysia) Sdn. Bhd., Nilai	100	P	   
MEXICO		Jotun Mexico, S.A. de C.V. Veracruz	100	S	   
MOROCCO		Jotun Maroc SARL/AU, Casablanca	100	S	   
MYANMAR		Jotun Myanmar Company Ltd., Yangon	100	P	   
		Jotun Myanmar Services Co. Ltd., Yangon	100	S	   
NETHERLANDS		Jotun B.V., Spijkenisse	100	S	   
NORWAY		Jotun A/S, Sandefjord	100	P	   
		Scanox AS, Drammen	100	S	   
OMAN		Jotun Paints Co. L.L.C., Muscat	62	P	   
PAKISTAN		Jotun Pakistan (Pvt) Ltd., Lahore	100	P	   
		Jotun Powder Coatings Pakistan (Pvt) Ltd., Lahore	99	P	   
PHILIPPINES		Jotun (Philippines) Inc., Manila	100	P	   
POLAND		Jotun Polska Sp.zo.o., Gdansk	100	S	   
ROMANIA		Jotun Romania S.R.L., Otopeni	100	S	   
RUSSIAN FEDERATION		Jotun Paints OOO, St. Petersburg	100	P	   
SAUDI ARABIA		Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	49	P	   
		Jotun Saudia Co. Ltd., Jeddah	40	P	   
SINGAPORE		Jotun (Singapore) Pte. Ltd., Singapore	100	S	   
SOUTH AFRICA		Jotun Paint South Africa (Pty) Ltd., Cape Town	100	P	   
SOUTH KOREA		Chokwang Jotun Ltd., Kyungnam	50	P	   
SPAIN		Jotun Ibérica S.A., Barcelona	100	P	   
SWEDEN		Jotun Sverige AB, Gothenburg	100	S	   
THAILAND		Jotun Thailand Ltd., Samutprakarn	100	P	   
TURKEY		Jotun Boya San. ve Tic. A.S., Istanbul	100	P	   
UNITED ARAB EMIRATES		Jotun Abu Dhabi Ltd. (L.L.C.), Abu Dhabi	52	P	   
		Jotun Powder Coatings U.A.E. Ltd. (L.L.C.), Dubai	47	P	   
		Jotun U.A.E. Ltd. (L.L.C.), Dubai	42	P	   
UNITED KINGDOM		Jotun Paints (Europe) Ltd., Flixborough	100	P	   
USA		Jotun Paints Inc., Belle Chasse, LA	100	P	   
VIETNAM		Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P	   

 Decorative Paints
  Marine Coatings
  Protective Coatings
  Powder Coatings
P Production and sales **S** Sales office

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

In addition to legal companies Jotun has branch offices, agents, distributors and licensees in Andorra, Angola, Argentina, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belarus, Belgium, Belize, Bosnia & Herzegovina, Botswana, British Indian Ocean Territory, Brunei, Cameroon, Canada, Chile, Colombia, Congo, Croatia, Cuba, Dominican Republic, Ecuador, Estonia, Ethiopia, Faroe Islands, Fiji, Finland, Ghana, Guadeloupe, Guinea, Haiti, Hungary, Iceland, Iraq, Iran, Ivory Coast, Jamaica, Japan, Jordan, Kuwait, Latvia, Lebanon, Liberia, Lithuania, Luxembourg, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Montenegro, Mozambique, Namibia, Nepal, Netherland Antilles, New Caledonia, New Zealand, Nigeria, Panama, Peru, Portugal, Puerto Rico, Qatar, Rwanda, Serbia, Seychelles, Slovakia, Slovenia, Solomon Islands, Sri Lanka, Sudan, Suriname, Switzerland, Syria, Tanzania, Trinidad & Tobago, Tunisia, Uganda, Ukraine, Uruguay, Virgin Islands and Zambia.



Jotun's Board of Directors visiting the production facility at Zhangjiagang in China.

Board of Directors

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 Einar Abrahamson
 Birger Amundsen
 Terje Andersen
 Richard Arnesen
 Nicolai A. Eger
 Karl Otto Tveter
 Per Kristian Aagaard

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The colour scheme in this report reflects Jotun's 2019 Global Colour Trends "Identity" collection.

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