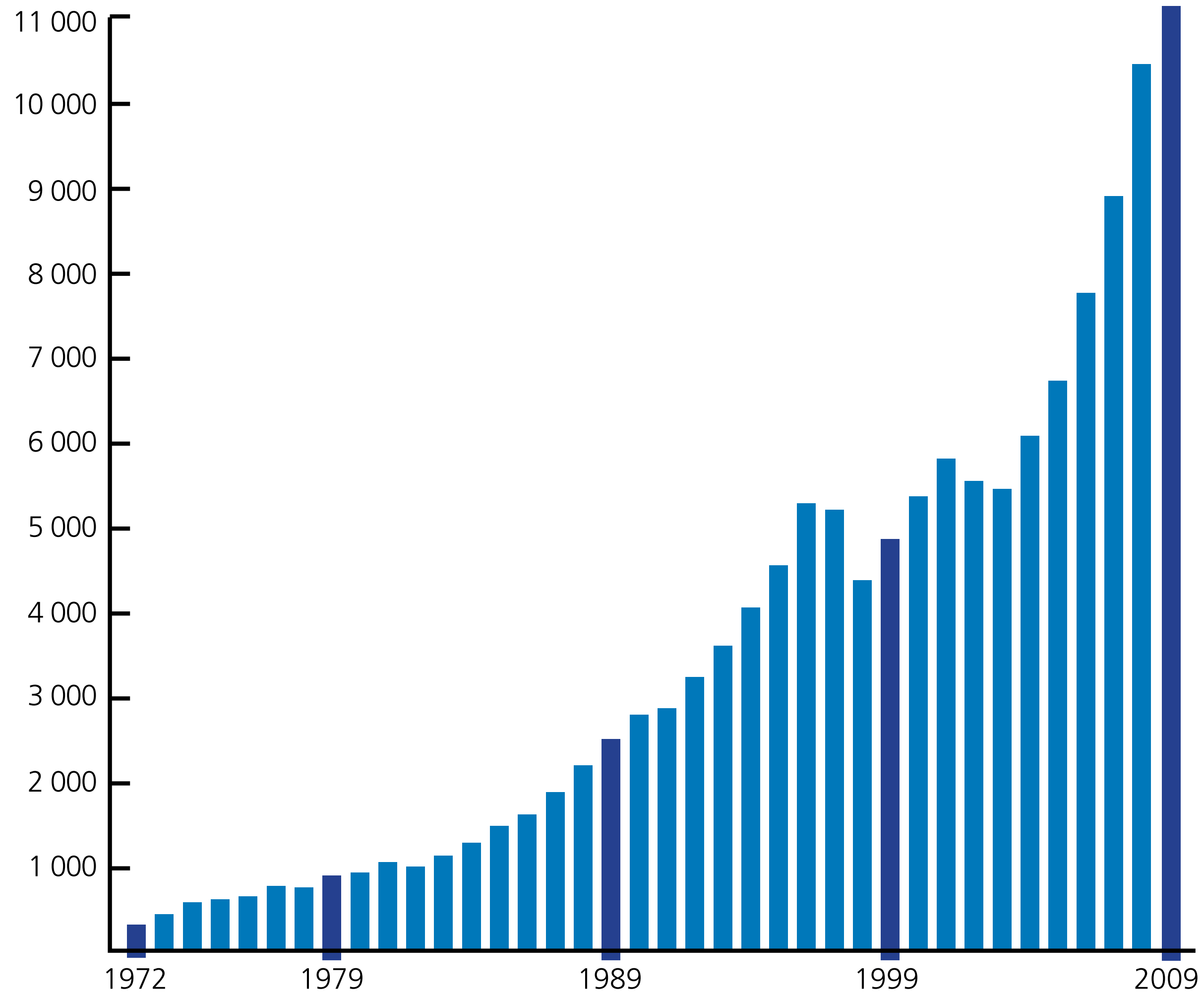
JOTUN

ANNUAL REPORT **2009**

SALES

(NOK mill)



GROUP KEY FIGURES

*(Figures include shares in joint ventures and are in USD million) **		2009	2008	2007	2006	2005
SALES						
Operating revenues		**1 786**	1 870	1 514	1 249	1 042
Operating revenues outside Norway in %		**82**	80	78	76	74
PROFIT/LOSS						
Operating profit		**184**	165	137	104	83
Profit before tax expense		**174**	157	131	94	76
Net cash flow from operations		**236**	4	118	72	29
PROFITABILITY						
Return on capital employed, in %	*1)*	**24.4**	21.4	22.2	18.4	16.9
Operating margin, in %	*2)*	**10.3**	8.8	9.1	8.3	8.0
Return on equity, in %	*3)*	**19.5**	16.5	18.1	13.0	12.6
YEAR-END FINANCIAL POSITION						
Total assets		**1 265**	1 108	901	760	747
Investments in intangible and fixed assets		**63**	80	49	45	67
Equity (including minority interests)		**701**	720	533	482	437
Equity/assets ratio, in %		**55.4**	50.7	52.1	53.2	54.9
Average number of employees in group, including shares in joint ventures		**6 632**	6 164	5 241	4 754	4 437
Average number of employees in group, including 100 per cent in joint ventures		**7 329**	6 851	5 886	5 331	5 009

DEFINITIONS OF KEY FIGURES

1) Return on capital employed % = $\frac{\text{Operating profit - amortisation of intangible assets}}{\text{Average total assets - non-interest-bearing liabilities}} \times 100$

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

3) Return on equity % = $\frac{\text{Profit before minority interests}}{\text{Average equity}} \times 100$

** All figures are translated from NOK using the average rate for the whole year (sales and profit) and year-end rate (balance).*

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Contents

Looking towards the future

Jotun's success over the last decade can be explained in part by a number of macroeconomic effects, ranging from the expanding world economy to the impact of globalisation. At the same time, Jotun's long-term approach to business development has consistently placed the company in a strong position to benefit from these global trends. Indeed, the foundation for our success was created in the past and is rooted in a firm strategy based on organic growth.

While long active in the global marine coatings business, the company recognised long-term market potential for other coatings products and established operations in countries not necessarily associated at the time with high growth. Jotun has 74 companies on four continents, and continues to evaluate and act on new opportunities. In time, our geographical and segment diversity has proven to be a durable business model, even in uncertain economic conditions as we experienced in 2009.

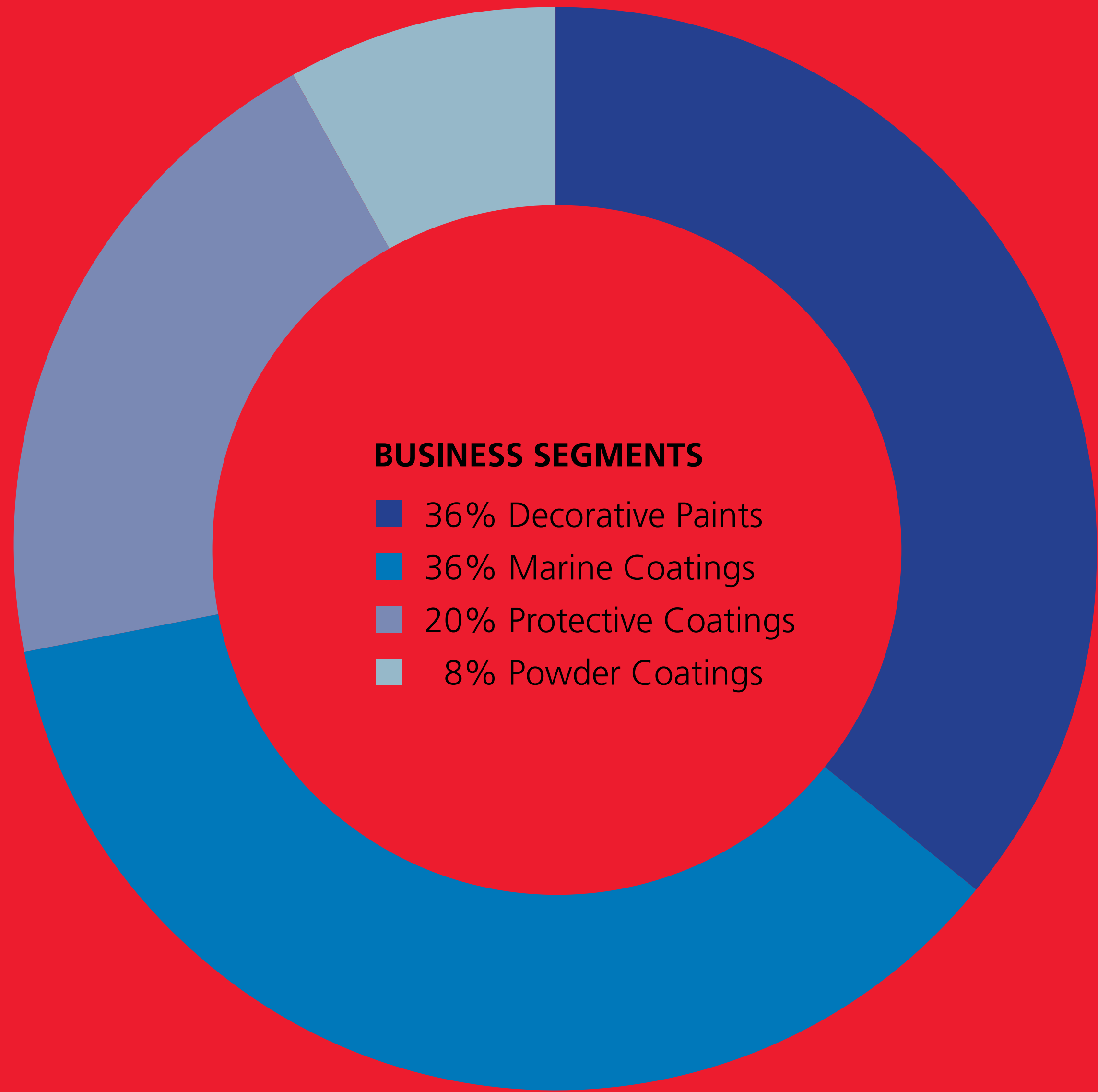
Jotun continues to expand into new markets, based on our organic growth strategy. The company not only continuously develops its businesses and segments in existing geographical markets but seeks out opportunities to market these core segments into promising new regions. But Jotun's long-term growth strategy is not confined to market expansion alone. Without robust, long-term investment in research and development, the company cannot continue to grow. Since its founding in 1926, Jotun has remained a pioneer in the development of innovative coatings solutions for an increasingly broad range of industries. That tradition continues today, with the company working with new additives to produce innovative coatings tailored to meet the emerging demands of consumers and professionals alike.

Jotun's expansion has also been enabled by the willingness to invest in management systems, new information technologies and competence development programmes to ensure we have the right tools to succeed in an increasingly complex global economy. While many initiatives require significant investment capital, the company recognises their long-term value.

Today, Jotun remains in a strong position to secure the group's long-term growth trend. We will always adapt to changing business environment, but our strategic direction and overall business model remains unchanged.

Jotun is a global leader in paints and coatings. We have 74 companies and 40 production facilities on all continents.

In addition, Jotun has agents, branch offices and distributors in more than 80 countries.



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

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

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

Jotun Coatings has global segment responsibility for marine and protective coatings. This responsibility includes decorative paints in selected local markets in Europe and markets in Asia.

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

Jotun Marine Coatings had another record year in newbuildings and strong sales in the maintenance and dry dock business. Jotun works closely with many shipyards, including Drydocks World Dubai.

Building solid foundations

The Jotun Group performance in 2009 recorded positive overall results consistent with the company's strong growth trend over the last seven years. This is notable in a year when the global economy was impacted by rapid declines in consumer spending, a shrinking credit market and recessionary conditions in many countries where we are active.

While the Jotun Group is satisfied with these positive results and the company's response to adverse economic conditions, we recognise that part of our success can be attributed to actions taken in the past and a number of external factors beyond our control.

First, the nature of some segments in the coatings industry is late cyclical – that is, coatings often represent the last step in production of goods or the construction of vessels, offshore installations, infrastructure and housing developments. As a result, contracts delivered in 2009 were secured before the financial crisis emerged in the fourth quarter in 2008, supporting our sales and volume figures for the year. While the group has secured new contracts in 2009, it is likely that the company's growth, especially in the marine and protective coatings segments, will be impacted over the next few years.

Second, Jotun is exposed to a number of macroeconomic factors, which impact reported figures. For example, changes in demand for raw materials in 2009, such as copper, zinc and some refined petroleum products used in the manufacture of some Jotun products helped the group sustain healthy margins. It should also be noted that 82 per cent of Jotun's revenues come from outside of Norway, so changes in currency rates, especially the US dollar, have an impact on Jotun's earnings calculations (fact box, page 13).

"Our ambition is to achieve the right balance between managing the business successfully in today's market, and make careful investments to secure our growth in the future."

Morten Fon, President and CEO, Jotun Group

These factors may have had a positive effect on Jotun's financial reporting, but other indicators suggest that the underlying strength of the business made significant contributions to the company's strong performance in 2009. Jotun recorded improved sales, operating profit, strengthened cash flow, gained market share in selected countries and equaled last year's record production of volume. In real terms, the company's earnings and top line growth both expanded, which represents a significant achievement in a tough market.

These positive results were achieved by decisions made in the past combined with swift action taken in the beginning of the year to manage potential risks. Expansion plans and related investments were reviewed, and the decision was taken in some cases to delay investments. Jotun Dekorativ, which was hit hardest by the financial downturn, launched an ambitious reorganisation plan, which in addition to staff cuts and the announced phased closure of two older factories, included a significant investment in factory capacity in Sandefjord. Other divisions took similar steps to improve long-term growth.

In 2009, Jotun started the roll-out of a new Enterprise Resource Planning (ERP) software tool. This customised ERP system will enable Jotun to serve customers more effectively and improve the efficient management of information throughout the company. Likewise, the group continues to invest in competence development and improve management efficiency. The company's Business Review routines require local managers to detail the strengths, weaknesses, opportunities and threats in their areas of responsibility and encourage accountability with Key Performance Indicators. In addition, the company's business ethics were strengthened and standardised in line with Jotun's core values: Loyalty, Care, Respect and Boldness.

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

"By taking decisive action to manage our business in a tough market, we will build a strong foundation for our long-term future."

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

While part of Jotun's success in 2009 can be attributed to external factors, the company continues to embrace a long-term strategic planning. This approach requires significant investments today to secure Jotun's growth in the future, and a willingness to enter new, undeveloped markets which may not realise their growth potential for years to come. However, just as our results in 2009 owe much to the decisions made in the past, we believe that the decisions we make today will help secure Jotun's long-term growth.

JOTUN DEKORATIV
Reorganising in a tough market

The effects of the financial downturn in Europe had a negative impact on results for Jotun Dekorativ, which recorded sharp declines in sales in 2009 in both the consumer and professional markets. However, it should be noted that Jotun retained its leadership position in Norway, and incrementally improved market share in Sweden and Denmark. In addition, a number of new products launched over the past few years, such as SENS, Lady Easy Clean and Optimal are now firmly established in the market.

Jotun Dekorativ operates in a mature market, characterised by intense competition from regional and global decorative paint suppliers and private label brands. Jotun enjoys a strong market reputation for premium paints, but in a period of lower consumer spending and a weak professional market, the company has become increasingly vulnerable to competitors offering low costs paints.

Jotun has operated successfully in the challenging Scandinavian markets for years, but the effects of the global financial crisis put additional pressure on the division which lead to the development and implementation of an ambitious reorganisation plan. In 2009, Jotun Dekorativ reduced staff by about 15 per cent and announced the gradual phase-out of three older factories, in Manger, Fredrikstad and Sandefjord, Norway. At the same time, the Board of Directors approved Jotun's plans to begin substantial upgrade paint production at the Vindal factory in Sandefjord combined with binder production at the Gimle factory in Sandefjord. This action represents the group's single largest investment ever, and demonstrates the company's enduring commitment to secure its leadership position in Scandinavia.

At the same time, the division remains committed to increasing efficiency and lowering manageable costs by aligning production more closely with demand. In the northern hemisphere, the decorative paint market is seasonal. To ensure factories don't over or under produce, the company is working to harmonise production to more precisely match variable seasonal demand. This process also involves improved management of logistics, distribution, and raw materials purchasing, which requires close coordination with a broad range of suppliers. In 2009, Jotun Dekorativ worked with suppliers to improve delivery service, and continued to implement and refine a LEAN initiative, launched in 2006.

Jotun is also responding to a market shift away from retail shops towards building materials superstores, which are attracting both consumers and professionals. Jotun works with a number of these retail stores and superstores, producing private label brands which put price pressure on Jotun's premium decorative paints. To manage these issues, Jotun will focus on innovation, verification and building consumer awareness. In a market where many paint brands appear to share similar qualities, differentiating Jotun products is critical to our enduring success.

Jotun Dekorativ remains vital to Jotun's success overseas in the areas of leadership development, R&D, and technology. In 2009, Jotun consolidated its Multicolor activities into one organisation divided into four different focus areas: Colour Technology, Tinting Colour and Base Technology, Multicolor Hardware and Software Development, and Multicolor Commercial. The new organisation is responsible for developing the Jotun Multicolor concept and brand not only in Norway, but throughout the world. In addition, Jotun continues to invest in competence development and leadership training.

While Jotun Dekorativ's performance in 2009 did not meet expectations, the division's ambitious reorganisation and expansion plans demonstrate the company's commitment to the long-term development of the business. The division faces many challenges, but steps taken in 2009 have helped lay the foundation for future growth.

Highlights 2009

Jotun Group
- Record year both in sales and EBITA
- Large variations both in terms of the market and geographically
- 2 per cent growth in volumes
- New factories opened in Saudi Arabia and South Korea
- Strong financial position gives a basis for further development according to the organic growth strategy

Jotun Dekorativ
- Decline in overall sales and volume
- Increased market share in a declining market
- Implementation of several cost reduction initiatives
- Approval to invest in new production structure in Scandinavia

Jotun Coatings
- Continued strong growth in China and South Korea
- European markets somewhat weaker
- Good results both in the Marine and Protective segments
- Positive trends in sales, costs and working capital

Jotun Paints
- All time high sales and EBITA
- Volume continued to grow both in the Middle East and South East Asia
- Improved position and continued progress in the project market
- New territories, especially North Africa, pursued for business development
- Launched Jotashield Extreme in South East Asia

Jotun Powder Coatings
- Strong performance despite of turmoil
- Second part of 2009 was positive
- Positive trend in cash flow, mainly due to better results
- Cooperating more closely with other divisions to utilise synergies

"Despite concerns over market conditions in some regions, Jotun Paints' strong results in 2009 and successful efforts to establish operations in new markets have placed the division in a good position to continue its rapid growth trend."

Erik R. Aaberg, Group Executive Vice President, Jotun Paints

JOTUN PAINTS
Cautious expansion

Consistent with a growth trend which has endured for the past six years, Jotun Paints recorded another year of excellent results in 2009. Lower costs in raw material prices and improved distribution helped the division achieve higher margins. Volume continued to grow both in South East Asia and the Middle East, though at a lower pace than previous years. With responsibility for the decorative segment outside of Scandinavia and Northern Europe, and marine and protective businesses in the Middle East, North Africa and South East Asia, Jotun Paints covers a vast geographical region and multiple markets. As a result, economic conditions vary considerably from country to country, impacting sales and marketing strategies in different ways.

In the Middle East, Jotun Paints' strong regional presence has helped the company establish itself as a leading provider of decorative, marine and protective coatings. The global financial downturn has impacted the region, but it should be noted that since many national economies in the Middle East are petroleum-based, the effects are not consistent with those found in traditional market economies which rely on robust credit markets to fund high-profile expansion projects. Without these capital restraints, development in real estate and infrastructure in some countries in the Middle East is expected to continue, and in some areas, accelerate.

In the last five years, the company has seen strong growth in the United Arab Emirates, especially Dubai, which has invested heavily in real estate and infrastructure. The global financial downturn has had a negative impact on Dubai's ability to finance projects, resulting in the delay or cancellation of some projects. While market conditions may impact the division's regional activities in Dubai going forward, Jotun Paints is in strong position to secure contracts in other Emirates, including Abu Dhabi, which has announced ambitious plans to develop infrastructure and some mega-projects. Other countries in the region with similar growth ambitions include Oman, Qatar, Bahrain, Kuwait, Saudi Arabia and Egypt.

In 2009, Jotun Paints opened a new state of the art factory in Yanbu, Saudi Arabia. The factory, capable of producing 110 million litres

The Jotun values

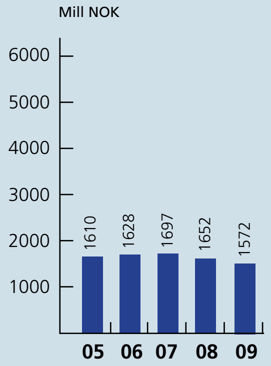
We conduct our business with **loyalty, care, respect and boldness**, in the interest of customers, employees, owners and others with whom Jotun has relationships. By **loyalty**, we mean that we are reliable, trustworthy and committed. When we **care**, we help and support others, display trust and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

JOTUN DEKORATIV

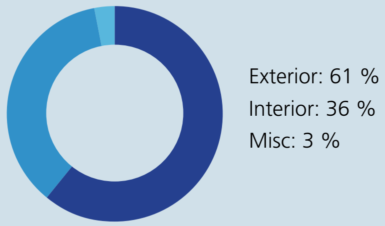
Employees per 31.12.09: 710

Production facilities:
Norway (5)

Sales



Segments

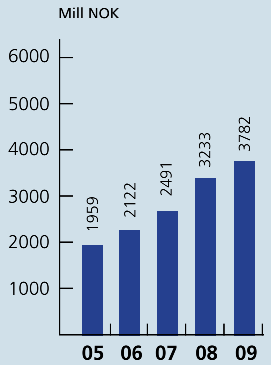


JOTUN PAINTS

Employees per 31.12.09: 2 631

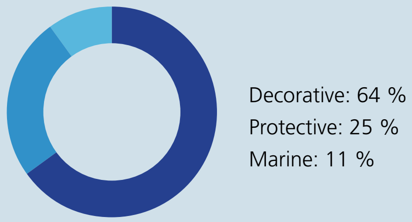
Production facilities:
Egypt
Indonesia
Malaysia
Oman
Saudi Arabia (2)
Thailand
United Arab Emirates (2)
Vietnam
Yemen

Sales



Total sales NOK mill, incl. 100 % in joint ventures

Segments



of paint and coatings a year, represents the largest of its kind in the region. The factory will not only help Jotun Paints serve the growing Saudi market, but is critical to Jotun Paints' expansion plans in the region as well for ensuring operations to the highest HSE standards.

Jotun recorded satisfactory results in Egypt, but slower development in Yemen. In 2009, the company announced plans to build a new factory in Libya, a growing market for both decorative paints and protective coatings. In addition, Jotun Paints (working with the Jotun Group`s Business Development Department) launched coordinated development plans for North Africa, Pakistan and the Levant (see article page19). Growth expectations in these regions are positive and the division is confident in their long-term market potential, particularly in the decorative segment.

Jotun Paints' operations in South East Asia varied somewhat by country in 2009, but overall the results have been better than expected in existing economic turmoil and we have posted growth both in sales, earnings and cash flow overall for the region. Despite sharp declines in economic activity in Malaysia in the first half of the year, which impacted protective coatings sales, Jotun decorative paints continued to perform satisfactory. Market shares have increased, and with the launch of Jotashield Extreme in 2009 (a coating solution designed to reflect heat) and work to complete a new factory in Nilai, Malaysia, the company is in a strong position to gain market share once the economy improves.

Continued political instability in Thailand combined with the effects of the global recession had an impact on Jotun sales and volumes, but a renewed focus on the Multicolor concept and improving distribution are expected to help improve results in 2010. Both Vietnam and Indonesia continued the positive development, especially in the decorative segment in line with long-term plans to be a major player in the region. While Jotun Paints remains concerned about the effects of the global financial downturn and has taken steps to improve efficiency of working capital further, the division remains committed to actively strengthening its position in existing markets and pursuing an expansion strategy in new as well as existing markets. The division is confident that these actions, which are consistent with Jotun`s long term approach and organic growth strategy, will help Jotun Paints continue its strong growth trend.

JOTUN COATINGS
Leveraging our geographical diversity

Jotun Coatings recorded excellent results in 2009 in both the marine and protective coatings segments, but saw flat sales in the decorative paint segment. Due in part to weakening demand for raw materials, the division recorded improved margins.

Despite fears of a weakening global economy, Jotun Coatings' geographical diversity helped sustain the division's rapid growth. So while the division saw shrinking demand in Europe, our activities in growing economic regions continued to perform well.

Today, about half of Jotun Coatings' business is in China and South Korea (where Jotun opened a new factory in 2009), while

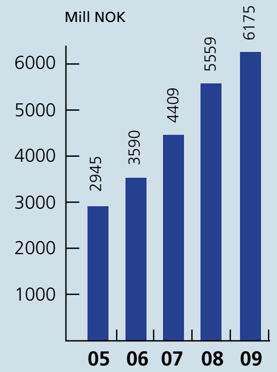
JOTUN COATINGS

Employees per 31.12.09: 3 193

Production facilities:

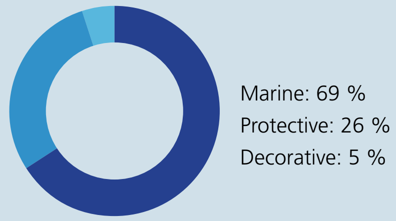
Australia	South Africa
China (2)	South Korea
Finland	Spain
India	Turkey
Italy	United Kingdom
Singapore	USA

Sales



Total sales NOK mill, incl. 100 % in joint ventures

Segments



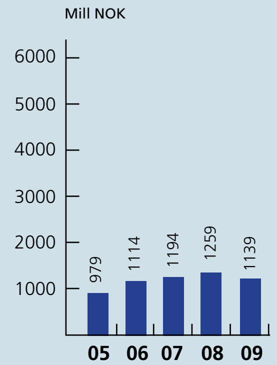
JOTUN POWDER COATINGS

Employees per 31.12.09: 859

Production facilities:

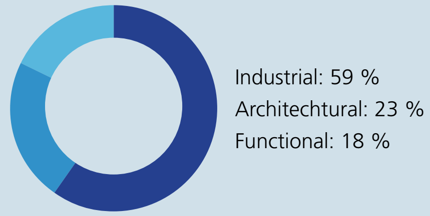
Czech Republic	Thailand
India	Turkey
Indonesia	United Arab Emirates
Malaysia	Vietnam
Norway	
Pakistan	
Saudi Arabia	

Sales



Total sales NOK mill, incl. 100 % in joint ventures

Segments



our relatively limited exposure to slow growth regions has mitigated potential declines in revenue. At the same time, the division's diverse global presence helps the company compete for high profile contracts in both the marine and protective segments, which involve stakeholders from different parts of the world.

Despite weakening demand for marine transportation, Jotun's marine coatings business recorded sales growth of six per cent in 2009, and captured a number of new contracts that will help Jotun continue to post good results in the newbuilding segment through to 2011. Jotun's Chinese partner, COSCO, supports Jotun's strong presence in China, which may soon become the world's second largest shipbuilding nation after South Korea. It is likely that Jotun's marine business will be impacted by slower sales from 2011.

To manage this potential risk, Jotun Marine Coatings has focused on developing its sea stock and dry dock business. This process requires developing more effective supply chain management and working to secure the loyalty of existing customers. Building loyalty requires increased focus on service, product development, and quality technical support. Jotun continues to provide enhanced training for Jotun's Team No. 1 technical advisors and build competence throughout the organisation. To meet the demands of larger, multinational companies, Jotun has identified 50 global key accounts, and assigned dedicated teams tasked with providing more coordinated and uniform service delivery. The implementation of the Enterprise Resource Planning tool, which began in 2009, will support this effort.

Jotun's business in the protective segment has seen steady growth in all industries where we are active: Oil and Gas, Energy, Infrastructure and Industry. Over the past few years, Jotun Protective Coatings has focused on these different segments to align the business more closely with customers operating in these different industries. This process continued in 2009, and helped Jotun develop the right concepts, products and services to achieve a higher global market share. This approach will also provide a framework for expanding into new market segments, such as sustainable energy and mining.

The protective coatings industry is driven by local sales, but to attract high-profile contracts, the company has also developed its capacity to manage international specifications more effectively. The ability to provide these multinational projects with a single point of contact combined with the capacity to deliver high volumes or customised products, has helped Jotun secure many important contracts. Local knowledge supported by global competence is a critical success factor for the company in the protective segment.

Working closely with Jotun Paints, Jotun Coatings is also responsible for the marketing and sale of decorative paints in some regions. Results for 2009 were flat, but renewed efforts to market Jotun products and invest more in the Multicolor concept (particularly in China and India), are expected to improve results next year. Looking ahead, the division will continue to evaluate new markets in line with the company's organic growth strategy, develop new products and work more closely with customers to strengthen our long-term relationships. Jotun Coatings has enjoyed remarkable success over the last seven years, "Our geographical diversity has helped Jotun Coatings succeed in challenging global markets."

Esben Hersve, Group Executive Vice President, Jotun Coatings

and while an extended global recession will likely impact results going forward, the company is confident of the long-term success of the division.

JOTUN POWDER COATINGS
Segmentation, differentiation, innovation

While Jotun Powder Coatings finished 2009 with satisfactory results, a weak first quarter and flat second quarter encouraged a comprehensive review of the division's activities in the Industrial, Architectural and Functional segments. In addition to trimming staff in some regions, the division has refocused its efforts to align products and marketing more closely to specific segments and sub-segments.

Jotun Powder Coatings earns more than half of its revenues in the industrial segment, which is highly sensitive to market changes. The collapse in consumer spending at the beginning of 2009 impacted Jotun's sales in this segment, but the strong performance in the second half of the year left the division in a secure financial position. The company continued to perform well in the architectural segment, providing high performance coatings for window, door frames and other facade components for high profile projects especially in the Middle East and South East Asia, where Jotun has a strong market presence. Despite some project delays in the first half of the year, the division recorded a strong performance in the functional segment, supplying specialised powder coatings for concrete reinforcing steel bars, oil and gas pipelines and valves.

The global financial downturn impacted the division in different ways in different regions. At present, Jotun Powder Coatings has a distribution network covering 75 countries, and 11 manufacturing facilities. In 2009, sales in Europe were flat, but the division's solid performance in South East Asia and the Middle East helped produce a strong fourth quarter, especially in the architectural segment.

Jotun Powder Coatings provides powder coatings all over the world and for a broad range of industries and customer groups, including building contractors and both local and multinational manufacturers of consumer goods. Managing this broad and geographically diverse market remains a challenge, and exposes the division to competition from both local and global suppliers. With the global economy still cycling through a difficult period, the division took decisive action in 2009 to strengthen its competitive position.

Jotun Powder Coatings continued its efforts to differentiate its brand and product line to attract high value customers through superior service and product innovation. In 2009, the division launched ColourBeats, a new collection of special colour trends specifically designed for the high end architectural segment. In the functional segment, Jotun produces a number of specialised coatings, including J-trac, a tough anti corrosion coating based on three Fusion Bond Epoxy (FBE) coatings, and LEC 20+, a Lower Energy Consumption FBE coating. In the industrial segment, Jotun offers a broad range of polyester, epoxy, and polyurethane powder coatings for metal substrates. The introduction of Era-Coat, an advanced powder coatings system designed for heat-sensitive substrates, has opened the frontiers for Jotun Powder Coatings to become a key player in the growing wood and MDF furniture market.

Jotun Powder Coatings will continue to evaluate promising new markets, in line with the group's organic growth strategy.

While 2009 represented a challenging year for Jotun Powder Coatings, the division responded well to rapid market changes, and finished strong. This is due in part to the diversity of our business model, which allows the unit to weather tough markets more effectively by spreading risk among different segments. We are confident that the steps the division took to manage the impact of the financial downturn have not only placed Jotun Powder Coatings in a good position for 2010, but will help Jotun secure a stronger position in this segment in the future.

Behind the numbers: The "Currency effect"

The Jotun Group is registered in Norway, so files its financial reporting in Norwegian kroner. However, about 82 percent of the company's sales are derived from Jotun's operations overseas, where the company is paid in other currencies, most of which is directly or indirectly influenced by the US dollar. In periods characterised by rapid fluctuations in currency valuations, perceptions regarding reported earnings may be distorted.

In 2009, the value of the US dollar fell sharply against the Norwegian kroner, losing almost 18 per cent from the beginning to the end of the year. This lead to a deflationary effect on all of Jotun's balance sheet numbers. The total assets of Jotun fell by eight per cent in NOK, even though the underlying activity increased.

At the same time, the average US dollar rate was higher in 2009 than in 2008. This had an inflationary effect on top line sales and operating profit in Norwegian kroner. The top line shows eight per cent growth, while the actual volumes in litres of paint are up only two per cent. Some of the difference can be explained by changes in product mix and price adjustments, but this distortion is primarily caused by currency effects.

To achieve predictable results, Jotun hedges against currency fluctuations. The positive effect on operating profit stemming from the rise in the average US dollar was partly offset by losses on the hedging programme. The operating profit for 2009 ended at NOK 1,181 mill, compared to NOK 954 mill the previous year. Losses from the hedging programme are listed in the 2009 figures.

"To achieve our growth ambitions, we must continue to align the division more closely with the different segments we serve."

Martin Chew, Group Executive Vice President, Jotun Powder Coatings

Jotun doubles capacity in Saudi Arabia

In November 2009, Jotun celebrated the opening of a new, state-of-the-art factory in Yanbu, Saudi Arabia. The automated factory is capable of supplying about 110 million litres of paint and coatings per year to the country and region.

The factory, which will produce water-borne paints exclusively, was constructed to secure a safe, healthy work environment for the workers. The fully closed and air-conditioned facility is equipped with silos and tanks for the handling of bulk raw materials to cut unnecessary labour and production time. Advanced fire detection and water recycling systems help improve safety, sustainability and reduce operating costs.

The opening also marks Jotun's 25th year serving the Kingdom of Saudi Arabia, and represents the company's long-term confidence in regional growth.

Jotun Powder Coatings has been active in the Emirate of Dubai for decades, offering advanced powder coatings for window frames, door frames and other architectural elements for some of the city's most remarkable buildings – including Emaar's recently completed Burj Khalifa, the tallest building in the world.

Jotun R&D: Listen, innovate and adapt

Long a pioneer in the development of innovative coatings solutions, Jotun's success in product development is built on the company's chemical engineering competence, sensitivity to changes in consumer demand and a de-centralised regionally focused approach to research and development.

While the development of new chemical additives and innovative combinations of additives might suggest a new product, Jotun's primary focus is on the needs of the customer. To achieve good results, Jotun's Research and Development (R&D) centre works closely with marketing personnel, who are in better position to recognise and anticipate emerging trends and performs in-depth market surveys to verify demand potential. Rather than Jotun pushing products onto customers, new coatings innovations are pulled by the evolving demands of the marketplace.

Jotun's R&D Norway is headquartered in Sandefjord and is responsible for the global assortment of products, coatings technologies and product innovation. In addition, the unit is responsible for coordinating the efforts of the company's network of nine R&D laboratories around the world, including three powder coatings laboratories. Together, Jotun R&D is made up of about 250 skilled employees, including chemists, engineers and assistants.

The R&D unit in Norway also monitors global trends, new technologies, and emerging legislation related to coatings carefully. In 2009, global demand for more environmentally friendly, low-emissions coatings increased, driven in part by new regulations, such as those introduced by the European Union placing limits on Volatile Organic Compounds (VOCs). Other national environmental initiatives in different parts of the world, combined with rising public and industrial concerns about health issues and the environment, have created increased demand for more water-borne paints. Another growing trend is driven by the rising cost of energy, which has created demand for coatings that can help buildings reduce their fuel consumption.

In response to these global trends, Jotun is working to develop more environmentally responsible coatings alternatives by replacing solvents with water-based binders, and is working with new chemical additives to develop coatings that can lower costs related to energy. While many of these product developments are taking place in Norway some are being adapted by regional R&D laboratories to fit the needs of local markets. For example, to meet rising demand for coatings that reflect heat to save energy for cooling in warmer climates, Jotun Paints launched Jotashield Extreme, a heat reflective coating solution, in South East Asia in 2009.

This decentralised model for managing Jotun's R&D efforts reflects the company's focus on serving the needs of local markets – particularly in the decorative paint segment. Because Jotun is a global company, operating in countries with different climates, cultural preferences and regulatory environments, existing products must be adapted to ensure Jotun can continue to grow.

At the same time, Jotun serves many global industries, such as the maritime, offshore and energy sectors, which demand uniform products, wherever they operate. In addition to playing a role to verify the quality of existing brands, Jotun R&D works to develop specialised products to meet the specific demands of its global customers, and in some cases adapts existing products for special projects. Jotun R&D also plays a critical role in Jotun's efforts to grow business in new industrial sub-segments, such as the mining and renewable energy, by developing products or adapting existing products for these industries.

Jotun continues to pioneer new coatings solutions, but the source of the company's success in R&D has more to do with its ability to respond quickly to market demands, and capacity to adapt existing products to fit local markets and develop products tailored to specific industrial segments.

"At Jotun, product development begins in the marketplace, not the laboratory."
Bent Haflan, Director, Jotun R&D

A unique solution for a unique landmark

First coated by Jotun in 2002, The Eiffel Tower is among the most recognised structures in the world. The company that manages the Eiffel Tower (la Société d'Exploitation de la Tour Eiffel, or SETE), put a re-painting contract out on tender in 2008. After an exhaustive review process involving a number of competing coatings suppliers, SETE selected Jotun for the job.

SETE demanded a coatings solution that would last for seven years. The paint had to be applied by rollers, not spray equipment, and conform to SETE's performance expectations. Jotun R&D laboratories developed a customised paint solution, based on the company's "Mammut" urethanealkyd resin system of primers and topcoats. The topcoat was produced in three different shades of brown (the darkest on the bottom, the lightest on the top) to make the Tower appear to be one colour. Both primer and topcoat are high-build single-pack products which minimise application time and reducing costs. Together, the two products form a system that is certified not to spread surface flame. The project will require about 70 tonnes of paint, and is expected to be completed in October, 2010.

"To secure our continued growth in the future, we must support our investment decisions with solid market intelligence and move quickly to establish operations in promising markets."

Tor Hatlo-Johansen, Group Vice President, Business Development

Return to Libya

Jotun invested in its first overseas factory in Libya in 1962. The project, which was championed by Odd Gleditsch jr., represented the company's first international expansion and was a vital learning process for Jotun, providing the company with valuable experience in building the Jotun brand in emerging markets. The factory operated successfully for some years, but with a change in government in 1969, trading conditions became difficult, and Jotun eventually withdrew from Libya in 1985. Almost five decades since the first factory opened, Jotun has returned to Libya, investing about USD 19 million in a new facility to serve the country's growing demand for decorative paints. Construction is scheduled to begin in 2010, and the factory will open in 2011.

Expanding into new markets

Jotun's rapid growth over the last decade has its roots in the company's entrepreneurial spirit and willingness to invest in new markets. In order to operate in a world characterised by rapid change, the company has accelerated its efforts to identify, analyse and establish operations in promising markets.

Jotun's Business Development Department (BDD), launched in 2006, is responsible for providing feasibility studies, business support and assistance in coordinating investment capital for divisions seeking to expand into new markets. At the same time, each division is responsible for their own growth strategy, sourcing the regional market expertise to identify local opportunities.

In the past, Jotun's organic growth strategy was managed locally by individuals who had different ideas on how best to proceed. For the most part, this process worked well, allowing the company to establish operations in many countries which subsequently experienced high economic growth. However, increased competition, a faster business cycle and higher barriers to entry created a need for a more structured approach. Working together with regional offices, the BDD ensures that new opportunities can now be recognised and developed faster and more cost effectively.

At present, Jotun is in the process of evaluating and/or implementing a number of new projects in various regions, including Russia, West Africa, South America and parts of the Middle East. While all divisions are actively pursuing growth strategies in all segments, Jotun Paints' efforts in the Middle East and North Africa provide a strong example of how the process works.

Following intensive market analysis, the Dubai-based Jotun Paints worked with the Business Development Department to establish sales companies in Morocco and Algeria in 2009. Today, Jotun serves North Africa from its factories in Dubai and Egypt, but in 2007 the decision was taken to build a new factory in Libya to serve the region more effectively. Based on strong sales development, this initial study and investment plan was revised and approved before the end of the year. The Libya factory is expected to be operational by the end 2011.

Plans to expand in North Africa were based on market intelligence gathered by Jotun Paints and the BDD. The team concluded that while competitors are active in these countries, they are inadequately branded and market conditions are positive. The estimated total volume for North Africa (excluding Egypt) is about 300 million litres per year, and economic development suggests strong growth potential. In addition, indications from existing customers and local government agencies, who are actively investing in infrastructure, luxury resorts and high profile commercial and residential developments, have helped build the case for expansion.

While sales companies are being finalised, Jotun representatives are already busy recruiting local personnel and working with dealers in preparation for the distribution of Multicolor machines and establishing Multicolor Centres. Ownership of Jotun export companies in each country are determined in part by local laws. Jotun expects to have 20 single-brand Multicolor Centres in place in each country by the end of 2010.

Jotun Paints is also actively pursuing additional business development opportunities in the Levant (Syria and Jordan), Pakistan and in South East Asia namely, Cambodia and Laos. While economic or political issues may limit growth potential in some of these countries, Jotun's long-term approach to business development has helped lay the foundation for the company's success. Indeed, Jotun's remarkable growth in the United Arab Emirates began in 1975, when Jotun established a presence in Dubai – then just a small trading village on the shores of the Arabian Gulf.

Strengthening our knowledge-driven company

While Jotun's asset value is often expressed in numbers, the true value of the company can be found in the competence and knowledge of our global workforce. To leverage this intellectual capital, Jotun continues to invest in competence development.

Established in 2006, Jotun's Competence Development Department (CDD) was conceived to build, facilitate and harmonise competence development initiatives and programmes for the whole organisation. Previously, Jotun had a number of similar programmes in different parts of the world. Many of these skills training programmes were administered to small groups in classrooms. While effective, this approach slowed the exchange of information, interrupted work schedules and resulted in high costs related to travel and the production of presentation materials. The CDD was tasked with not only improving efficiencies in Jotun's existing programmes but changing how Jotun approaches competence development.

Many of Jotun's competence development programmes are managed locally, but the department is responsible for creating a common platform in support of divisional strategies. The unit is also responsible for identifying best practises in regions and sharing them with the whole organisation in a structured way.

Jotun's rapid global expansion has resulted in an international workforce representing different countries, languages and levels of education. In addition, the geographical diversity of the company has created a greater need for cross-border communication to ensure Jotun employees continue to share common values, purpose and access to common skills training. In the past three years, Jotun has developed a number of competence development tools and invested in new distance learning technologies to help build a stronger knowledge base and bring the organisation together.

The CDD manages a broad range of Jotun career-development offerings, ranging from executive and intermediate management training to technical skills, language training to safety awareness. While some of these courses are offered in a classroom setting, most are accessed online through Learning Gateway, which offers 77 interactive training modules in both English and Norwegian (Chinese will soon be available.) This allows individuals the freedom to access the modules to fit their schedule and learn at their own pace and without interrupting normal work activities. Employees seeking to improve their English language skills can join Englishtown, a web-based e-learning environment, where users interact with an international community on line to learn English.

While many of the programmes are related to career development, the unit also helps coordinate activities that have a direct impact on customer relationships. For example, the department provides support to Team No.1 – a technical training programme for coatings advisors. Their competence remains critical for Jotun to attract new customers and secure the loyalty of existing customers. By the end of 2009, about 1,000 Jotun technical advisors had completed some or all of the modules in the programme. Jotun also provides personnel at decorative paint stores access to modules to help them market Jotun products and grow their business. Jotun also works closely with Orkla in some areas, including management training and through the highly regarded Orkla Brand School.

The range and diversity of Jotun's career development offering serves as a powerful recruiting tool (the CDD also manages Jotun's International Trainee Programme) and helps build employee loyalty. It should be noted that the department's primary focus remains on developing the company's core competence. At Jotun, competence development is not just a benefit, it is a critical component of the company's long-term growth strategy.

Trouble shooting

Securing a contract is the point at which work really begins and Team No.1 is at the heart of this activity. Making sure that Jotun's customers are provided with technical know-how and service back-up, Team No.1 now encompasses over 1,000 Jotun service professionals around the world. These advisers are on-hand when customers begin the coatings process – providing technical support to ensure that everything runs smoothly. Members of Team No.1 undertake in-depth and lengthy training so they can act as value-added consultants.

"To compete successfully in an increasingly competitive market, Jotun remains committed to investing in the development of its most valuable asset - our people."
Hilde Bettum, Competence Development Director

Smart learning

With English as the corporate language of Jotun, it is important that the company makes it as simple as possible for staff around the world to be able to improve their English language skills. Under an agreement with Englishtown, Jotun employees have access to the world's most advanced online English school, backed by 29,000 teachers and staff in 50 countries. Online teachers come from the US, UK, Australia, New Zealand, Canada and South Africa.

The backbone of Englishtown is the Efekta system – a state-of-the-art language iLab, designed to accelerate language acquisition. With over 1,500 hours of interactive multimedia tutorials developed by EF linguists and a business English curriculum powered by Harvard Business School Publishing, the iLab is an important tool in allowing Jotun staff to improve their English language skills at their own pace and at a time that suits them. The programme serves to help improve cross-border communication and is a valuable career development service.

"The implementation of new global software systems will enable the company to work and communicate more effectively across borders."

Ben Guren, Group Vice President, Finance, IT and Legal

Many global challenges, common global solutions

With 40 production facilities on four continents, Jotun is a truly global player, creating challenges and opportunities for the company. To help secure future growth, Jotun has developed a number of powerful software systems specifically designed to improve resource planning, cross-border customer service management, human resource management and document handling.

Jotun's remarkable growth over the last decade has helped transform the company into a truly global player in the coatings industry. While this development has been positive, the company faces some organisational challenges trying to establish common platforms for managing resource planning, customer relationships, human resources and information sharing. As the company has grown, the use of improved systems has become increasingly important.

At the same time, Jotun's global presence has helped the company compete for larger, more complex international contracts. These projects range from vessel newbuilding and maintenance to civic infrastructure, offshore installations to high-profile real estate developments. Because these projects involve multinational stakeholders with assets or operations in different parts of the world, Jotun has been working to develop tools and service capacity to ensure the company can serve existing customers more effectively.

To manage these challenges, Jotun has developed a number of different IT systems, which will be utilised by the entire organisation, covering human resource management, document sharing, and customer relationship management. In addition, the company is in the process of implementing an Enterprise Resource Planning (ERP) system, developed in cooperation with IFS, a global provider of business software.

The initiative was launched in 2007 in Scandinavia. At the time, Jotun relied on seven different ERP systems managed by different parts of the company in different regions, some of which were based on obsolete or unsupported software solutions. Rather than replace or upgrade these systems, the decision was taken to develop a fully integrated global solution. The ERP system now being implemented includes components for Innovation, Planning, Purchasing, Manufacturing, Logistics, Sales and Finance.

Internally, the ERP solution has been designed to accelerate the flow of information, monitor KPIs and improve the company's on-time-in-full (OTIF) delivery. Once fully operational, the ERP will be able to track demand more precisely, allowing factory managers to achieve more predictable production schedules. Standardised document sharing will enhance cross-border communication and enable individuals to make better decisions closer to the markets they serve.

Externally, the ERP system will enable improved service management. While the software will apply to every Jotun division, the system is likely to have the largest impact on Jotun's marine business and some activities in the protective segment. However, Jotun also provides decorative and powder coatings to large civic infrastructure projects or high profile real estate projects, which often involve stakeholders such as architects, contractors and developers located in different parts of the world. The ERP system will improve Jotun's ability to manage existing contracts and compete more effectively for new business.

Over the next years, roll out teams will be busy putting the new systems in place, training personnel and working to integrate or replace existing systems. In some regions, the systems are already operational and implementation for the whole organisation is on schedule to be completed in 2013. The systems have many practical applications that will increase efficiency, but their true value cannot be measured by cost savings alone. Rather, it is by building a common platform for the whole organisation. These systems will help our global organisation bringing Jotun forward together.

Resourcing the globe

Enterprise resource planning (ERP) is a vital component in the success of Jotun's global operations. Our ERP systems are intended to manage all the information and functions of the business using information from shared data stores. If successful, ERP promotes seamless integration of the information flowing through the company. For this reason, our development of a new ERP solution is fundamental to our activities and why it takes time to implement.

The process of replacing all seven of our present ERP systems began in 2007 and it will be another three years before this global implementation process is complete.

More than a third of Jotun's revenues are derived from the sale of decorative paints. To ensure the company retains its reputation for quality, Jotun works hard to develop the products to meet the evolving preferences of consumers and professionals alike.

"Our future success depends on our ability to anticipate local consumer trends, and how quickly we can make exciting new products available to the market."

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

Growth continues in developing markets

The effects of the financial downturn on the global sale of decorative paint varied significantly from region to region, creating a mixed picture for the industry as a whole in 2009. While market uncertainties in some regions are likely to persist into 2010, growth for geographically diverse companies with operations in rapidly developing markets is expected to continue.

The global decorative paints market is valued at about US 40 billion, which represents half of the total coatings market worldwide. While volume sales of decorative paints in the United States and Europe represent about 30 per cent of the global total, growth in these mature markets were slowed in 2009 by declines in consumer spending and new construction of residential and commercial properties. However, robust growth continued in rapidly developing economies, especially in China, India and parts of South America.

Demand for decorative paints in the Middle East and South East Asia, which rely more on developments in the project market (high-profile housing developments, hotels, resorts, and civic infrastructure, etc.), continued to generate strong volume sales in 2009. As parts of the world continue to cycle through economic difficulty, lack of financing required to support the development of new large-scale projects may result in some delays.

About 34 per cent of Jotun's revenues are derived from the sale of decorative paints. The decorative segment is managed by Jotun Dekorativ in Scandinavia and Jotun Paints in the Middle East and South East Asia, with support provided by Jotun Coatings in select markets. While the financial downturn has impacted Jotun's decorative paint sales in Europe, the company continues to record strong growth in the Middle East, South East Asia and the Asia Pacific markets, which represent about 60 percent of Jotun's total sales volume in decorative paints. As a result, Jotun recorded 20 percent growth in external sales in 2009, despite slow sales in Europe.

In mature markets in Europe and Scandinavia, the company faces fierce competition from both industry majors and private label brands produced by paint shops and building material superstores. In 2009, increased regulatory pressure and rising public awareness of environmental and health issues created a greater demand for low-solvent paints. For example, in Europe, changes to existing limits on Volatile Organic Compounds (VOCs), which react with nitrogen oxides present in the atmosphere to erode the ozone layer, went into effect on January 1, 2010.

At the same time, health concerns raised by consumers over paint emissions have lead to the development of a new generation of low-solvent or solvent-free decorative paints. Jotun continues to pioneer new, low-VOC coatings solutions specifically engineered to improve environmental performance and paints designed to reduce potential health risks associated with harmful emissions.

In developing markets in Asia and the Middle East, Jotun faces price pressure from many low-cost local suppliers and competitive pressure from other global brands. While some local authorities have launched "green initiatives", regulations on emissions vary from country to country. Jotun's growth in rapidly developing countries is built on the distribution of Multicolor machines, Multicolor Centres and high-end Inspiration Centres, tailored for the Buy-It-Yourself consumers. In 2009, Jotun increased the number of Multcolor centers and strengthened distribution both in the Middle East and Asia.

While Jotun's primary Research and Development facilities are in Sandefjord, the company has a network of smaller labs responsible for developing or customising paints to fit the needs of specific markets. For example, in 2009, Jotun Paints, which serves customers in warm climates, successfully launched Jotashield Extreme, an exterior paint with heat reflective properties to lower indoor temperatures, thus reducing energy costs.

Jotun's rapid growth trend in the Middle East and Asia is likely to continue, as newly created wealth drives increased consumer spending and investments in housing and commercial developments. Despite continued weaknesses in some markets, Jotun's geographical diversity and plans to expand into new markets, has placed the company in a strong position to continue growth.

Investing in the future

In 2009, Jotun announced plans to invest about NOK 500 mill in a new, state-of-the-art factory in Sandefjord, Norway. Additional investments will be made to re-organise production and warehousing facilities throughout Scandinavia. Over the last five years, Jotun has opened several new factories in different parts of the world, a process that has enabled the company to develop a number factory design principles that improve worker safety, environmental performance and operational efficiency. The 150,000 square meter factory, which is expected to open in 2012, will help Jotun strengthen its leadership position in Norway and gain market share in other markets in Scandinavia.

“While Jotun recognises the challenges of operating in a highly cyclical maritime industry, the company is in a strong position to secure continued growth in the long-term.”

Geir Bøe, Divisional Vice President, Marine Coatings

Coating a Giant

Royal Caribbean International’s latest cruise ship, Oasis of the Seas, measures 360 meters bow to stern, is 47 meters abeam, and weighs in at a staggering 225,282 grt. With 18 decks, it towers 65 meters above the waterline, displacing about 100,000 tons of water, making it the largest cruise ship ever constructed. Together with its sister ship, Allure of the Seas, Oasis of the Seas has been constructed at STX Europe’s shipyard in Turku, Finland.

In total, coating these vessels required 1.6 million litres of Jotun marine coatings, including SeaLion (FRC) and SeaQuantum for the hull, the primers Jotun Primastic Universal and Penguard Express, some fire protection and the anti-corrosive coating, Hardtop Flexi. Jotun congratulates Royal Caribbean International on the successful maiden voyage of Oasis of the Seas in December, 2009.

Safeguarding our future

After a period of rapid expansion, the shipping industry entered a cyclical downturn in 2009, which will likely affect the marine coatings segment within the next few years. However, Jotun Marine Coatings’ strong performance has put the company in a strong position to manage tougher markets in the future.

According to the review of maritime transport by the United Nations Conference on Trade and Development (UNCTAD), the total world merchant fleet expanded by 7.2 per cent in 2008, to reach 1.12 billion deadweight tons. Despite the financial downturn which had a negative impact on demand for seabourne transportation, the world fleet continued to expand in 2009 as shipyards continued to deliver new vessels ordered in more confident times.

This growth trend is likely to stabilise over the next few years, as the industry works to harmonise tonnage capacity with the changing demands of an uncertain world economy. A rise in the number of newbuilding cancellations and increased ship recycling activities may have a positive impact on tonnage oversupply in time, but signs of a global recovery are mixed. With many vessels now in lay-up and new and larger vessels entering the world fleet over the next two years, the industry is likely to face a period of restructuring.

Jotun Marine Coatings will likely be impacted by these changes in future, but the company’s geographical diversity, strong product line and secure capital position create opportunities as well. With in excess of 600 vessels delivered in 2009, Jotun achieved another record. In addition, Jotun continues to be the preferred coatings supplier for increasingly larger vessels helping the company secure contracts for 2010 and part of 2011.

In addition to value of these contracts, the newbuilding market supports Jotun’s maintenance (sea stock and dry dock) business, which will become increasingly important in the next few years as the newbuilding market declines. The company is working to improve profitability by consolidating sea stock points and working to secure the loyalty of existing customers and dry dock yards for maintenance contracts.

Product innovation remains an important part of the company’s growth strategy. In addition to recording improving sales for Jotun’s premium silyl acrylate polymer SeaQuantum brand, the company has seen encouraging growth in SeaLion, Jotun’s silicone coating solution and SeaMate, a more affordable self-polishing antifouling, launched last year.

Fuel consumption remains a concern for many shipowners, and coatings solutions are increasingly seen as part of the solution. To verify the fuel savings properties of Jotun marine coatings, the company is working with an independent consultant to benchmark the fuel savings performance of vessels coated by Jotun. In addition, the company has increased its focus on marketing of Jotacote Universal and HP Balloxy Light, the company’s high performance ballast tank coating solution.

To grow the business in the yacht market, Jotun Marine Coatings partnered with Jotun Dekorativ in 2008. While growth in the small and medium sized vessels is flat, the high end mega-yacht segment has remained robust. Jotun has improved results in Europe, and is seeking to further develop its yachting concepts in the Middle East and Asia.

Operating in a cyclical industry creates risk, but Jotun Marine Coatings is in a good position to capitalise on emerging opportunities. Over the last three years, a number of capital-intensive mergers and acquisitions in the coatings business have created new competitive threats. However, Jotun Marine Coatings’ financial strength, global presence, and industry leading products and service capability will help the company achieve its ambitions to improve our market position.

"By aligning our business more closely with market demands in different sub-segments, we can continue to gain market share and achieve solid results."

Gene Town, Divisional Vice President, Protective Coatings

Local competence, global support

To succeed in the diverse, global and highly competitive protective coatings market, Jotun relies on its strong regional presence, and the ability to source expertise globally.

With an estimated total market value of US seven billion, the protective coatings segment has experienced strong development over the past five years. Robust economic growth, particularly in the Middle East and in the Asia Pacific regions have resulted in significant public and private investment in high profile oil & gas developments, civic infrastructure and power generation. While the global financial downturn has had an impact on the industry, the mid- and long-term growth expectations for the protective coatings segment remain positive.

Jotun has also experienced strong growth. This trend continued in 2009, due in part to the company's global presence in high growth countries, such as the UAE and many South East Asia countries. Jotun's protective activities in South Korea, Russia, Saudi Arabia and India have also contributed to positive growth. By contrast, market demand in Europe being hit dramatically in 2009 resulted in a weak result in Europe, including Scandinavia. However, Jotun retained its leadership position in Norway and Turkey.

While many competing companies specialise in different industrial segments, Jotun provides a comprehensive range of coatings solutions to four different sub-segments: oil & gas, energy, infrastructure, and industry. Jotun divided these sub-segments into different concepts and assigned individuals to be responsible for business development. This highly focused segmentation approach allows the company to develop market and provide products and services tailored to meet the specific demands of companies operating in these different industries.

A majority of Jotun's protective coatings business is generated locally, requiring regional competence and strong market knowledge. However, many high profile projects may involve a number of multinational stakeholders, such as engineering companies, main-contractors and owners. To manage these international specifications and win contracts, Jotun has identified a group of key customers which fit the profile. This approach allows Jotun to coordinate its sales efforts more effectively, and provide improved global services.

Product development remains a critical success factor in securing continued growth in the protective segment. Over the past few years, in addition to our traditional anti-corrosive and topcoat innovations, Jotun has developed a number of fire protection coatings and coatings to protect against corrosion under insulation, which performed well in 2009. At present, the company is developing a number of new products covering all the targeting sub-segments, including tank coatings and coatings for windmills.

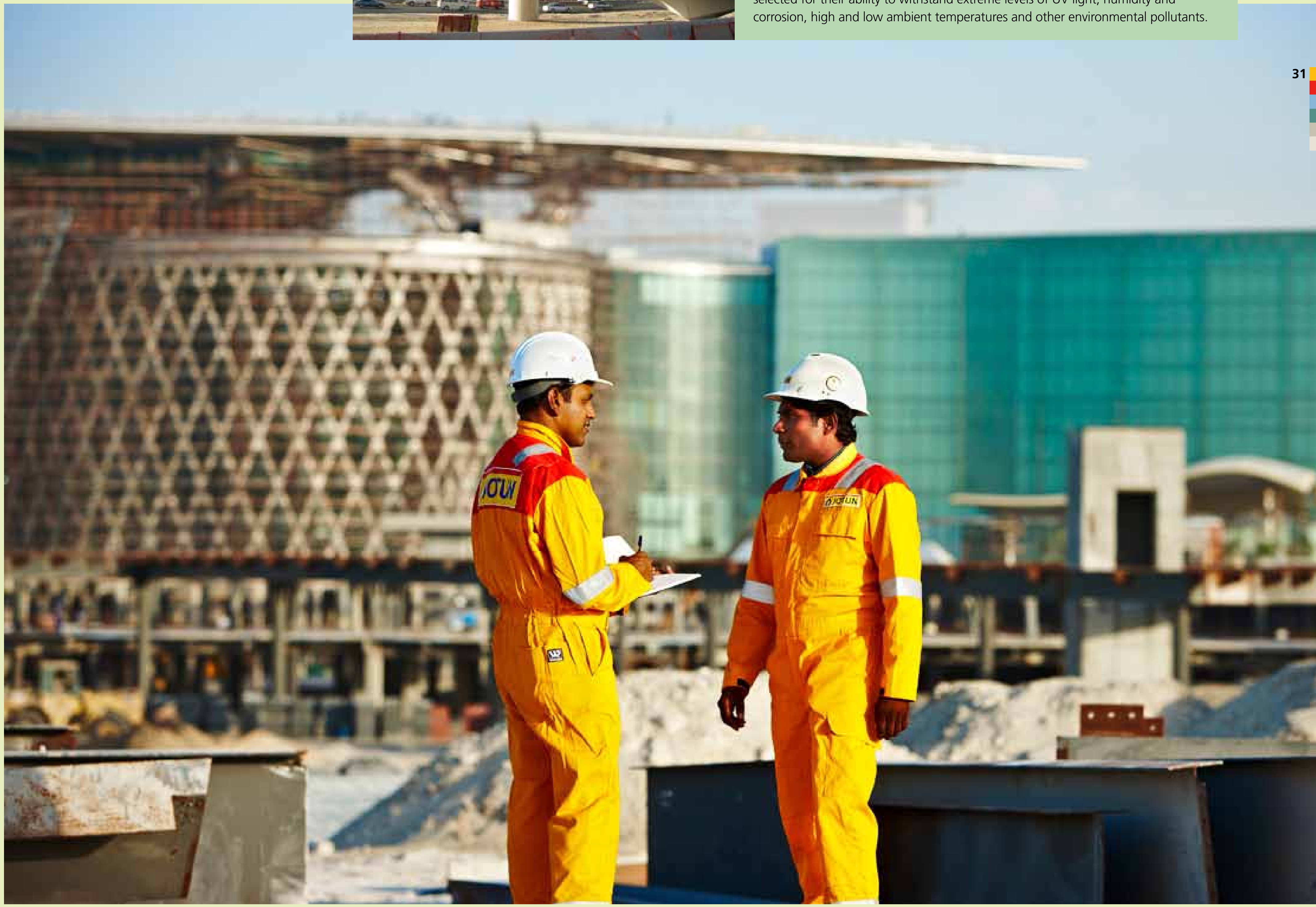
Looking ahead, rising concerns over environmental issues have created demand for lower VOC, highly durable coating solutions in all segments. At the same time, the growing market for alternative energy resources such as wind and nuclear power, have created promising new markets for specialised Jotun coatings. Also, developments in the mining industry represent a significant opportunity for the company in some regions.

While the financial downturn may impact sales of Jotun's protective coatings in some countries in the next few years, the company continues to develop new products, explore new markets and align itself more closely with the needs of different industries. The organisation is confident this focused segmentation approach will help the company achieve its long-term growth objective.

The Dubai Metro

The opening of the first part of the Dubai Metro in 2009 represented a significant achievement for the Emirate of Dubai, becoming the region's first urban train network and one of the most advanced fully automated rail systems in the world. When the entire system is completed, the 75 kilometer elevated monorail track will support 87 trains, making stops at 47 stations easing congestion and allowing workers and tourists to move quickly around the city.

Jotun supplied approximately 1.7 million litres of protective coatings to the first completed line of the Dubai Metro. To meet the demands of Dubai's Roads & Transport Authority (RTA), Jotun developed a customised concrete protective system, a combination of Jotacote, Penguard, and the Jotashield, which meet specific protective requirements of the structure. Jotun also supplied powder coatings for elements in the stations and 1.4 million litres of decorative paints, which were selected for their ability to withstand extreme levels of UV light, humidity and corrosion, high and low ambient temperatures and other environmental pollutants.



"While powder coatings is often marketed as a commodity, we have been successful in making the case for the long term value of quality coatings solutions."

Martin Chew, Group Executive Vice President, Jotun Powder Coatings

The beat goes on

In 2009 Jotun introduced ColourBeats, a brand new collection of colours for the architectural powder coatings line, featuring a total of four different collections with six stylings in each to provide a fitting colour scheme for a wide array of modern structural designs.

As well as offering a stylish colour palette, the ColourBeats collection incorporates Jotun Powder Coatings' world-renowned protective finishes for superior performance. The line is specially formulated to withstand harsh weather conditions and high levels of UV radiation, humidity and temperature.

Quality without compromise

For more than two decades, Jotun has been providing Joseph Industries with quality powder coatings and top service and technical support, helping the company grow into one of the United Arab Emirates' leading suppliers of coated aluminium. Joseph Industries, a QUALICOAT licensed company, is part of the Joseph Group and employs about 110 people in the state-of-the-art, fully automated coating facility capable of powder coating between 800-900 tons of aluminium profiles in a month. One of the biggest coating companies in the United Arab Emirates, Joseph Industries also serves projects in Qatar, Saudi Arabia, Sudan, India, Pakistan, Bangladesh, Angola and South Africa. In addition, the company recently secured a contract to supply a real estate project in London, England.

The case for quality

While the powder coatings segment was negatively impacted by the global financial downturn, the long-term future of the industry remains promising.

Jotun Powder Coatings serves three primary segments: Industrial & Specialities, which includes a broad range of consumer goods such as domestic appliances, home and office furniture and metal light fixtures; Architectural, which includes window and door frames for residential, commercial and monumental buildings and Functional, which includes concrete re-enforcing bars, pipelines and valves. The scope and diversity of powder coatings applications creates a highly complex market, which serves many different kinds of businesses – from local manufacturers to international companies with a global reach. As a result, market players face competition from both multinational giants and many smaller, regional suppliers.

The industrial segment is dominated by a few global players serving multinational industries (such as white goods- and car manufacturers) but also crowded with many local suppliers who deliver high volumes of regionally customised coatings. The industrial segment is largely driven by consumer spending and hence is highly sensitive to market changes.

In 2009, the global financial downturn had a negative impact on the segment, especially in Europe. However, the market stabilised in the second half of the year, and demand in high growth markets in Asia and the Middle East improved. To succeed in this segment, Jotun will continue to tailor products to meet regional customer demand, develop high value specialised coatings and work to differentiate its quality products to become the preferred supplier.

The architectural segment represents a growing portion of the world powder coatings market. Most of these volumes are generated by the residential market, which is characterised by intense competition among local players. These crowded markets have resulted in providers competing on price, small batch availability, good service and product customisation. Part of the architectural segment is driven by a specification market, which includes commercial and residential mega-projects, such as resorts, skyscrapers and some infrastructure.

While 2009 saw some delays in construction due to adverse economic conditions, the segment continued to grow. Jotun enjoys a leading position and strong market share in the Middle East and Norway, and has seen growth in this segment in India, Indonesia and Malaysia. Jotun has been successful in competing for large, global projects, especially in the Gulf region and South East Asia. The company will continue to develop its network among key project developers, aluminium fabricators, contractors and systems designers in the project market and focus on positioning the division as the premiere provider of specialised, high-end coatings solutions.

The functional segment represents a relatively smaller portion of the global coatings industry. Most of the volume is related to pipe coating and reinforcing steel bars for construction. Because pipe coatings are often related to infrastructure (oil, gas and water distribution), this sub-segment is global, while business in the rebar segment is generated locally. In 2009, the functional segment held up relatively well, despite some delays in the project market, and growth over the next three years is expected to be between five and seven per cent. Jotun retained its strong market position in this segment in all markets outside North America, and is renewing its focus further by developing its Key Account Management programme in the pipeline coatings segment.

Despite persistent weakness in some markets, the long-term future of the powder coatings market looks promising. The shift of economic development from mature markets to high growth countries is likely to accelerate, which will support rising demand for quality powder coatings. At present, Jotun Powder Coatings is active in more than 40 different countries throughout the world, and is currently evaluating new markets to secure the division's future growth. The division also continues to invest in the development of new, quality coatings solutions, which can be applied to different substrates and create more attractive finishes, helping Jotun increase market share in selected segments.

For more than three decades, Jotun has been a leading provider of protective coatings to the Emirate of Dubai, which has seen remarkable growth in the last decade. Many of the city's most notable landmarks – including the Dubai Metro – are coated by Jotun.

Managing risk in an uncertain global economy

Our performance in 2009 exceeded expectations, but we are facing significant challenges in the years ahead. To secure the future, we will continue to rely on our geographical diversity, activities in different segments and a commitment to investing in our future.

In the first turbulent months of 2009, we faced some uncertainty. The global financial crisis had a significant impact on consumer spending, which had a negative effect on the sale of decorative paints and some powder coatings products in selected regions. While most of our divisions continued to perform well, we moved quickly to embrace a careful approach, which saw a review of existing investment plans and a renewed focus on reducing costs. While the group's overall performance was positive in 2009, these cautionary steps remain in place.

Despite strong results in 2009, we are likely to face declining sales in some segments in the future. Many contracts secured in the past with customers in the marine, offshore and energy industries, as well as to contractors of large infrastructure and real estate developments, were delivered in 2009. That helped to support our volumes. However, while Jotun continues to win big contracts in these areas, the coatings industry is late cyclical. This suggests we may begin to experience slowing demand in some segments as the world economy resumes its growth.

However, our long-term growth expectations remain positive, due in part to the group's geographical and segment diversity, as well as our long-term approach to building the business. With 40 production facilities located on four continents and branch offices, agents and distributors in 88 countries, Jotun is a truly global company. Indeed, it should be noted that about 82 percent of the group's revenues are derived from activities outside Scandinavia. This diversity helps us manage risks associated with global economic trends. For example, weaker performance in Europe in 2009 was offset in large part by our strong performance in the Middle East and Asia where the effects of the global financial crisis were not as severe.

The group's segment diversity also helps us manage risk. We are active in the marine, protective, powder and decorative segments. Within these segments we work with a broad range of industries operating in markets which behave in different ways. For example, in the first quarter of 2009, a sharp decline in demand for industrial powder coatings, which is a consumer driven market, was offset by another record year in the marine and protective segments, which are less sensitive to the changes in consumer spending.

To strengthen our geographical diversity, we continue to evaluate and expand into new markets and build capacity in markets where we are already active, consistent with our organic growth strategy. In 2009, we opened large factories in South Korea and in Saudi Arabia and announced ambitious plans to expand capacity and modernise our facilities in Norway, among other projects. We also continued to build our segment diversity by developing new products and adopting a more focused approach to segmentation, particularly in the protective and powder coatings markets, to serve new industries.

Achieving the right balance between managing short-term risks and pursuing our long-term strategic objectives remains critical to our success. We must continue to remain flexible enough to respond quickly to both the global and regional economic threats we face today, while remaining committed to making the appropriate investments to ensure our future. Our success today owes much to decisions taken in the past. It is our responsibility to ensure that our decisions today help secure our future.

Odd Gleditsch d.y.
Chairman of the Board

"Our core business may be to protect our customers' assets, but to secure our long-term future, we must accept greater responsibility for our workers, the environment and the communities where we are active."

Odd Gleditsch d.y. Chairman of the Board

Directors' Report

1. MAIN ACTIVITIES

By the end of 2009, Jotun's business activities included development, production, marketing and sales of a range of paint systems and products for surface treatment, organised through four divisions:

Jotun Dekorativ: Decorative paints, stains and varnishes for the professional and DIY markets in Norway, Sweden, Denmark and Iceland, as well as the manufacture of binding agents.

Jotun Paints: Decorative paints in the Middle East and South East Asia, including marine and protective coatings for local customers and projects in the same regions.

Jotun Coatings: Marine and protective coatings for industry and offshore in Europe, USA, South Africa, Australia and North Asia, as well as decorative products for local customers in the same regions.

Jotun Powder Coatings: Architectural, functional and industrial powder coatings in Scandinavia, Europe, Middle East and South East Asia

Jotun has a worldwide network and is represented on every continent by subsidiaries and joint ventures. The group comprises 74 companies in 39 countries, including 40 production facilities. In addition, Jotun has agents, sales offices and distributors in a number of countries. The parent company, Jotun A/S, has its head office in Sandefjord, Norway.

2. REVIEW OF THE GROUP ACCOUNTS

In accordance with Section 4-5 of the Norwegian Financial Reporting Act, the Board of Directors finds that conditions are present for a going concern and the accounts for 2009 are rendered on this assumption.

Profits

The group's total operating income was NOK 11,219 million, compared with NOK 10,442 million in 2008. The majority of the group's business areas showed satisfactory development throughout the year, despite the crisis in the global economy.

The group achieved a pre-tax profit of NOK 1,096 million, compared to NOK 877 million in 2008. Total taxes for 2009 were NOK 310 million, compared to NOK 215 million in 2008. The group's consolidated profit after taxes, but before minority interests, was NOK 786 million, compared with NOK 662 million in 2008.

Raw material prices affected the positive result in the group in 2009. Considerable parts of the Asian market and important markets in the Middle East, where Jotun has the main part of its business had a positive development and thereby contributed to the satisfactory result. Currency effects have, in the first half of 2009, had a positive impact for the group, while a stronger NOK vs. USD gave a negative turn in the second half of the year.

The parent company, Jotun A/S, achieved a pre-tax profit of NOK 437 million, compared to NOK 375 million in 2008. After total taxes of NOK 109 million, the parent company accounts show a profit of NOK 327 million compared with NOK 299 million in 2008.

In connection with the restructuring process in the Jotun Dekorativ division a provision of NOK 60 million has been made in 2009. The provision is related to clean-up costs, work force reductions and increased depreciations for buildings and equipment in Manger and Fredrikstad due to the closedown of these facilities in the future.

Financial position, capital structure and risk

The Jotun Group had a net positive cash position of NOK 362 mill at year end 2009, compared to net interest-bearing debts of NOK 557 million as of 31 December 2008. The positive improvement of NOK 919 million can be linked to strong operating results and reduced working capital levels. Currency levels have also had an impact. The NOK was stronger at year-end 2009 than the previous year-end. Hence, the net debt in foreign operations is converted to NOK at lower levels than the year before.

The group's equity ratio was 55.4 per cent at the end of the year, as opposed to 50.7 per cent for the previous year. The group is in a sound financial position. Jotun A/S had available, on the group's behalf, overdraft facilities and other committed short- and long-term credit lines totalling NOK 1 225 million, as of 31 December 2009. NOK 600 million of these expire in 2010. These NOK 600 mill will be replaced with NOK 810 mill of new long-term lines from August 2010.

In its regular business operations Jotun is exposed to risks relating to credit, interest rates, commodity prices and currency exchange rates. It endeavours to reach an acceptable risk in these areas. To reduce risk, Jotun has established procedures for currency and commodity hedging as well as customer credit rating. As a consequence of the global financial crisis, focus on credit ratings has been stepped up in every part of the business.

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

Allocation of net profit

Jotun A/S can report a net profit of NOK 327 307 000 for 2009. The Board of Directors suggests the following allocation of the profit to the Annual General Meeting:

Allocation to share dividend (NOK 660 per share)	NOK 225 720 000
To other equity	NOK 101 587 000
Total allocation	NOK 327 307 000

Jotun A/S had NOK 2, 498 million in distributable reserves at the end of 2009, compared to NOK 2,413 million in 2008.

3. THE MARKET

Jotun Dekorativ

This division has had a difficult year due to the financial downturn in Scandinavia. The effects have mainly been declines in sales both in the consumer and professional markets in Scandinavia. However, it should be noted that Jotun retained its leading position in Norway and incrementally improved its market shares in Sweden and Denmark.

Jotun Dekorativ operates in a mature market and enjoys a strong market reputation for premium paints, but in a period of lower consumer spending and a weak professional market the company has become increasingly vulnerable to competitors offering low costs paints.

The pressure on the division due to the downturn has led to the initiation of ambitious reorganisation programmes. In 2009, Jotun Dekorativ reduced staff by about 15 per cent and announced plans to invest in a new factory at Vindal in Sandefjord. This decision represents the group's single largest investment ever and demonstrates the company's commitment to the Scandinavian markets.

As a market leader there is a need to respond to a market shift away from local paint shops towards establishing retail chains and building materials superstores which are attracting both consumers and professionals. Jotun will enter the Danish and Swedish market with company-owned wholesale outlets. These centres will have an improved delivery service as well as the possibility to sell related products to professional customers.

In a market where many paint brands appear to share similar qualities, differentiating Jotun products is critical to our enduring success. New products launched over the past few years, such as SENS, Lady Easy Clean and Optimal are now firmly established in the market. However, innovation is also important in areas other than launching new products, and LEAN initiatives have, for example, been taken in many functions in

Board of directors (left to right): Birger Amundsen, Nicolai A. Eger, Odd Gleditsch d.y., Torkild Nordberg, Richard Arnesen, Einar Abrahamsen, Dag J. Opedal and Terje Vardenær Arnesen

the divisions. Other important innovative actions are being initiated within the development and positioning of Jotun through the Multicolor concept and equipment. Investments in competence development and leadership training of the division's staff are made on an ongoing basis.

While Jotun Dekorativ faces many challenges and while the performance in 2009 did not meet expectations, the division's ambitious reorganisation and investment plans demonstrate the company's commitment to the long-term development of the decorative business. The supply chain organisation will build a new physical structure and substantial work will be done to improve efficiency. Furthermore, the organisation is going through a process of change in order to adapt to the new structure and efficiency initiatives. Steps were taken in 2009 and the foundation for future growth and profitability was established.

Jotun Coatings

In spite fears of a weakening global economy, Jotun Coatings recorded very good results in 2009 in both the Marine and Protective segments. Jotun Coatings' geographical diversity as well as good market development and high levels of activity over the last years has helped sustain the division's position and profitability. Today, about 46 per cent of Jotun Coatings' business is in China and Korea, which still have relatively robust economies and growth. The division's diverse global presence helps the company compete for high profile contracts in both the marine and protective segments which involve stakeholders from different parts of the world.

The Marine segment has seen a weakening demand for newbuilding of ships. Thanks to shipyards in Asia having full order books in the years to come, Jotun will probably continue to post good results in this subsegment well into 2011. Jotun has a strong position in the two biggest shipbuilding markets - South Korea and China - through the partnerships with successful local companies, such as Chokwang Paint and COSCO. In the third biggest shipbuilding market, Japan, Jotun is represented by NKM. However, with the global shipbuilding industry struggling, it is likely that Jotun's marine business will be impacted by reduced sales in 2011 onwards. To manage this potential risk of lower activity, Jotun has focused on developing its sea stock and dry dock business.

In order to maintain the strong global position in the Marine segment Jotun has over the years developed internal processes and concepts, such as more effective supply chain management, special key account programmes in addition to increased focus on service, product development, and quality technical support.

Jotun's business in the protective market has seen steady growth in all industries where Jotun is present, such as oil and gas, energy and infrastructure. Over the past few years, Jotun Protective has developed specific products and services in these different segments in order to align the business more closely with the demands of customers operating in the different industries. This process continued in 2009, and helped Jotun develop the right concepts, products and services to achieve a reasonable global market share.

The protective coatings industry is driven by local knowledge, but to attract high-profile contracts, the company has also developed its capacity to manage international specifications more effectively. The ability to provide these multinational projects with a single point of contact, combined with the capacity to deliver high volumes of customised products in a global network, has helped Jotun secure many important contracts. Local knowledge supported by global competence is a critical success factor for the company.

In order to maintain its position as one of the leading coating market players, responding to customer needs and product innovations are essential. Jotun acted quickly by launching SeaQuantum Static when there was a need for a special antifouling product as a result of many ships being out of operation in 2009. Furthermore, Jotun extended its antifouling portfolio by launching the product SeaMate. The product proved to be a success. Another strong demand from the market is products along the environmentally-friendly line, which Jotun has responded to with the successful implementation of the topcoat Hardtop XP. Good market knowledge combined with highly competent R&D resources will secure Jotun's strong position even in a financial downturn.

Jotun Paints

Despite concerns over market conditions in some regions, Jotun Paints has continued to demonstrate strong and improved results also in 2009, consistently with the growth trend of the past six years. Lower costs in raw material prices, improved distribution and continued high activity in the decorative and protective project markets allowed the division to achieve higher margins. External sales volumes increased by six per cent, both in the Middle East and South East Asia. Volume growth was, however, reduced compared with previous years. Jotun Paints covers a vast geographical region and multiple markets. As a result, economic conditions vary from country to country, impacting sales and marketing strategies in different ways.

Jotun has a strong regional presence in the Middle East, and particularly in the United Arab Emirates, which has invested heavily in real estate development and infrastructure. The global financial downturn has had a negative influence on Dubai's ability to finance some projects, resulting in the delay or cancellation of certain projects where Jotun was specified. While market conditions may impact the progress of the division's regional activities in Dubai, Jotun Paints is in a strong position to secure contracts in other Emirates and countries, including Abu Dhabi, Oman, Qatar, Bahrain, Kuwait, Saudi Arabia and Egypt, which all have announced ambitious plans to develop their infrastructure and undertake some mega-projects. The overall performance in the region was better than expected in 2009.

In 2009, Jotun Paints opened a new state-of-the-art factory in Yanbu, Saudi Arabia. The factory, capable of producing 110 million litres of paint a year, represents the largest of its kind in the region. The factory will not only help Jotun Paints serve the growing Saudi market, but also ensure that our production facilities meet the required HSE standards.

The division has launched a coordinated development plan for North Africa, Pakistan and the Levant. Growth expectations in these regions are positive and the division is confident in their long-term market potential, particularly in the decorative segment. As a result of this, a new factory is to be built in Libya.

Jotun Paints' operations in South East Asia varied somewhat between countries in 2009, but overall the results have improved in line with expectations. Despite sharp declines in economic activity in Malaysia in the first half of the year, which impacted sales of protective coatings, the decorative paints segment continued to perform better than expected during the present financial downturn. With the launch of Jotashield Extreme in 2009 (an exterior coating solution designed to reflect heat) and work to complete a new factory in Nilai, the company is in a strong position to gain market share once the economy improves.

Continued political instability in Thailand combined with the effects of the global recession had an impact on Jotun sales and volumes, but a renewed focus on the Multicolor concept and improvement in distribution are expected to help improve results in 2010. Both Indonesia and Vietnam showed good progress, especially in the decorative segment, in line with long-term plans and investments.

While Jotun Paints remains concerned about the effects of the global financial downturn and has taken further steps to control working capital, the division remains committed to actively strengthening its position in existing markets and pursuing a cautious expansion strategy in existing and new markets.

Jotun Powder Coatings

Jotun Powder Coatings ended 2009 with satisfactory results despite a weak first quarter and a flat second quarter. The global financial downturn impacted the division in different ways in different regions. In 2009, sales in Europe were flat, but the division's solid performance in South East Asia and the Middle East helped produce a strong third and fourth quarter, especially in the architectural segment. In addition to adjusting the number of employees in some regions, the division refocused its efforts to align products and marketing more closely to specific segments. The steps the division took to manage the impact of the financial downturn have not only placed Jotun Powder Coatings in a good position for 2010, but will help Jotun secure a stronger position in the future.

Jotun Powder Coatings continued its efforts to differentiate its brand and product line to attract high-value customers through superior service and product innovation. In 2009, the division launched a number of new and specialised products in all segments. In the industrial segment, which is the largest segment in the powder coatings industry, the division undertook a segment analysis aimed at identifying a gap in the market where Jotun can offer a unique value proposition to its customer groups. The analysis has served as a base to build a differentiation strategy for the segment. It has also helped us customise offerings to sub-segments that are the most profitable and serve them with distinct competitive advantages. Jotun offers a broad range of polyester, epoxy and polyurethane powder coatings for metal substrates.

In 2009, the division achieved improvements in supply chain management and reduced the staff by about eight per cent globally in order to create a leaner organisation. At the same time, the organisation sought to improve top management performance and began a comprehensive review of all business units, providing support for those which have not met expectations. To ensure further positive development and contribute to an even more efficient organisation, the division seeks to utilise synergies by cooperating more closely with other divisions of Jotun in selected geographical areas.

4. RESEARCH AND DEVELOPMENT (R&D)

Research and development is a core part of Jotun's business. The R&D centres - in Sandefjord, Norway for paint and in Larvik, Norway for powder coatings - and the regional laboratories at different locations around the world, form the basis for the Jotun in-house R&D network. Development of products for the protective and marine segments' global portfolio, as well as decorative products, is carried out in Sandefjord. Strategically important are also the skilled and experienced chemists in the central laboratory working with polymer and colorant development, as well as the pigment/colour competence centre.

It is vital to understand customer needs in order to succeed in R&D and innovations. The decentralised processes through regional laboratories ensure that Jotun carries out product development in close contact with customers. Sourcing and testing of local raw materials are also important tasks for the regional laboratories in order to ensure cost competitiveness.

In 2009, NOK 187 million was posted in the consolidated accounts as expenses for research and development, including wages and social costs. The corresponding figure for 2008 was NOK 176 million.

5. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Goals and activities

The foundation for Jotun's development and growth is built on its capacity to develop expertise and knowledge internally, and how it interacts with local markets and societies externally.

The Jotun Operations Academy is a two-week internal training programme, primarily aimed at technical staff in management positions. This programme covers a large number of elements relating to health, safety and the environment. In 2009, 31 people attended this training programme. A one-day training programme was developed and implemented in 2009 for all company managers, divisional management teams and group management. Emphasis was placed on key risk factors in our activities, and managers received practical training during safety inspections in the production facilities.

In 2009, tertiary reporting was introduced in addition to the annual HSE-reporting. This has led to a more structured approach to the reporting of incidents, and provides the group with a better overview of the actual frequency and development of risks, such as injuries, accidents and 'near accidents'.

In 2008, Jotun announced that all of the organisation's production companies shall be certified in accordance with ISO 14001 and OHSAS 18001 by the end of 2010. At the end of 2009, 14 companies had been certified in accordance with ISO 14001, while 12 are OHSAS 18001 certified.

Proper maintenance is a critical factor for HSE compliance. Jotun acknowledges that the maintenance level in the majority of our factories needs to be improved and a programme has been initiated to deal with this. Enhanced training programmes for maintenance personnel and the introduction of a uniform maintenance standard with greater focus on preventive maintenance are the key elements of this programme.

Group HSE carried out ten HSE audits of Jotun's production facilities. The results from these audits indicate that most of the group's factories, laboratories and storage facilities have acceptable HSE standards. Order and tidiness at Jotun facilities has improved steadily, and the increased HSE focus by management has had a positive effect. Some factories still need to be upgraded and improvement action plans have been formulated. The Board of Directors emphasises the importance of focusing continuously on HSE work and measures.

An audit programme of Jotun's subcontractors has been initiated in relation to HSE and Corporate Responsibility. At the end of 2009, 150 of 400 selected suppliers have been audited. The audits are primarily being carried out by external auditors.

Costs

The HSE-related operating costs in 2009 were NOK 29.9 million, compared to NOK 28 million in 2008. The HSE-related investments were NOK 27.4 million, compared with NOK 42.5 million in 2008. These figures do not include investments in new production facilities, such as in Malaysia, South Korea and Saudi Arabia, which lead to improvements in the HSE.

Working environment

No accidents leading to death or fatal injury occurred in the group in 2009. However, five fall accidents occurred at shipyards in China and South Korea, where all had a risk of fatal consequences. Steps have been taken to provide improved safety for Jotun inspectors in shipyards.

There were 78 injuries reported resulting in lost-time-due-to-injury (LTI) absences in 2009, compared with 57 in 2008. The number of injuries resulting in an absence of one or more days per one million working hours (H-value) was 5.6 compared with 4.4 in 2008. This resulted in 1,255 working days being lost, compared to a total of 1,338 in 2008. Although part of the increase is a consequence of improved reporting routines, Jotun views all categories of injury as serious and has a strong focus on preventive training.

Absence due to sickness for the group in 2009 was 1.6 per cent, compared with 1.5 per cent for 2008. The procedures for registering sickness absence vary from country to country.

Absences due to illness in Jotun A/S were 4.86 per cent in 2009, compared with 4.17 per cent in 2008. While illness-related absences are generally higher in Norway than in other regions, the increase may be explained by the negative effects of an ongoing project relating to a changing production structure in Scandinavia.

Environment

Air emissions mainly consist of solvents from paint production, and marginal emissions of dust.

Jotun's production units generated 15,400 tonnes of waste in 2009, with 7,700 tonnes classified as hazardous waste. Corresponding figures for 2008 were 16,200 tonnes of waste, of which 8,800 tonnes were hazardous waste.

In 2009, 66,800 tonnes of washing and process water were generated, which was either treated in a separate treatment plant, or delivered to an approved waste contractor. The corresponding figure for 2008 was 59,900 tonnes.

A carbon footprint analysis was carried out in 2009, which was based on 2008 figures. The report shows that the greenhouse gas emissions from Jotun's activities, including electric power purchased, are approximately 48,000 tonnes of CO2 equivalents. The greenhouse gas emissions have been calculated according to the international standard "The Greenhouse Gas Protocol Initiative" (GHG-protocol). The report will be used as an initial internal analysis for further development.

Safety

Nine incidents involving fire or the early stages of fire were registered in 2009 (seven in 2008), two of which could potentially have resulted in a bigger fire. None of the fires in 2009 resulted in injuries, and only minor damage was caused to equipment. All of the fires were extinguished by Jotun's own staff. All fire incidents are unacceptable and there is a need for further measures to minimise the risk.

Challenges ahead

Jotun has a vision of zero tolerance in relation to all personal injuries, fires and accidental emissions. Our primary concern remains the safety of employees. In addition, injuries and absences have negative influence on the business and can undermine general quality improvements in all areas. Targeted HSE work is necessary in order to achieve safe and effective operations, and Jotun continues to communicate the importance of HSE throughout the organisation to ensure a safe and healthy work environment for all employees.

6. CORPORATE RESPONSIBILITY

Jotun's approach to Corporate Responsibility (CR) is founded on Jotun's values: Loyalty, Care, Respect and Boldness. CR at Jotun is neither charity nor marketing, but is founded on the company's business principles and identity – an approach shaped by Jotun's decades of experience working with different cultures.

Unlike many companies which confine their CR activities to supporting multinational charitable organisations, Jotun's global presence allows for a more holistic, flexible approach, where aid can be supplied more directly to local communities. This approach is consistent with the company's organic growth strategy, which requires a long-term perspective, making the company better equipped to make valuable and enduring contributions to local development.

CR initiatives are taken at both corporate and local level. Group CR has focused on the implementation and enforcement of Jotun values and business principles through workshops and dilemma training, by launching an external audit of all suppliers worldwide. The ethical perspective is a major part of the audit. The system for carrying out supplier audits is a specific activity that can be measured. Jotun's approach to CR also allows the company to tailor CR initiatives to match the community and the size of the company.

CR has to be an integrated part of both internal and external processes and functions within marketing, sales, purchasing, production, supply chain management and HSE.

7. DIVERSITY

Without diversity in relation to gender, culture, religion and age, Jotun would never have been as robust as it is. Over the years there has been a special focus on bringing people with different background together in organisations and in networks. Bringing people across borders has been the key to securing mutual respect. Most employees in Jotun are exposed to colleagues from other countries and cultures on a daily basis based on our formal and informal structure.

The internationalisation of employees is carried out in different ways. Jotun has, for example, a long tradition of sending people on international assignments. This is seen as a long-term investment, although it requires more resources than hiring local employees. Informal networks are developed within Jotun's internal management and other training programmes, which gather people from different nationalities and business divisions. Furthermore, there are a number of formal regional and functional networks having regular meetings. These are all instruments that enable increased knowledge sharing and social capital in the company.

Jotun A/S has, for many years, been a place of work where discrimination due to gender, religion or reduced operability is not acceptable. The company cooperates with institutions to facilitate job training for people that for different reasons fall outside normal working life. Employee engagement surveys are also undertaken in order to detect harassment of any kind.

One of the nine members of the group management is female. Of those with personnel responsibility, 15.5 per cent are women (15 per cent in 2008 and 2007). When including independent, unique positions at high levels, the female rate is 20 per cent for 2009. Women also make up 9.5 per cent of skilled workers (9 per cent in 2008), while the corresponding rate for women among office staff is 32 per cent (31 in 2008 and 2007).

8. FUTURE PROSPECTS

The world is currently in a financial and economic crisis that we expect will affect the business environment for years. It is difficult to predict how fast the different economies and markets will recover. What we call "the careful, differentiated approach" has therefore been launched and is being practised in all parts of the organisation to ensure that measures are tailored to the individual operations. Jotun will continue to support growth where there are opportunities. On the other hand, organisations will be restructured where there is a need to adjust operations to the market situation and activity level.

The nature of several segments in the coatings industry is 'late cyclical', meaning that coatings often represent the last step in production of goods or the construction of vessels, offshore installations and real estate developments. As a result, contracts secured before the financial crisis emerged in the fourth quarter in 2008 were fullfilled in 2009. While Jotun has secured new contracts in 2009, it is likely that the company's growth, especially in the Marine and Protective segments, will be impacted over the next few years.

Jotun is exposed to a number of macro-economic factors. For example, changes in demand for raw materials such as epoxy, copper, zinc and some refined petroleum products used in manufacturing, will influence margins. Furthermore, it should also be noted that 80 per cent of Jotun's revenues are generated outside Norway. Therefore, changes in currency rates, especially the US dollar, may have a significant impact on Jotun's calculated earnings.

Jotun's main and long-term strategic direction is organic growth, which is recognised as the major factor for the rapid and sound development of the organisation. We are therefore continuing to evaluate and enter promising markets which includes acceptance of lower profitability to achieve growth and position for the future. In addition, we will continue to expand capacity in developed markets in order to meet rising demand. New production entities in Malaysia, Saudi Arabia, China and Norway are examples of the latter.

Another strong factor in Jotun's success, which has proven to be of significant importance also during downturns, is the strong corporate culture. This value foundation, in addition to loyal and competent personnel and a long tradition of corporate responsibility, secures a robust organisation that is able to deliver results even during financial downturns.

For many years Jotun has had a strong balance sheet which is a distinct competitive advantage. Jotun has the flexibility to make targeted investments, and continue to build market share, and secure competitive technology.

Sandefjord, Norway, 16 February 2010
Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen | Richard Arnesen | Nicolai A. Eger | Birger Amundsen

Torkild Nordberg | Dag J. Opedal | Terje Vardenær Arnesen

Morten Fon
President & CEO

Jotun Group

Profit and Loss Account

(NOK thousand)	Note	2009	2008
OPERATING REVENUES	1,2,10	11 218 703	10 442 250
Change in inventory of finished goods	4	-342 203	348 089
Cost of goods sold	4	6 269 051	5 427 487
Payroll expenses	5,7	1 754 280	1 699 321
Depreciation	8,9	261 916	228 535
Bad debt	3	82 003	57 583
Other operating costs	6	2 036 189	1 762 153
Operating profit		**1 157 466**	919 082
Interest income		19 248	35 074
Other financial income		58 230	46 987
Interest costs		-65 752	-58 765
Other financial costs		-73 109	-65 688
Profit before tax		**1 096 084**	876 690
Tax expense	15	-310 448	-214 658
Profit before minority interests		**785 636**	662 032
Minority's share of the profit for the year	16	-181 381	-117 446
Profit for the year		**604 255**	544 586

Balance Sheet

ASSETS

(NOK thousand)	Note	31.12.09	31.12.08
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	15	143 062	162 390
Other intangible assets	9	74 336	85 841
Total intangible assets		**217 398**	248 231
Fixed assets			
Land	8	140 880	133 717
Buildings and plants	8	856 925	889 645
Machinery, vehicles & equipment	8	669 947	725 781
Plants under construction	8	117 947	162 824
Total fixed assets		**1 785 698**	1 911 967
Financial assets			
Other shares and interests	11	15 813	15 813
Pension funds	7	73 757	85 243
Other long-term receivables		113 353	53 249
Total financial assets		**202 923**	154 306
Total non-current assets		**2 206 019**	2 314 504
CURRENT ASSETS			
Inventories	4	**1 436 959**	2 068 717
Receivables			
Trade receivables	3	2 316 789	2 657 534
Other current receivables		311 940	376 264
Total receivables		**2 628 729**	3 033 798
Bank deposits, cash, etc.		**1 019 958**	515 080
Total current assets		**5 085 646**	5 617 595
Total assets		**7 291 664**	7 932 098

Balance Sheet

EQUITY AND LIABILITIES

(NOK thousand)	Note	31.12.09	31.12.08
EQUITY			
Paid in capital			
Share capital	16,17	102 600	102 600
Total paid in capital		**102 600**	102 600
Retained earnings			
Other equity	16	3 597 913	3 620 103
Total retained earnings		**3 597 913**	3 620 103
Minority interests	16	**340 472**	297 649
Total equity		**4 040 985**	4 020 353
LIABILITIES			
Provisions			
Pension liabilities	7	174 519	124 564
Deferred tax liabilities	15	20 772	25 613
Other provisions for liabilities	14	55 790	2 440
Total provisions		**251 081**	152 617
Other long-term liabilities			
Debt to credit institutions	12	237 079	168 379
Interest-free long-term debt		23 408	43 469
Total other long-term liabilities		**260 487**	211 849
Current liabilities			
Debt to credit institutions	12	421 013	903 846
Trade creditors		998 326	1 277 531
Tax payable	15	187 630	199 898
Public duties payable		137 944	127 197
Allocated dividend	16	225 720	205 200
Other current liabilities	14	768 478	833 607
Total current liabilities		**2 739 111**	3 547 279
Total liabilities		**3 250 679**	3 911 745
Total equity and liabilities		**7 291 664**	7 932 098

Sandefjord, Norway, 16 February 2010
Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen   Richard Arnesen   Birger Amundsen   Nicolai A. Eger

Torkild Nordberg   Dag J. Opedal   Terje V. Arnesen   Morten Fon
President & CEO

Cash Flow Statement

(NOK thousand)	Note	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		785 638	662 032
Change in deferred tax	15	11 558	-43 350
Gains/losses on sale of fixed assets	8	971	-3 416
Depreciation	8	261 916	228 535
Change in inventories, trade receiv. and trade creditors	18	268 348	-970 334
Change in warranty provisions	14	39 494	-337
Change in other accruals	18	113 205	147 321
Net cash flow from operating activities		**1 481 130**	20 451
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from sale of fixed assets		11 502	13 115
Payments for purchase of fixed assets	8,9	-361 983	-444 745
Change in other investments and lending		35 556	-44 264
Net cash flow from investment activities		**-314 925**	-475 894
CASH FLOW FROM FINANCING ACTIVITIES			
Payments from new lending		134 892	490 475
Payment of debt		-443 611	-150 187
Payment of dividend		-205 200	-205 200
Payment of dividend to minorities	16	-74 674	-64 771
Net cash flow from financing activities		**-588 593**	70 317
Net change in bank deposits, cash, etc.		**577 612**	- 385 126
Translation differences, bank deposits, etc.		-72 735	69 649
Bank deposits, cash, etc., 1 Jan.		515 080	830 557
Bank deposits, cash, etc., 31 Dec.		**1 019 958**	515 080
Undrawn credit facilities, 31 Dec.	12	1 225 000	1 225 000

Accounting principles

Basic accounting principles – assessment and classification

The Jotun consolidated accounts consist of the profit and loss account, balance sheet, cash flow statement and note information and are rendered in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting practices as of 31 December 2009. To make the annual accounts easier to read, some of the items in the accounts are summarised. Further specification is done in the notes. The notes are thus an integral part of the annual accounts.

The consolidated accounts are based on basic principles of historical cost, going concern assumption, congruence, comparability and prudence. Transactions are posted at the value of the payment on the transaction date. Revenues are entered in the profit and loss account when they are earned and costs are matched with earned revenues.

Use of estimates

The management has used estimates and assumptions that have affected the profit and loss account and valuation of assets and liabilities as well as uncertain assets and obligations on the balance sheet date, in preparing the accounts in accordance with generally accepted accounting principles.

Principles for preparing the consolidated accounts

The consolidated accounts show the group's financial position and profit when considering the group of companies as one unit. Uniform accounting principles are applied to all companies in the group. The consolidated accounts include the parent company and subsidiaries of which Jotun A/S directly or indirectly controls more than 50 per cent of the shares or in some other way has a controlling interest.

Newly acquired companies are consolidated from the point controlling interest is achieved and sold companies are consolidated up to the date of sale.

Jointly controlled entities (Joint Ventures) are units for which common control exists based on a contractual agreement between the owners. Investments in jointly controlled entities are consolidated in the group accounts according to the straight line method. Investments in associated companies are units for which the group has significant, but not controlling or joint influence. Investments in associated companies are accounted for using the equity method in the group accounts.

Elimination of intercompany transactions

All intercompany transactions and payables and receivables are eliminated. Unrealised gains in inventories involving intercompany deliveries are eliminated in the group's stock of goods and operating profit.

Elimination of shares in subsidiaries

The acquisition method is used as the consolidation principle when eliminating shares in subsidiaries. This entails that the parent company's cost price is eliminated against the companies' equity on the day of purchase. Any surplus values are referred to the assets in question and depreciated correspondingly with those. Any unidentifiable fair value is posted in the consolidated balance sheet as goodwill under intangible assets. Goodwill is depreciated on a straight-line basis over the assumed economic life, usually ten years for the coatings industry.

Conversion of accounts for foreign subsidiaries and joint ventures

The profit and loss accounts of foreign subsidiaries and joint ventures are translated to Norwegian kroner according to the monthly average exchange rates, while assets and liabilities are translated according to the exchange rates at the end of the accounting year.

Translation differences arising upon consolidation are posted directly against equity.

Translation differences relating to minority interests are included in the item minority interests.

Treatment of minority interests

Minority interests are posted under equity in the balance sheet. In the profit and loss account, the profit for the year is shown before and after minority interests.

Minority interests on the balance sheet represent the minority's share of the company's equity, taking into account the minority's share of surplus/deficit.

Sales revenues

The sale of goods is recognised as income at the date of delivery when all significant risk is transferred. Services are recognised as income in pace with their rendering. For identified loss-bringing contracts, allocations are made for the entire expected loss.

Valuation and classification of balance sheet items

Assets/liabilities relating to the normal operating cycle and items falling due for payment within one year after the balance sheet day are classified as current assets/liabilities. Current assets/liabilities are valued at the lowest/highest value of purchase cost and net realisable value. The net realisable value is defined as the assumed future sales price less expected sales costs. Other assets are classified as non-current assets. Noncurrent assets are valued at cost. Noncurrent assets that decrease in value are depreciated. In the event of a value change that is not temporary, the noncurrent asset is written down. Corresponding principles are usually applied to liability.

In applying accounting principles and presenting transactions and other matters, emphasis is placed on economic realities, not just legal form.

Segment information

Segmentation of areas of activity is based on the group's internal management and reporting structure as well as on risk and earnings. Sales figures are presented for business segments as well as for geographical markets, being that the geographical distribution of the activity is important to evaluating the company.

Government grants

Received grants are recognised in the profit and loss account along with the costs that the subsidies are intended to reduce. Grants are recognised in the profit and loss account at the earliest date at which it is probable that the condition for receiving the grant will be fulfilled.

Hedge accounting on financial instruments
The group makes use of derivatives in order to reduce the effects of fluctuations in currency and raw material prices.

Hedging of cash flows
Fluctuations in the value of hedging instruments that meet the requirements for hedging currency, raw materials or cash flows facing exposure are not booked until they fall due. When they fall due, the effect on value is booked on the same line as the hedged cash flow.

Hedging fair value
Fluctuations in the value of the hedging instrument are entered in the profit and loss account continually as financial items or against the same item as the entry in the profit and loss account for the change in value of the object of hedging.

Hedging net investments
Net investments in companies abroad and hedging of these, if any, are considered as a part of the net investment, and changes in value are entered directly against equity as translation differences.

Hedging instruments that do not meet the requirements of effective hedging are entered at their net realisable value against the result.

Shares, bonds and other securities
Market-based shares, bonds and other financial instruments classified as current assets are valued at fair value pursuant to Section 5–8 of the Norwegian Accounting Act. Shares and other securities under non-current assets are posted in the balance sheet at cost or fair value, whichever is lower.

Intangible assets
Intangible assets, research and development consist of identifiable intangible assets and goodwill. Expenses linked to market investments and research and development are charged against income on a continual basis. Purchased goodwill and expenses for customised software are presented as intangible assets and charged against income over the assumed economic life, usually five to ten years for the coatings industry.

Fixed assets / depreciation
Fixed assets are posted at cost less accumulated depreciations. Depreciation is calculated on a straight-line basis over the assets' assumed economic life. The depreciation for the year is charged to the operating profit for the year. If the fair value of a fixed asset is lower than the balance sheet value and this is due to factors that cannot be regarded as temporary, the fixed asset is written down to fair value.

Costs associated with normal maintenance and repair are charged against income on a continual basis. Costs of major replacements and renewals that significantly increase the value of the fixed assets are entered as assets. Interest relating to facilities under construction is entered as an asset as a part of the cost price.

Inventories
Inventories of goods are valued at the lowest value of purchase price, material cost and assumed sales less sales costs, by moving average cost. Production costs for work in progress and finished goods include direct materials and wages as well as share of indirect manufacturing costs. Deduction is made for obsolescence.

Lease agreements
The group's lease agreements are assessed as operating lease agreements and classified as ordinary operating costs.

Currency
Transactions in foreign currency are posted at the exchange rate on the day of the transaction. Monetary items in foreign currency are posted at the exchange rate on the balance sheet date.

Trade receivables
Receivables are posted at nominal value less expected loss.

Contingent liabilities
Contingent liabilities are recognised if the group has a legal or actual obligation, if it is probable that it will become payable and that a reliable estimate can be given for the obligation amount.

Pension obligations and pension costs
Pension costs are posted in accordance with "NRS 6" from the Norwegian Accounting Standards Board (NASB). Pension obligations defined as defined benefit schemes are valued at present value of future pension payments which in the accounts accrue on the balance sheet date. Pension funds are valued at fair value. Any overfinancing is entered in the balance sheet insofar as it is probable that the overfinancing can be utilised. An equalising method is used whereby actuarial gains or losses of up to ten per cent of gross pension obligations/funds are not recognised in the profit accounts, while amounts in excess of that are distributed over three years. The net pension cost for the year is charged against wage and social costs.

Pension schemes defined as contribution schemes entail that there are no residual obligations after the contribution is settled and hence charged against income as the contribution premiums accrue.

Deferred tax and tax expense
The tax expense is linked to the net profit and comprises the sum of taxes payable and change in deferred tax and deferred tax assets. Deferred tax is calculated on the basis of the temporary differences that exist at the end of the accounting year between book and tax values according to the liability method as well as tax-related loss carried forward. The nominal tax rate is used in the calculation.

If a unit has a deferred tax asset, it is considered whether it can be capitalised. Deferred tax assets are valued on an ongoing basis and capitalised only insofar as it is probable that future taxable profits will be adequate for the company to take advantage of the tax asset.

Deferred tax and deferred tax asset are netted in the balance sheet when there is a basis for netting. Deferred tax and deferred tax asset are offset only insofar as allowed by tax rules.

Cash flow statement
The cash flow statement is prepared according to the indirect method. The cash reserves include cash, bank deposits and other current, liquid investments which can immediately and without currency risk be converted to a known amount of cash.

NOTE 1 Sales revenues per division and geographical area

DIVISIONS

(NOK thousand)	2009	2008
Jotun Dekorativ	1 573 448	1 652 026
Jotun Coatings	5 717 778	5 240 014
Jotun Paints	2 910 994	2 385 690
Jotun Powder Coatings	928 328	1 038 585
Total	**11 130 548**	10 316 315

GEOGRAPHICAL AREAS

(NOK thousand)	2009	2008
Europe	4 254 852	4 619 486
Middle East/ Far East	6 546 414	5 404 013
Other	329 282	292 816
Total	**11 130 548**	10 316 315

NOTE 2 Operating revenues

(NOK thousand)	2009	2008
Sales revenues	11 130 548	10 316 315
Other revenues	88 155	125 935
Total	**11 218 703**	10 442 250

Other revenues include rent income, licence revenues, compensations and profits on sale of fixed assets.

NOTE 3 Bad debts

(NOK thousand)	2009	2008
Realised loss	42 075	–
Received on previously depreciated receivables	-14 302	–
Change in provision	54 230	–
Net bad debts charged against income	**82 003**	57 583
Allowance for bad debts 31 Dec.	252 213	247 933

NOTE 4 Inventories

(NOK thousand)	31.12.09	31.12.08
Raw materials	631 920	918 828
Finished goods	902 688	1 244 890
Write-down for obsolescence	-97 649	-95 001
Total	**1 436 959**	2 068 717

NOTE 5 Wages and social costs, number of employees and remunerations

WAGES AND OTHER SOCIAL COSTS

(NOK thousand)	2009	2008
Wages incl. bonuses	1 374 346	1 326 792
Social costs	139 731	138 403
Pension costs – contribution plans	76 848	78 082
Pension costs – benefit plans	62 770	38 737
Other costs	100 585	117 307
Total	**1 754 280**	1 699 321
Average number of employees, including shares in joint ventures	6 632	6 164

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS, CORPORATE ASSEMBLY AND PRESIDENT & CEO

(See Note 4 in the financial statement to Jotun A/S)

REMUNERATION OF EXTERNAL AUDITOR

(NOK thousand)	2009	2008
Statutory audit	7 806	7 431
Other attestation services	886	915
Tax advising	2 526	3 369
Other services	1 902	2 636
Total	**13 120**	14 350

NOTE 6 Specification of other operating costs

THE ESSENTIAL ITEMS UNDER 'OTHER OPERATING COSTS' DO NOT INCLUDE WAGES ARE AS FOLLOWS:

(NOK thousand)	2009	2008
Manufacturing costs	255 746	226 337
Warehouse costs	105 642	95 562
Transportation	294 675	306 971
Sales costs	756 046	652 722
Technical service	70 749	35 412
Warranty costs	90 078	51 120
Research and development	80 608	82 830
Royalties	16 028	17 589
Restructuring	33 100	–
Other operating costs	333 516	293 609
Total	**2 036 189**	1 762 153

Defined contribution plans

Contribution plans are schemes whereby the companies pay an annual contribution to the employees' pension accounts where the returns on the pension funds will affect the size of the pension. Costs associated with this and other contribution plans are indicated in Note 5.

Other pension obligations also include contribution pension over operations for employees in the Norwegian companies on the portion of the pension basis exceeding 12 times the social security basic amount (G).

Defined benefit plans

Schemes with net pension funds relates to the Norwegian companies. In the group schemes in Norway, a future pension benefit of up to 60 per cent of final salary as single limited upward to 12 times the social security basic amount (G). The schemes are coordinated with social security benefits. At the turn of the year 2009/2010 there remain five age groups with active members still earning pension entitlements.

Included in schemes involving net pension obligations are obligations in Norway for implemented and future pensionings based on the contractual-pension scheme ("AFP"), other pension obligations financed over operations, which include agreed and implemented early retirement, unfunded old-age pensions, early retirement schemes for Jotun's senior executives and remaining obligations with the discontinued difined benefit scheme for employees with a pension beyond 12 times the social security basic amount (G).

Also included are pension obligations in the group schemes in England. These schemes are now closed for new members. Contribution pension schemes are established for new employees.

Pension obligations to our employees in South Korea and Indonesia are also included in the calculations.

Obligations indicated under 'Other pension obligations' (see bellow) comprise mainly statutory obligations to employees in our companies in the Middle East. The obligations are fall due for payment when employees leave a Jotun company. The size of the obligations depend on how many years the employees have worked in the company, among other things.

THE NUMBER OF ACTIVE AND PENSIONERS IN THE VARIOUS SCHEMES IS SHOWN IN THE TABLE BELOW:

	2009	2008
SCHEMES WITH NET PENSION FUNDS - NORWAY		
Defined benefit scheme - active	121	141
Defined benefit scheme - pensioners	686	705
SCHEMES WITH NET PENSION OBLIGATIONS		
Pension scheme benefit England - active	128	104
Pension scheme benefit England - pensioners	163	152
Pension scheme benefit South Korea - active	277	227
Pension obligation in Indonesia - active	367	301
NORWAY		
Old-age pensioners in unfunded schemes	7	7
Early-retirement-pension agreements - agreed and implemented	59	27
Senior-executive schemes - active	9	10
Senior-executive schemes - pensioners	5	4
Contractual pension (AFP) - active	1 067	1 102
Contractual pension (AFP) - pensioners	87	56
Benefit scheme financed over operations	9	10

Effective as of 2002, Jotun decided to reduce the period for recognising actuarial gains and losses beyond corridor and plan changes to three years. The company has used an external actuary to do the pension calculations for the year. The fair value of the pension funds at 31 December 2009 has been estimated. The pension obligations are valued at fair value as of 31 December 2009. The overfunding in the fund-based schemes in Norway has been assessed and can be used to finance future pension premiums.

PENSION OBLIGATIONS	2009		2008	
(NOK thousand)	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
Benefit schemes and other unsecured schemes	73 757	-140 917	85 243	-124 564
Other pension obligations *	-	-33 602	-	-
Total pension obligations	73 757	-174 519	85 243	-124 564

** Other pension obligations: see fifth paragraph under 'benefit plans'.*

JOTUN GROUP	2009		2008	
(NOK thousand)	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY				
Pension obligation at the beginning of the period	342 014	328 983	325 544	358 554
Conversion difference at the beginning of the period	-	-14 365	-	-12 859
Pension earnings for the year	2 192	28 257	2 550	19 492
Interest cost on pension obligations	13 485	17 197	14 442	18 194
Actuarial loss / (gain)	-25 141	37 015	21 598	-35 989
Social security upon paying pension funds	-983	-341	-785	-208
Pension payments	-21 120	-22 275	-21 335	-18 191
Pension obligations at the end of the period *	**310 447**	**374 471**	342 014	328 993
CHANGES IN PLAN ASSETS				
Plan assets at the beginning of the period	326 234	166 730	354 518	205 703
Conversion difference at the beginning of the period	-	-12 748	-	-12 636
Expected return on plan assets	20 086	10 111	19 883	12 759
Actuarial (loss) / gain	-3 327	11 582	-30 729	-42 935
Payments to the scheme	6 283	15 160	3 897	12 671
Pension payments	-21 120	-11 613	-21 335	-8 832
Plan assets at the end of the period	**328 156**	**179 222**	326 234	166 730
RECONCILIATION OF PENSION LIABILITIES/ASSETS ENTERED IN THE BALANCE SHEET				
Net pension obligation - overfunded (underfunded)	17 709	-195 249	-15 780	-162 263
Unrecognised actuarial loss / (gain)	56 048	54 332	101 023	37 699
Pension assets (liabilities) entered in the balance sheet	**73 757**	**-140 917**	85 243	-124 564
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY				
Pension earnings for the year	2 192	28 257	2 550	19 492
Interest cost for the pension obligations	13 485	17 197	14 442	18 194
Expected return on plan assets	-20 086	-10 111	-19 883	-12 759
Recognised actuarial loss / (gain)	23 161	8 675	7 281	9 420
Pension cost recognised in the profit and loss account	**18 752**	**44 018**	4 390	34 347

** - including unsecured schemes*

THE ACTUARIAL ASSUMPTIONS FOR THE CALCULATIONS ARE AS FOLLOWS:

	2009		2008	
	Norway	England	Norway	England
Discount rate in %	4.40	5.70	4.35	6.50
Expected return in %	4.85-5.60	6.40	5.55-6.30	6.60
Wage adjustment in %	4.00-4.25	3.40	4.25-4.50	3.40
Inflation / increase in social security basic amount (G), in %	4.00	-	4.25	-
Pension adjustment in %	1.50-4.25	3.50	2.00-4.50	3.40
	South Korea	Indonesia	South Korea	Indonesia
Discount rate in %	5.70	10.00	-	10.00
Expected return in %	6.00	10.00	-	10.00
Wage adjustment in %	8.00	-	-	-
Inflation / increase in social security basic amount (G), in %	-	10.00	-	9.00
Pension adjustment in %	-	-	-	-

The calculations are made on the basis of real pension bases, pension and portfolio as of 1 Jan. 2010.

NOTE 8 Fixed assets

(NOK thousand)	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under construction	Total
Cost 1 Jan.	135 048	1 583 092	2 233 949	162 751	4 114 840
Reclassification and corrections	-686	53 627	17 690	-63 259	7 372
Additions	24 336	91 720	203 446	31 420	350 922
Disposals	-99	-4 754	-49 299	-22	-54 174
Conversion differences	-16 193	-156 623	-239 468	-12 956	-425 240
Cost 31 Dec.	**142 407**	**1 567 062**	**2 166 318**	**117 935**	**3 993 720**
Accumulated depreciation 1 Jan.	1 331	693 447	1 508 168	-73	2 202 873
Reclassification and corrections	-	1 401	-1 401	-	-
Depreciation for the year	438	65 979	171 540	45	238 002
Disposals ordinary depreciation	-7	6 256	-44 640	6	-38 385
Conversion differences	-235	-56 947	-137 295	10	-194 467
Accumulated depreciation 31 Dec.	**1 527**	**710 136**	**1 496 372**	**-12**	**2 208 023**
Book value 31 Dec.	**140 880**	**856 925**	**669 946**	**117 947**	**1 785 698**
Economic life		*Up to 33 years*	*Up to 10 years*		
Depreciation plan		*Linear*	*Linear*		

NOTE 9 Intangible assets

(NOK thousand)	Goodwill	Technology	Other intang. assets	Total
Cost 1 Jan.	393 348	102 254	86 823	582 425
Reclassification and corrections	200	-625	-483	-908
Additions	2 212	985	7 864	11 061
Disposals	-	-	-131	-131
Conversion differences	-664	-1 704	2 350	-18
Cost 31 Dec.	**395 096**	**100 910**	**96 423**	**592 429**
Accumulated depreciation 1 Jan.	359 428	98 926	38 230	496 584
Reclassification and corrections	-	-	-	-
Depreciation for the year	11 692	1 063	11 159	23 914
Disposals, ordinary depreciation	1 201	-376	184	1 009
Conversion differences	-1 653	-1 174	-589	-3 416
Accumulated depreciation 31 Dec.	**370 668**	**98 440**	**48 984**	**518 091**
Book value at 31 Dec.	**24 428**	**2 470**	**47 439**	**74 336**
Economic life	*Up to 10 years*	*Up to 10 years*	*Up to 10 years*	
Depreciation plan	*Linear*	*Linear*	*Linear*	

Goodwill at acquisition is depreciated over an economic life calculated at ten years for the coatings industry.
The group charges all R&D expenses against income on a continuous basis. This primarily concerns the development of more eco-friendly products. Development costs are deemed necessary for the group to maintain its competitiveness.
R&D expenses, including wages and social costs, totalled NOK 187.4 million in 2009 (2008: NOK 176.4 million).

NOTE 10 Shares in joint ventures

For its involvement in joint ventures, Jotun posts its share of revenues, expenses, assets, liabilities and cash flows in the consolidated accounts. The Jotun Group has eight joint ventures included in the consolidated accounts.

Jotun U.A.E. Ltd. (L.L.C.)
Chokwang Jotun Ltd.
Jotun Powder Coatings Saudi Arabia Co. Ltd.
Jotun Saudia Co. Ltd.
Red Sea Paints Co. Ltd.
Ratinjat Co. Ltd.
Jotun Yemen Paints Ltd.
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)

JOINT VENTURES' SHARE PER MAIN GROUP

(NOK thousand)	2009	2008
Operating revenues	890 067	788 925
Operating profit	192 786	128 292
Profit for the year	221 433	156 574
Fixed assets	277 153	228 528
Current assets	639 568	685 306
Long-term liabilities	132 367	105 882
Current liabilities	206 239	330 387

NOTE 11 Other shares and interests

SHARES HELD DIRECTLY BY THE PARENT COMPANY
(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Nor-Maali OY	Lahti	Finland	EUR	8	10 000	3	8 180	33.40
Cathelco Ltd., England	Chesterfield	England	GBP	1 333	1 333	133	7 565	10.00
Sundry other companies							68	
Total							**15 813**	

NOTE 12 Interest-bearing liabilities

LONG-TERM AND CURRENT LIABILITIES

(NOK thousand)	31.12.09	31.12.08
Long-term loans	237 079	168 379
Short-term loans	254 218	517 746
Bank overdraft	166 795	386 100
Total	**658 092**	1 072 225

Increase in long-term liabilities is due to a new factory in South Korea and change in lending terms in China (Jotun Zhangjiagang)

BOOK LIABILITIES SECURED WITH PLEDGED ASSETS, ETC.

(NOK thousand)	31.12.09	31.12.08
Secured with pledged assets, etc. - long term	102 088	109 315
Secured with pledged assets, etc. - short term	3 020	74 292
Total	**105 108**	183 607

BOOK VALUE OF ASSETS PLEDGED AS SECURITY FOR DEBT SECURED WITH PLEDGED ASSETS

(NOK thousand)	31.12.09	31.12.08
Land, buildings, etc.	35 582	40 640
Machinery and plants	115 032	106 878
Stock of goods	116 359	147 851
Trade receivables	88 571	53 360
Total	**355 544**	348 729

In most cases the parent company has provided a letter of comfort or guarantee to subsidiaries that loan locally. Assets are not posted as security for the loans.

INFORMATION ABOUT LONG-TERM LOANS TO THE GROUP'S FROM CREDIT INSTITUTIONS:

Currency	Aver. interest %	Loan amount in currency	Loan amount in NOK
NOK	-	-	-
USD	1.6	17 158	98 847
EURO	-	-	-
Other currency	2.2	-	138 232
Total other long-term liabilities			**237 079**

DRAWING FACILITIES

Unused portion of short- and long-term committed drawing rights

31.12.09	31.12.08
1 225 000	1 225 000

The requirement for a liquidity reserve for the group rests with the parent company, which on its part may finance, in whole or in part, subsidiaries and joint ventures through internal loans. At the end of the year, the group had drawing facilities totalling NOK 1.2 billion. NOK 600 million of these facilities expires in 2012, while NOK 600 million expires in 2010.

Jotun has negotiated new credit limits with four banks totalling NOK 810 million effective as of August 2010. These limits expire in 2013 (NOK 410 million) and 2014 (NOK 400 million).

The facility contains requirements for minimum equity ratio (25 per cent) and maximum net interest-bearing debt with regard to EBITDA (3.75). Jotun was well within those requirements in 2009.

No draws were made on the facilities as at 31 December 2009.

The drawing facilities above include an unused, committed line to Jotun of NOK 25 million.

REPAYMENT PROFILE
(NOK thousand)

Year	2010	2011	2012	2013	2014	Thereafter	Total
Amount	15 922	57 666	26 517	26 527	85 695	24 752	237 079

NOTE 13 Guarantees

OTHER GUARANTEE LIABILITIES NOT ENTERED IN THE ACCOUNT

(NOK thousand)	31.12.09	31.12.08
Discounted promissory notes	21 696	92 470
Sureties for employees	2 583	4 236
Guarantees for tax withholdings	32 000	30 000
Letter of comfort	1 088 745	1 312 303
Warranties	25 715	157 231
Sureties for customers, etc. and guarantees	67 980	81 805
Total	**1 238 719**	**1 678 045**

NOTE 14 Other current liabilities and provisions for liabilities

PROVISIONS INCLUDED IN OTHER CURRENT LIABILITIES WITH THE FOLLOWING:

(NOK thousand)	31.12.09	31.12.08
Warranty provisions	169 421	140 957
Other provisions	51 083	110 530

OTHER LONG-TERM PROVISIONS FOR LIABILITIES

(NOK thousand)	31.12.09	31.12.08
Other provisions for liabilities	55 790	2 440

The year's provision is linked to restructuring costs in Norway, Singapore and Vietnam. The cost is estimated to accrue in the period 2011 to 2014.

WARRANTY PROVISIONS

(NOK thousand)	2009	2008
Provisions for loss 1 Jan.	140 957	141 294
Realised claims/utilised during the year	-61 614	-51 457
Losses recognised for the year	90 078	51 120
Provisions for loss 31 Dec.	**169 421**	140 957

NOTE 15 Tax

THE YEAR'S TAX EXPENSE IS DERIVED AS FOLLOWS:

(NOK thousand)	2009	2008
Tax payable on profit for the year	298 890	258 008
Gross change in deferred tax	14 487	-49 417
Translation differences	-2 929	6 067
Tax expense on ordinary profit	**310 448**	214 658
Norwegian share of taxes	37 647	28 435
Foreign share of taxes	272 801	186 223

	31.12.09	31.12.08
IN THE BALANCE SHEET, TAX PAYABLE IS DERIVED AS FOLLOWS:		
Tax payable on the profit for the year	298 890	258 008
Due tax previous year / pre-paid	-71 285	-23 888
Withholding taxes receivable	-39 975	-34 223
Total tax payable	**187 631**	199 898
SPECIFICATION OF BASIS FOR DEFERRED TAX:		
Non-current assets	82 753	210 764
Current assets	-153 655	28 207
Liabilities	-484 186	-610 806
Losses carried forward	67 801	-70 561
Total	**-487 287**	-442 396
Deferred tax	**-20 772**	-25 613
Deferred tax asset	**143 062**	162 390

CORRELATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT AVERAGE NOMINAL TAX RATE ON PROFIT BEFORE TAX:

(NOK thousand)	Amount	%
Tax calculated as average nominal tax rate on profit before tax	306 904	28
Effect of credit deduction and corrections previous year	19 858	2
Taxes on dividends, royalty and interest	9 673	1
Effect of permanent differences	-22 534	-2
Effect of goodwill depreciation and other eliminations	2 994	-
Deviations in tax rates and other items	-6 447	-1
Tax cost on ordinary profit	**310 448**	28

NOTE 16 Equity

	Share capital	Other equity	Year's profit	Minority interests	Conv. diff.	Total
Equity 1 Jan. 2008	102 600	2 375 111	–	183 239	464 621	3 125 571
Profit for the year	–	–	544 586	117 446	–	662 032
Disposals associated companies	–	-19 824	–	–	–	-19 824
Allocated/paid dividend	–	–	-205 200	-64 771	–	-269 971
Appropriation	–	339 386	-339 386	–	–	–
Minority's share of changes in share capital	–	-35 400	–	35 400	–	–
Conversion differences	–	–	–	26 335	496 209	522 544
Equity 31 Dec. 2008	102 600	2 659 273	–	297 649	960 830	**4 020 353**
Profit for the year	–	–	604 255	181 381	–	785 636
Allocated/paid dividend	–	–	-225 720	-74 674	–	-300 394
Appropriation	–	378 535	-378 535	–	–	–
Minority's share of changes in share capital	–	–	–	–	–	–
Conversion differences	–	–	–	-63 884	-400 726	-464 610
Equity 31 Dec. 2009	102 600	3 037 809	–	340 472	560 104	**4 040 985**

NOTE 17 Share capital and shareholders' information

See Note 18 in the financial statement to Jotun A/S

NOTE 18 Specification – cash flow statement

CHANGE IN INVENTORY CUSTOMERS AND TRADE CREDITORS

(NOK thousand)	31.12.09	31.12.08
Inventory	631 758	-700 535
Trade receivables	340 722	-907 634
Trade creditors	-279 205	397 020
Conversion difference	-424 927	240 815
Total inventory, customers and trade creditors	**268 348**	-970 334

CHANGE IN OTHER ACCRUALS

(NOK thousand)	31.12.09	31.12.08
Other current receivables	64 325	-149 519
Tax payable	-12 268	45 861
Public duties payable	10 746	13 825
Other current liabilities	34 015	237 154
Other provisions	16 387	-
Total other accruals	**113 205**	147 321

NOTE 19 Conditional outcomes and other obligations not entered in the balance sheet

The group is involved in disputes and claims cases in connection with the company's activities, including those stated below. Provisions have been made to cover the expected outcome of disputes insofar as negative outcomes are likely and reliable estimates can be made. In evaluating the size of the provisions, expected insurance cover is taken into account. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the group's financial position.

There are ongoing law suits and arbitration cases in the US. Jotun Paints Inc. is facing damages action brought by customers claiming product faults and faulty technology which Jotun acquired from the Valspar Corporation. The outcome of the cases are expected by 2010.

A number of factories have been inspected regarding environmental conditions in the ground, and initiatives have been implemented on the order of local authorities.

Inspections and measurements are made by independent specialists in the field. Examples are the cleaning up of the bottom of the Sandefjord fjord, planned removal of waste disposals at Vera in Norway and cleaning up the ground in conjunction with future shutdowns of the factories at Manger and Fredrikstad in Norway. Allocations are made based on best estimates.

NOTE 20 Financial instruments and risk management

Policy for financial hedging of currency and interest exposure

Hedging cash flows in foreign currency
The group's policy is to secure expected cash flows in foreign currency against fluctuations in exchange rates. Expected cash flows in foreign currency the next eight months will be secured 80–100 per cent. Expected cash flows in foreign currency for the next 8–16 months can be secured by 0–40 per cent.

Hedging interest risk
The group's policy is to have floating interest rates on its loans. If the market situation so indicates, or major loans are taken up, interest rate hedging shall be considered.

Hedging against price risk on raw materials copper and zinc
Jotun's policy is to secure against risk on raw materials such as zinc and copper, which are the main ingredients in metal protection coatings and ship paint. The hedges cover signed paint contracts. Certain types of contracts, particularly those involving deliveries to shipbuilding, are of a long-term nature, and such contracts may be hedged for up to three years.

Management and control of financial risk

Hedging cash flows in foreign currency
The group has cash flows linked to its own operations as well as dividends, interest income, licence income and revenues from group service fees.

To secure the group against exchange-rate fluctuations, forward contracts and options are used as hedging instruments. The group operates in a joint hedging programme for parts of Europe. Their positions at the end of the year are shown below.

HEDGING CASH FLOWS IN CURRENCY

(NOK thousand)	Volumes at year's end	Unrealised gain/loss(-)
Hedging foreign currency income	556 600	25 800
Hedging foreign currency costs	394 800	-12 700
Total		**13 100**

Hedging is mainly by means of forward exchange contracts. Options have also been used to some extent. All hedging instruments mature in the course of 2010, the majority in the first six months.

The basis for hedging cash flows is forecasts of expected income and expenses in foreign currency. The forecasts are updated every 4th month or for major events that significantly affect cash flows.

Hedging contracts are entered as loss/gain in the profit and loss account as they fall due (hedge accounting). Changes in value of unrealised hedges are not entered in the profit and loss account.

Net investments in enterprises abroad:
The group advances loans to enterprises abroad in foreign currency. In the consolidated financial statements long-term loans to subsidiaries are defined as part of Jotun's net investments in enterprises abroad, with the loans being treated as equity for accounting purposes. Changes in value as a result of exchange rate fluctuations are credited/charged to equity.

Hedging against price risk on raw materials copper and zinc
The Jotun Group has made financial price hedges for zinc and copper prices based on estimated demand relating to signed contracts for the sale of paint products. Hedges on the price of raw materials at the end of the year totalled NOK 120.0 million, based on agreed raw material prices and USD exchange rate at 31 December 2009.

The raw material hedges have their counter effect in actual raw material purchases. Realised losses on hedges have their counter effect in lower raw material prices in the companies, and a gain on hedges will have as a counter effect increased raw material prices in the companies.

The table shows the hedges (calculated in NOK million at prices and exchange rates at the end of the year), in the two companies that have hedges as of 31 December 2009.

HEDGING OF ZINC AND COPPER PRICES

(NOK thousand)	Volumes at year's end	Unrealised gain/loss(-)
Hedging of copper prices	90 400	2 600
Hedging of zinc prices	29 600	7 800
Total	**120 000**	**10 400**

Forward contracts are used as hedging instruments. Most hedging instruments mature in the course of 2010, with a minority maturing in 2011.

Unrealised gains or losses on hedging are not included in the consolidated financial statements.

Unrealised gains/losses are based on spot exchange rates obtained from Reuters on the balance sheet date. Unrealised gains/losses of derivatives is calculated in the group financial system and compared with information from the external banks who are the counterparties in the transactions. Unrealised gains/losses of raw material price derivatives is obtained from the LME (London Metal Exchange) on the balance sheet date.

PROFIT IMPACT OF THE HEDGING TRANSACTIONS:

(NOK thousand)	Impact 2009
Impact on operating profit	-35 200
Impact on net financial items	5 400
Total earnings impact	**-29 800**

Jotun A/S

Profit and Loss Account

(NOK thousand)	Note	2009	2008
OPERATING REVENUES	1	2 399 150	2 627 921
Change in inventory of finished goods	3	-33 506	49 517
Cost of goods sold	3	1 228 515	1 229 796
Payroll expenses	4	634 800	608 842
Depreciation	8,9	57 929	56 727
Bad debts	2	961	791
Other operating costs	5	600 738	526 856
Operating profit		**-90 287**	155 392
Dividend / group contribution from subsidiaries		251 924	219 400
Dividend from joint ventures		120 091	129 239
Interest income		46 201	71 547
Other financial income	6	127 467	11 419
Interest costs		-9 988	-437
Other financial costs	6,22	-8 742	-211 073
Profit before tax		**436 666**	375 487
Tax expense	16	-109 359	-76 983
Profit for the year		**327 307**	298 504
APPROPRIATION OF PROFIT FOR THE YEAR			
Allocated to dividend	17	225 720	205 200
Other equity	17	101 587	93 304
Total appropriation		**327 307**	298 504

Balance Sheet

ASSETS

(NOK thousand)	Note	31.12.09	31.12.08
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	16	58 147	78 939
Other intangible assets	9	40 231	46 687
Total intangible assets		**98 378**	125 626
Fixed assets			
Land	8	14 469	14 469
Property, plant and equipment	8	151 222	155 882
Machinery, vehicles, fixtures and fittings	8	119 406	130 314
Plants under construction	8	79 471	62 703
Total fixed assets		**364 568**	363 368
Financial assets			
Shares in subsidiaries	10	1 451 491	1 307 301
Shares in jointly controlled companies	11	205 583	205 583
Other stocks and shares	12	15 813	15 813
Pension funds	7	60 636	69 291
Other long-term receivables	19	1 052 497	1 125 747
Total financial assets		**2 786 020**	2 723 735
Total non-current assets		**3 248 966**	3 212 728
CURRENT ASSETS			
Inventories	3	**293 063**	356 983
Receivables			
Trade receivables	2,19	163 673	207 134
Other current receivables	19	236 549	306 376
Total receivables		**400 222**	513 510
Bank deposits, cash, etc.		**431 888**	124 136
Total current assets		**1 125 173**	994 629
Total assets		**4 374 139**	4 207 358

Balance Sheet

EQUITY AND LIABILITIES

(NOK thousand)	Note	31.12.09	31.12.08
EQUITY			
Paid in capital			
Share capital	17,18	102 600	102 600
Total paid in capital		**102 600**	102 600
Retained earnings			
Other equity	17	2 833 008	2 731 421
Total retained earnings		**2 833 008**	2 731 421
Total equity		**2 935 608**	2 834 021
LIABILITIES			
Provisions			
Pension liabilities	7	122 308	95 775
Other provisions for liabilities	15	48 488	-
Total provisions		**170 796**	95 775
Current liabilities			
Debt to credit institutions	13	-	247 255
Trade creditors	19	229 892	271 779
Tax payable	16	53 480	87 432
Public duties payable		109 484	105 286
Allocated dividend	17	225 720	205 200
Other current liabilities	15,19	649 160	360 611
Total current liabilities		**1 267 735**	1 277 562
Total liabilities		**1 438 531**	1 373 337
Total equity and liabilities		**4 374 139**	4 207 358

Sandefjord, Norway, 16 February 2010
Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen | Richard Arnesen | Birger Amundsen | Nicolai A. Eger

Torkild Nordberg | Dag J. Opedal | Terje V Arnesen | Morten Fon
President & CEO

Cash Flow Statement

(NOK thousand)	Note	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		327 307	298 504
Change in deferred tax	16	20 792	-35 717
Gains (+) / losses (-) on sale of fixed assets	8,9	-1 876	2 577
Depreciation	8,9	57 929	56 727
Write-down of shares in subsidiaries		-	25 341
Change in inventories, trade receiv. and trade creditors	20	65 494	-40 591
Change in borrowing/lending in group account system		106 316	-7 328
Change in warranty provisions	15	19 169	-22 236
Change in other accruals	20	12 724	77 500
Net cash flow from operating activities		**607 855**	354 777
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from sale of fixed assets		3 898	1 846
Payments for purchase of fixed assets	8,9	-54 695	-81 700
Payments for invest. in subsidiaries and joint ventures		-144 190	-152 974
Change in other investments and loans		347 309	-297 046
Net cash flow from investment activities		**152 322**	-529 874
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of debt		-247 225	-
Payment of dividend		-205 200	-205 200
Net cash flow from financing activities		**-452 425**	-205 200
Net change in bank deposits, cash, etc.		**307 752**	-380 297
Bank deposits, cash, etc., 1 Jan.		124 136	504 433
Bank deposits, cash, etc., 31 Dec.		**431 888**	124 136
Undrawn credit facilities, 31 Dec.	13	1 225 000	1 225 000

Accounting principles

Basic accounting principles – assessment and classification

Jotun A/S consist of the profit and loss account, balance sheet, cash flow statement and note information and are rendered in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting practices as of 31 December 2009. To make the annual accounts easier to read, some of the items in the accounts are summarised. Further specification is done in the notes. The notes are thus an integral part of the annual accounts.

The company accounts are based on basic principles of historical cost, going concern assumption, congruence, comparability and prudence. Transactions are posted at the value of the payment on the transaction date. Revenues are entered in the profit and loss account when they are earned and costs are matched with earned revenues.

Use of estimates

The management has used estimates and assumptions that have affected the profit and loss account and valuation of assets and liabilities as well as uncertain assets and obligations on the balance sheet date, in preparing the accounts in accordance with generally accepted accounting principles.

Sales revenues

Sale of goods is recognised as income at the date of delivery when all significant risk is transferred. Services are recognised as income in pace with their rendering. To identify loss-bringing contracts, allocations are made for the entire expected loss.

Valuation and classification of balance sheet items

Assets/liabilities relating to the normal operating cycle and items falling due for payment within one year after the balance sheet day are classified as current assets/liabilities. Current assets/liabilities are valued at the lowest/highest value of purchase cost and net realisable value. The net realisable value is defined as the assumed future sales price less expected sales costs. Other assets are classified as non-current assets. Non-current assets are valued at cost. Non-current assets that decrease in value are depreciated. In the event of a value change that is not temporary, the non-current asset is written down. Corresponding principles are usually applied to liability.

In applying accounting principles and presenting transactions and other matters, emphasis is placed on economic realities, not just legal form.

Government grants

Received grants are recognised in the profit and loss account along with the costs that the subsidies are intended to reduce. Grants are recognised in the profit and loss account at the earliest date at which it is probable that the condition for receiving the grant will be fulfilled.

Hedge accounting of financial instruments

The company makes use of derivatives in order to reduce the impact of fluctuations in exchange rates and raw material prices.

Hedging of cash flows

Changes in the value of hedging instruments that meet the requirements for hedging cash flows exposed to currency, raw material or interest rate risks are not recognised before maturity. At maturity the impact on value is recognised on the same line as the hedged cash flow.

Hedging of fair value

Changes in the value of hedging instruments are recognised in the income statement continuously as financial items or against the same item as recognition in the income statement of the change in value of the hedged item.

Hedging of net investments

Net investments in companies abroad and any hedging of such investments are regarded as a part of the net investment and changes in value are charged directly to equity as translation differences.

Hedging instruments that do not meet the requirements for effective hedging are recognised at fair value in the income statement.

Shares, bonds and other securities

Market-based shares, bonds and other financial instruments classified as current assets are valued at fair value pursuant to Section 5–8 of the Norwegian Accounting Act. Shares and other securities under capital assets are posted in the balance sheet at cost or fair value, whichever is lower.

Intangible assets

Intangible assets, research and development consist of identifiable intangible assets and goodwill. Expenses linked to market investments and research and development are charged against income on a continual basis. Purchased goodwill and expenses for customised software are presented as intangible assets and charged against income over the assumed economic life, usually five to ten years for the coatings industry.

Fixed assets / depreciation

Fixed assets are posted at cost less accumulated depreciations. Depreciation is calculated on a straight-line basis over the assets' assumed economic life. The depreciation for the year is charged to the operating profit for the year.

If the fair value of a fixed asset is lower than the balance sheet value and this is due to factors that cannot be regarded as temporary, the fixed asset is written down to fair value.

Costs associated with normal maintenance and repair are charged against income on a continual basis. Costs of major replacements and renewals that significantly increase the value of the fixed assets are entered as assets. Interest relating to facilities under construction is entered as an asset as a part of the cost price.

Inventories

Inventories of goods are valued at the lowest value of purchase price, material cost and assumed sales less sales costs, by moving average cost. Production costs for work in progress and finished goods include direct materials and wages as well as share of indirect manufacturing costs. Deduction is made for obsolescence.

Lease agreements

The company's lease agreements are assessed as operating lease agreements and classified as ordinary operating costs.

Currency

Transactions in foreign currency are posted at the exchange rate on the day of the transaction. Monetary items in foreign currency are posted at the exchange rate on the balance sheet date.

Trade receivables

Receivables are posted at nominal value less expected loss.

Contingent liabilities

Contingent liabilities are recognised if the Company has a legal or actual obligation if it is probable that it will become payable and that a reliable estimate can be given for the obligation amount.

Pension obligations and pension costs

Pension costs are posted in accordance with "NRS 6" from the Norwegian Accounting Standards Board (NASB). Pension obligations defined as defined benefit schemes are valued at present value of future pension payments which in the accounts accrue on the balance sheet date. Pension funds are valued at fair value. Any overfinancing is entered in the balance sheet insofar as it is probable that the overfinancing can be utilised. An equalising method is used whereby actuarial gains or losses of up to ten per cent of gross pension obligations/funds are not recognised in the profit accounts, while amounts in excess of that are distributed over three years. The net pension cost for the year is charged against wage and social costs.

Pension schemes defined as contribution schemes entail that there are no residual obligations after the pension contribution is settled, and are therefore charged against income on an ongoing basis as the contribution premiums accrue.

Deferred tax and tax expense

The tax expense is linked to the net profit and comprises the sum of taxes payable and change in deferred tax and deferred tax assets. Deferred tax is calculated on the basis of the temporary differences that exist at the end of the accounting year between book and tax values according to the liability method as well as tax-related loss carried forward. The nominal tax rate is used in the calculation.

Deferred tax benefits are valued on an ongoing basis and capitalised only insofar as it is probable that future taxable profits will be adequate for the company to take advantage of the tax asset.
Deferred tax and deferred tax asset are netted in the balance sheet when there is a basis for netting. Deferred tax and deferred tax asset are offset only insofar as allowed by tax rules.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The cash reserves include cash, bank deposits and other current, liquid investments which can immediately and with insignificant currency risk be converted to a known amount of cash.

Investments in subsidiaries, jointly controlled entities and associated companies

Investments in subsidiaries, jointly controlled entities and associated companies are accounted for at cost in the parent company. Dividends from entities not exceeding retained earnings in the period owned by the group are recognised in the year for which the dividend is formally decided.

NOTE 1 Operating revenues

(NOK thousand)	2009	2008
Sales revenues	1 340 582	1 429 412
Sales revenues from subsidiaries	746 061	837 382
Other revenues	72 433	107 347
Other revenues from subsidiaries	240 074	253 780
Total	**2 399 150**	2 627 921

Other revenues include rent income, licence revenues, compensations and profits on sale of fixed assets.

NOTE 2 Bad debts

(NOK thousand)	2009	2008
Realised loss for previously depreciated receivables	1 761	957
Change in provision	-800	-166
Net loss for the year charged to profits	**961**	791
Allowance for bad debts 31 Dec.	1 796	2 596

NOTE 3 Inventories

(NOK thousand)	31.12.09	31.12.08
Raw materials	92 219	123 922
Finished goods	209 970	243 476
Write-down for obsolescence	-9 126	-10 415
Total	**293 063**	356 983

NOTE 4 Wages and social costs, number of employees and remunerations

WAGES AND OTHER SOCIAL COSTS

(NOK thousand)	2009	2008
Wages incl. bonuses	477 590	481 383
Social benefits	73 118	67 593
Pension costs – contribution plans	27 679	24 553
Pension costs – benefit plans	46 903	27 277
Other benefits	9 510	8 036
Total	**634 800**	608 842
Average number of employees, including shares in joint ventures	907	870

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS, CORPORATE ASSEMBLY AND PRESIDENT & CEO

(NOK thousand)	2009	2008
PRESIDENT & CEO		
Wage incl. bonuses	4 377 352	4 001 053
Other remuneration (company car, etc.)	183 556	126 379
Pension premiums	445 353	412 520
BOARD OF DIRECTORS	1 729 002	1 589 000
CORPORATE ASSEMBLY	206 750	182 750

cont. NOTE 4 Wages and social costs, number of employees and remunerations

The President & CEO is part of a pension scheme that includes employees in the company's top management. The retirement age is 67 years, with mutual possibility to discontinue employment in whole or in part up to five years earlier (see Note 7).

Further the President & CEO is also part of a profit-dependent bonus system for the group management limited upward to 50 per cent of agreed annual wage.

Should his employment discontinue, the President & CEO has a clause in his contract stipulating that a one-year "competition quarantine" may be imposed with compensation.

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

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

REMUNERATION OF EXTERNAL AUDITOR

(NOK thousand)	2009	2008
Statutory audit	1 271	1 153
Other attestation services	-	-
Tax advising	314	318
Other services	350	713
Total	**1 935**	2 184

NOTE 5 Specification of other operating costs

THE ESSENTIAL ITEMS UNDER 'OTHER OPERATING COSTS' ARE RELATED TO THE FOLLOWING:

(NOK thousand)	2009	2008
Manufacturing costs	71 195	87 992
Warehouse costs	22 738	34 596
Transportation	48 575	58 027
Sales costs	170 946	192 774
Technical service	10 885	8 825
Warranty costs	49 216	19 665
Research and development	80 608	85 411
Royalties	23 747	24 658
Restructuring	33 100	-
Other	89 728	14 908
Total	**600 738**	526 856

NOTE 6 Specification of other financial costs/income

THE ESSENTIAL ITEMS UNDER 'OTHER FINANCIAL INCOME' ARE AS FOLLOWS:

(NOK thousand)	2009	2008
Change in unrealised gain on hedging of metals	151 068	-
Realised loss on hedging of metals	-41 865	-
Loss on exchange on receivables, subsidiaries	-111 385	-
Realised profit on hedging of long-term receivables, subsidiaries	115 162	-
Dividend from others	2 063	-
Other gains on exchange	12 424	11 419
Total	**127 467**	11 419

THE ESSENTIAL ITEMS UNDER 'OTHER FINANCIAL COSTS' ARE AS FOLLOWS:

(NOK thousand)	2009	2008
Write-down of shares in Jotun Iberica S.A.	-	26 482
Unrealised loss on hedging of metals	-	142 515
Realised loss on hedging of metals	-	26 242
Unrealised profit on long-term receivables, subsidiaries	-	-148 326
Realised loss on hedging of long-term receivables, subsidiaries	-	157 672
Other loss on exchange	-	6 348
Other financial costs	8 742	140
Total	**8 742**	211 073

NOTE 7 Pension costs

The company is required to have a mandatory company pension, pursuant to the Act relating to occupational insurance. The company's pension schemes satisfy the requirements of that Act.

Defined contribution plans

Defined contribution plans are schemes whereby the company pays an annual contribution to the employees' pension accounts and where the returns on the pension funds will affect the size of the pension. Jotun closed the salary-based scheme 1 January 2005 in the Norwegian companies for employees under 60 years of age and replaced those schemes with defined contribution pension schemes. The company now pays monthly deposits to each employee's deposit insurance account. The costs associated with this and other pension costs not included in the contribution plans are indicated in Note 4.

Jotun has established a contribution-based pension scheme financed over operations for the part of the annual pensionable salary exceeding 12 times the social security basic amount (G). This obligation is shown at the bottom of the note below under the item 'other pension obligations'.

Defined benefit plans

The group pension scheme provides for future pension benefits of up to 60 per cent of final salary as single limited upward to 12 times the social security basic amount (G). The scheme is coordinated with social security benefits. At the turn of the year 2009/2010 there remain five age groups of active members earning pension benefits.

Schemes involving net pension obligations include obligations for implemented and future pensioning according to the contractual-pension scheme ("AFP"). Other pension obligations financed over operations, which include agreed and implemented early retirement schemes, unsecured old age pensions, early retirement schemes for Jotun's senior executives and remaining obligations involving the discontinued defined benefit scheme for employees with an annual pensionable salary exceeding 12G.

THE NUMBER OF ACTIVE AND PENSIONERS IN THE VARIOUS SCHEMES IS SHOWN IN THE TABLE BELOW:

	2009	2008
SCHEMES WITH NET PENSION FUNDS		
Defined benefit scheme - active	108	126
Defined benefit scheme - pensioners	605	624
SCHEMES WITH NET PENSION OBLIGATIONS		
Old-age pensioners in unfunded schemes	7	7
Early retirem. agreements – agreed or implemented	56	24
Senior executive schemes – active	9	9
Senior executive schemes – pensioners	5	4
Early retirement pension (AFP) – active	979	1 006
AFP pensioners	81	51
Defined benefit scheme over operations	9	10

As of 2002, Jotun decided to reduce the period for recognising actuarial gains and losses beyond corridor and plan changes to three years. The company has used an external actuary to carry out the year's pension calculations. The actual value of pension funds has been calculated as of 31 December 2009. Overfunding in the fund-based schemes has been calculated and may be used to finance future pension premiums.

cont. NOTE 7 Pension costs

JOTUN A/S (NOK thousand)	2009 Schemes with net pension funds	2009 Schemes with net pension obligations	2008 Schemes with net pension funds	2008 Schemes with net pension obligations
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY				
Pension obligation at the beginning of the period	309 379	133 541	293 737	122 292
Pension earnings for the year	2 031	16 647	2 362	9 086
Interest cost on pension obligations	12 249	5 541	13 090	5 583
Actuarial loss / (gain)	-23 508	1 215	20 220	8 444
Social security upon paying pension funds	-957	-335	-780	-203
Pension payments	-19 000	-11 907	-19 250	-11 661
Pension obligations at the end of the period *	**280 194**	**144 702**	309 379	133 541
CHANGES IN PLAN ASSETS				
Plan assets at the beginning of the period	288 083	888	311 564	2 207
Expected return on plan assets	17 764	52	17 521	87
Actuarial (loss) / gain	-3 553	-24	-27 282	-10
Payments to the schemes	6 787	2 713	5 530	1 735
Pension payments	-19 000	-2 631	-19 250	-3 131
Plan assets at the end of the period	**290 081**	**998**	288 083	888
RECONCILIATION OF PENSION LIABILITIES/ASSETS ENTERED IN THE BALANCE SHEET				
Net pension obligation - overfunded (underfunded)	9 887	-143 704	-21 296	-132 653
Unrecognised actuarial loss / (gain)	50 749	29 749	90 587	36 878
Book value – assets (liability)	**60 636**	**-113 955**	69 291	-95 775
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY				
Pension earnings for the year	2 031	16 647	2 362	9 086
Interest cost for the pension obligations	12 249	5 541	13 090	5 583
Expected return on plan assets	-17 764	-52	-17 521	-87
Recognised actuarial loss / (gain)	19 883	8 368	5 964	8 800
Pension cost recognised in the profit and loss account	**16 399**	**30 504**	3 895	23 382

** - including unsecured schemes*

THE ECONOMIC ASSUMPTIONS FOR THE CALCULATIONS ARE AS FOLLOWS:

(NOK thousand)	2009	2008
Discount rate in %	4.40	4.35
Expected return in %	4.85-5.60	5.55-6.30
Wage adjustment in %	4.00-4.25	4.25-4.50
Inflation / G increase in %	4.00	4.50
Pension adjustment in %	1.50-4.25	2.00-4.50

** - Including unsecured schemes*

PENSION OBLIGATIONS

(NOK thousand)	2009 Schemes with net pension funds	2009 Schemes with net pension obligations	2008 Schemes with net pension funds	2008 Schemes with net pension obligations
Benefit schemes and other unsecured schemes	60 636	-113 955	69 291	-95 775
Other pension obligations *	-	-8 353	-	-
Total pension obligations	60 636	-122 308	69 291	-95 775

** Other pension obligations: see second paragraph under 'benefit plans'.*

NOTE 8 Fixed assets

(NOK thousand)	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under construction	Total
Cost 1 Jan.	14 469	448 432	575 194	62 700	1 100 795
Additions	-	7 916	24 846	16 774	49 536
Disposals	-	-	-9 364	-	-9 364
Cost 31 Dec.	**14 469**	**456 348**	**590 676**	**79 474**	**1 140 967**
Accumulated depreciation 1 Jan.	-	292 550	444 880	-3	737 427
Depreciation for the year	-	12 576	33 738	-	46 314
Disposals ordinary depreciation	-	-	-7 348	6	-7 342
Accumulated depreciation 31 Dec.	**-**	**305 126**	**471 270**	**3**	**776 399**
Book value 31 Dec.	**14 469**	**151 222**	**119 406**	**79 471**	**364 568**
Economic life		*Up to 25 years*	*Up to 10 years*		
Depreciation plan		*Linear*	*Linear*		

NOTE 9 Intangible assets

(NOK thousand)	Goodwill	Technology	Other intang. assets	Total
Cost 1 Jan.	7 175	96 495	77 992	181 662
Additions	-	-	5 159	5 159
Disposals	-	-	-	-
Cost 31 Dec.	**7 175**	**96 495**	**83 151**	**186 821**
Accumulated depreciation 1 Jan.	6 184	96 495	32 296	134 975
Depreciation for the year	987	-	10 628	11 615
Disposals, ordinary depreciation	-	-	-	-
Accumulated depreciation 31 Dec.	**7 171**	**96 495**	**42 924**	**146 590**
Book value at 31 Dec.	**4**	**-**	**40 227**	**40 231**
Economic life	*Up to 10 years*	*Up to 10 years*	*Up to 10 years*	
Depreciation plan	*Linear*	*Linear*	*Linear*	

NOTE 10 Shares in subsidiaries

SHARE HELD DIRECTLY BY THE PARENT COMPANY

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun India Private Ltd.	Pune	India	INR	1 154 240	61 100 000	1 154 240	149 314	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	140 001	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	109 320	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 000	44 702	101 022	93.13
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	20 000	2 000 000	14 000	91 945	70.00
Jotun Paints (Europe) Ltd.	Flixborough	England	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Paints (H.K.) Ltd.	Hong Kong	Kina	HKD	110 334	110 334 615	110 334	85 319	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	80 280	100.00
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	8 675	172 000	8 600	58 852	99.14
Jotun B.V.	Spijkenisse	Netherlands	EUR	2 616	29 001	2 616	49 175	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	25 000	155	45 145	62.00
Jotun Australia Pty. Ltd.	Victoria	Australia	AUD	11 550	16 050 001	11 550	45 026	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	84 000	84 000	80 186	44 285	95.46
Jotun Brasil Imp. Exp. & Industria de Tintas Lda.	Rio de Janeiro	Brazil	BRL	6 761	12 163 200	6 761	36 679	100.00
Jotun COSCO Marine Coatings (HK) Ltd.	Hong Kong	China	HKD	77 390	2 000	38 695	34 231	50.00
Jotun Boya San. Ve Ticaret A.S.	Istanbul	Turkey	TRY	3 000	115 000	3 000	32 556	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	37 719	110	37 719	30 199	100.00
Jotun Italia S.p.A.	Trieste	Italy	EUR	2 632	509 099	2 632	29 925	100.00
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E	AED	4 000	4 000	1 400	28 061	35.00
Jotun Singapore Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	28 040	100.00
Jotun Paints (Malaysia) Sdn. Bhd.	Seremban	Malaysia	MYR	15 000	15 000 000	15 000	27 385	100.00
Jotun Paints Inc.	Belle Chasse	USA	USD	37 600	100	37 600	18 253	100.00
Jotun Polska Sp.zo.o.	Gdynia	Poland	PLN	8 400	15 000	8 400	16 564	100.00
Jotun Paints (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	USD	2 309	-	2 309	15 563	100.00
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	512	12 090	83.33
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	2 200	65 000	1 760	8 770	80.00
Jotun F.Z.E.	Dubai	U.A.E	AED	4 000	4	4 000	6 637	100.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	76 284	2 761 349	76 284	6 424	100.00
Jotun Ireland Ltd.	Cork	Ireland	EUR	640	487 409	640	5 500	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	4 550	100.00
Jotun Paints OOO	St. Petersburg	Russia	RUB	17 000	17 000	17 000	3 814	100.00
Jotun Hellas Ltd.	Piraeus	Greece	EUR	343	11 435	334	2 937	97.40
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	6 600	3 300	2 698	100.00
Jotun France S.A.	Paris	France	EUR	320	16 000	320	2 108	100.00
Jotun Insurance Cell	St. Peterport	Guernsey	GBP	121	1	121	1 350	100.00
Jotun Maroc SARL AU	Casablanca	Morocco	MAD	500	20 000	500	381	100.00
Lady Interiørmaling AS	Sandefjord	Norway	NOK	120	1 000	120	120	100.00
Jotun Optimal Utendørsmaling AS	Sandefjord	Norway	NOK	111	500	111	111	100.00
Drygolin Værbestandig Oljemaling AS	Sandefjord	Norway	NOK	109	500	109	109	100.00
Shares held by third parties for Jotun A/S							10 344	
Total							**1 451 491**	

The voting interest corresponds to the share interest.

cont. NOTE 10 Shares in subsidiaries

SHARES HELD BY SUBSIDIARIES AND JOINT VENTURES

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun Powder Coatings AS								
Jotun Powder Coatings (N) AS	Larvik	Norway	NOK	12 500	125 000	12 500	95 776	100.00
Jotun Toz Boya San ve.Ticaret A.S.	Istanbul	Turkey	TRY	23 600	23 600 000	23 600	75 831	100.00
Jotun Powder Coatings (Thailand) Ltd.	Bangkok	Thailand	THB	9 000	9 000	9 000	65 000	100.00
Jotun Powder Coatings (CZ) a.s.	Usti nad Labem	Czech Republic	CZK	128 000	12 800	128 000	30 887	100.00
Jotun Powder Coatings (M) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	1 950 933	1 572	29 146	80.60
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	121 000	30 343 803	20 048	100.00
Jotun Powder Coatings Pakistan (Pvt.) Ltd.	Lahore	Pakistan	PKR	175 990	6 000 000	164 023	11 501	93.20
Jotun Powder Coatings (India) Private Ltd.	Pune	India	INR	68 600	6 860 000	68 600	9 453	100.00
Jotun Powder Coatings Ltd.	Flixborough	England	GBP	700	1 000 000	700	6 064	100.00
Jotun Powder Coatings Bulgaria Ltd.	Sofia	Bulgaria	EUR	3	-	3	2 157	100.00
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	300	300	270	421	90.00
Jotun Powder Coatings (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	VND	43 396 095	1 200 000	43 396 095	-	100.00
Other holdings							10 854	
Total							**357 138**	
Jotun COSCO Marine Coatings (HK) Ltd.								
Jotun COSCO Marine Coatings (Guangzhou) Co. Ltd.	Guangzhou	China	CNY	72 957	-	72 957	57 478	100.00
Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Qingdao	China	CNY	25 945	-	25 945	21 875	100.00
Jotun Paints (H.K.) Ltd.								
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	89 387	-	89 387	70 063	100.00
Jotun Paints Inc.								
PRS Delaware LLC.	Belle Chasse	USA	USD	1 000	100	1 000	5 762	100.00
Jotun B.V.								
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	2 615	16.67
Jotun Hellas Ltd.	Piraeus	Greece	EUR	343	300	9	124	2.60
Jotun U.A.E. Ltd. (L.L.C.)								
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E.	AED	4 000	4 000	1 600	2 510	40.00
Scanox AS								
Butinox Futura Beis og Maling AS	Drammen	Norway	NOK	100	500	100	100	100.00
Jotun Powder Coatings (N) AS								
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	300	300	30	64	10.00
Total							**160 591**	
Total							**517 729**	

The voting interest corresponds to the share interest.

The companies Jotun COSCO Marine Coatings (HK) Ltd. and Jotun COSCO Marine Coatings (Guangzhou) Co. Ltd. are both owned 50 per cent by the parent company Jotun A/S. The companies are consolidated into the parent company 100 per cent less minority interests. This is based on an overall assessment of underlying agreements on the company's operation and strategy, which indicates that the parent company has the actual control.

NOTE 11 Shares in joint ventures

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E.	AED	4 000	2 000	1 660	108 930	41.50
Chokwang Jotun Ltd.	Kyungnam	South Korea	KRW	11 140 000	557 000	5 570 000	31 953	50.00
Red Sea Paints Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 500	9 500	3 800	21 995	40.00
Jotun Saudia Co. Ltd.	Yanbu	Saudi Arabia	SAR	9 000	9 000	3 600	17 278	40.00
Ratinjat Co. Ltd.	Jeddah	Saudi Arabia	SAR	13 000	13 000	5 200	13 248	40.00
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 196	11 385	30.00
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	282 500	20 000	30 199	1 095	10.69
Shares held by Jotun A/S for third parties							(301)	
Total							**205 583**	

SHARES HELD BY SUBSIDIARIES AND JOINT VENTURES

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun Powder Coatings AS								
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E	AED	3 000	3 000	1 410	66 067	47.00
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)								
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 928	4 505	40.00
Jotun Paints Co. L.L.C.								
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	282 500	20 000	52 828	1 617	18.70
Jotun Saudia Co. Ltd.								
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	282 500	20 000	48 025	1 470	17.00
Total							**73 659**	

The voting interest corresponds to the share interest.

NOTE 12 Other shares and interests

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Nor-Maali OY	Lahti	Finland	EUR	8	10 000	3	8 180	33.40
Cathelco Ltd., England	Chesterfield	England	GBP	1 333	1 333	133	7 565	10.00
Sundry other companies							68	
Total							**15 813**	

NOTE 13 Interest-bearing liabilities

LONG-TERM AND CURRENT LIABILITIES

(NOK thousand)	31.12.09	31.12.08
Long-term liabilities	-	-
Short-tem loans	-	247 255
Bank overdraft	-	-
Total	**-**	247 255

DRAWING FACILITIES

(NOK thousand)	31.12.09	31.12.08
Unused portion of short- and long-term committed drawing rights	1 225 000	1 225 000

The requirement for a liquidity reserve for the group rests with the parent company, which on its part may finance, in whole or in part, subsidiaries and joint ventures through internal loans. At the end of the year, Jotun A/S had drawing facilities totalling NOK 1.2 billion. NOK 600 million of those facilities expires in 2012, while NOK 600 million expires in 2010.

Jotun has negotiated new credit frameworks with four banks totalling NOK 810 million, effective as of August 2010. These frameworks expire in 2013 (NOK 410 million) and 2014 (NOK 400 million), respectively.

The facility contains requirements for minimum equity ratio (25 per cent) and maximum net interest-bearing debt with regard to EBITDA (3.75). Jotun was well within those requirements at the end of the year.

No draws were made on the facilities as of 31 December 2009.

The drawing facilities above include an unused, committed line to Jotun A/S of NOK 25 million in the company's group-account system. Jotun A/S is the main company in the Jotun Group's group-account system and is responsible for exposure with regard to the bank.

The drawing rights in the group as a whole are mainly short-term, uncommitted credits not included in the liquidity reserves.

NOTE 14 Guarantees

OTHER GUARANTEE LIABILITIES NOT ENTERED IN THE ACCOUNT

(NOK thousand)	31.12.09	31.12.08
Guarantees for tax withholdings	32 000	30 000
Letter of Comfort (on behalf of subsidiaries)	1 088 745	1 312 303
Guarantees for subsidiaries	25 715	157 231
Sureties for customers, etc. and guarantees for Jotun A/S	8 800	8 400
Total	**1 155 260**	1 507 934

NOTE 15 Other current liabilities

PROVISIONS FOR LIABILITIES INCLUDED IN OTHER CURRENT LIABILITIES

(NOK thousand)	31.12.09	31.12.08
Warranty provisions	73 797	54 628
Other provisions	26 571	46 804

WARRANTY PROVISIONS

(NOK thousand)	31.12.09	31.12.08
Provisions for loss, 1 Jan.	54 628	76 864
Realised claims/utilised during the year	-30 047	-41 901
Losses recognised for the year	49 216	19 665
Provisions for loss, 31 Dec.	**73 797**	54 628

OTHER LONG-TERM PROVISIONS FOR LIABILITIES

(NOK thousand)	2009	2008
Other provisions for liabilities	48 488	-

The year's provision is connected with restructuring costs. The total expenditure on this project amounts to NOK 60 million. The costs are assumed to accrue in the period 2011 to 2014.

NOTE 16 Tax

TAX PAYABLE ON PROFIT FOR THE YEAR

(NOK thousand)	2009	2008
Ordinary profit before tax	436 666	375 487
Permanent differences	-134 368	-154 965
Change in temporary differences	-74 256	127 560
Basis for tax payable	**228 042**	348 082
Tax payable on profit for the year (28%)	**63 852**	97 463

THE TAX EXPENSE FOR THE YEAR CONSISTS OF:

Tax payable on profit for the year	63 852	97 463
Tax abroad, no credit deduction	22 556	15 054
Gross change deferred tax	20 792	-35 717
Correction previous year	2 159	183
Tax expense on ordinary profit	**109 359**	76 983
Norwegian share of taxes	37 647	28 435
Foreign share of taxes	71 712	48 548

TAX PAYABLE CONSISTS OF:

	31.12.09	31.12.08
Tax payable on profit for the year	63 852	97 463
Tax effect of paid group contribution	-8 680	-
Due tax previous year / pre-paid	38 283	24 192
Withholding taxes receivable	-39 975	-34 223
Total tax payable	**53 480**	87 432

SPECIFICATION OF BASIS FOR DEFERRED TAX:

Non-current assets	33 261	23 780
Current assets	15 311	5 028
Current liabilities	-142 285	-310 732
Long-term liabilities (pensioin obligations)	-113 955	-
Total	**-207 668**	-281 924
Deferred tax asset	**58 147**	78 939

CORRELATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT AVERAGE NOMINAL TAX RATE ON PROFIT BEFORE TAX:

(NOK thousand)	Amount	%
Tax calculated as average nominal tax rate on profit before tax	122 266	28
Effect of credit deduction and corrections previous year	25 618	6
Taxes on dividends, royalty and interest	-	-
Effect of permanent differences	-38 526	-9
Effect of goodwill depreciation and other eliminations	-	-
Deviations in tax rates and other items	-	-
Tax cost on ordinary profit	**109 358**	25

NOTE 17 Equity

(NOK thousand)	Share capital	Other equity	Year's profit	Total
Equity 1 Jan. 2008	102 600	2 638 117	-	2 740 717
Profit for the year	-	-	298 504	298 504
Allocated dividend	-	-	-205 200	-205 200
Appropriations	-	93 304	-93 304	-
Equity, 31 Dec. 2008	102 600	2 731 421	-	**2 834 021**
Profit for the year	-	-	327 307	327 307
Allocated dividend	-	-	-225 720	-225 720
Appropriations	-	101 587	-101 587	-
Equity, 31 Dec. 2009	102 600	2 833 008	-	**2 935 608**

DISTRIBUTABLE RESERVES

(NOK thousand)	31.12.09	31.12.08
The company's distributable reserve	2 498 195	2 413 285

NOTE 18 Share capital and shareholders' information

THE SHARE CAPITAL IN JOTUN A/S AS OF 31 DECEMBER 2009 CONSISTS OF THE FOLLOWING SHARE CLASSES:

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

At the general meeting, each A-share has ten votes and each B-share has one vote.

OWNERSHIP STRUCTURE

THE NUMBER OF SHAREHOLDERS AS OF 31 DECEMBER 2009 WAS 551. THE LARGEST SHAREHOLDERS WERE:

Shareholders	A-shares	B-shares	Total	Share interest in %	Voting interest in %
Lilleborg AS	41 981	103 446	**145 427**	42.50	38.20
Odd Gleditsch AS	11 416	36 009	**47 425**	13.90	11.00
Mattisberget AS	25 038	86	**25 124**	7.30	18.30
Leo Invest AS	2 986	8 184	**11 170**	3.30	2.80
Abrafam Holding AS	3 364	4 315	**7 679**	2.20	2.80
Odd Gleditsch Fargehandel AS	-	6 750	**6 750**	2.00	0.50
ACG AS	-	5 548	**5 548**	1.60	0.40
Elanel AS	3 009	2 353	**5 362**	1.60	2.40
Bjørn Ekdahl	1 872	3 431	**5 303**	1.60	1.60
Taco Invest AS	-	5 234	**5 234**	1.50	0.40
Odd Gleditsch Jr.	4 879	143	**5 022**	1.50	3.60
Live Invest AS	4 051	547	**4 598**	1.30	3.00
Kofreni AS	131	4 094	**4 225**	1.20	0.40
Bjørn Ole Gleditsch	26	3 679	**3 705**	1.10	0.30
Pina AS	-	3 443	**3 443**	1.00	0.30
Conrad Wilhelm Eger	1 171	2 155	**3 326**	1.00	1.00
Jill Beate Gleditsch	-	3 172	**3 172**	0.90	0.20
Odd Gleditsch d.y.	27	3 143	**3 170**	0.90	0.20
Anne Cecilie Gleditsch	5	3 161	**3 166**	0.90	0.20
Frederikke Eger	1 000	2 084	**3 084**	0.90	0.90
Total 20 largest	**100 956**	**200 977**	**301 933**	88.30	88.50
Total others	13 044	27 023	**40 067**	11.70	11.50
Total no. of shares	**114 000**	**228 000**	**342 000**	100.00	100.00

cont. NOTE 18 Share capital and shareholders' information

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

Name	Office	A-shares	B-shares	Total shares
Odd Gleditsch d.y.	Chairman of the Board	27	8 430	**8 457**
Einar Abrahamsen	Board member	3 364	4 317	**7 681**
Richard Arnesen	Board member	1 862	3 272	**5 134**
Nicolai A. Eger	Board member	1 110	5 183	**6 293**
Birger Amundsen	Board member	-	2	**2**
Terje V. Arnesen	Board Member	-	1	**1**
Olav Christensen	Chairman Corp. Assembly	3 009	2 355	**5 364**
Bjørn Ole Gleditsch	Corp. Assembly member	26	10 429	**10 455**
Thomas Gleditsch	Corp. Assembly member	27	5 551	**5 578**
Sven Nicolai Eger Eppeland	Corp. Assembly member	84	550	**634**
Nils Petter Ekdahl	Corp. Assembly member	1 872	940	**2 812**
Morten Fon	President & CEO	8	19	**27**

There are no options for share acquisitions.

NOTE 19 Inter-company balances in Jotun A/S with subsidiaries and joint ventures

	Subsidiaries		Joint ventures	
(NOK thousand)	31.12.09	31.12.08	31.12.09	31.12.08
FINANCIAL ASSETS				
Other long-term receivables	937 809	1 088 948	112 223	34 314
Total financial assets	**937 809**	1 088 948	**112 223**	34 314
RECEIVABLES				
Trade receivables	158 073	172 771	8 970	19 833
Other current receivables	125 472	190 657	46 858	40 703
Total financial assets and receivables	**1 221 354**	1 452 376	**168 051**	94 850
CURRENT LIABILITIES				
Trade creditors	57 664	83 075	17 048	13 765
Other current liabilities	72 207	39 870	130 626	71 251
Total liabilities	**129 871**	122 945	**147 674**	85 016

NOTE 20 Specification – cash flow statement

(NOK thousand)	31.12.09	31.12.08
CHANGE IN INVENTORY, CUSTOMERS AND TRADE CREDITORS		
Inventory	63 920	-72 987
Trade receivables	43 461	-22 373
Trade creditors	-41 887	54 769
Total inventory, customers and trade creditors	**65 494**	-40 591
CHANGE IN OTHER ACCRUALS		
Other current receivables	69 827	-110 248
Tax payable	-33 952	-4 761
Public duties payable	4 198	17 097
Other current liabilities	-75 837	34 197
Other provisions	48 488	141 215
Total other accruals	**12 724**	77 500

NOTE 21 Conditional outcomes and other obligations not entered in the balance sheet

Jotun is involved in disputes and claims cases in connection with the company's activities, including those stated below. Provisions have been made to cover the expected outcome of disputes insofar as negative outcomes are likely and reliable estimates can be made. In evaluating the size of the provisions, expected insurance cover is taken into account. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the group's financial position.

There are ongoing law suits and arbitration cases in the US. Jotun Paints Inc. is facing damages action brought by customers claiming product faults and faulty technology which Jotun acquired from the Valspar Corporation. The outcome of the cases are expected by 2010.

A number of factories have been inspected regarding environmental conditions in the ground, and initiatives have been implemented on the order of local authorities.

Inspections and measurements are made by independent specialists in the field. Examples are the cleaning up of the bottom of the Sandefjord fjord, planned removal of waste disposals at Vera in Norway and cleaning up the ground in conjunction with future shutdowns of the factories at Manger and Fredrikstad in Norway. Allocations are made based on best estimates.

NOTE 22 Financial instruments and risk management

Policy for financial hedging of currency and interest exposure

Hedging cash flows in foreign currency

Jotun's policy is to secure expected cash flows in foreign currency against fluctuations in exchange rates. Expected cash flows in foreign currency the next eight months will be secured 80–100 per cent. Expected cash flows in foreign currency for the next 8–16 months can be secured by 0–40 per cent.

Hedging balance-sheet items in foreign currency:

Jotun's policy is not to currency hedge long-term loans to subsidiaries. Nor does Jotun A/S hedge its own equity in foreign companies against exchange rate fluctuations. Jotun's policy is that the company shall finance itself in its own currency.

Hedging interest risk

Jotun's policy is to have floating interest rates on its loans. If the market situation so indicates, or major loans are taken up, interest rate hedging shall be considered.

Hedging against price risk on raw materials copper and zinc

Jotun's policy is to secure against risk on raw materials such as zinc and copper, which are the main ingredients in metal protection coatings and ship paint. The hedges cover signed paint contracts. Certain types of contracts, particularly those involving deliveries to shipbuilding, are of a long-term nature, and such contracts may be hedged for up to three years.

Management and control of financial risk

Hedging cash flows in foreign currency

Jotun A/S has cash flows linked to its own operations as well as dividends, interest income, licence income and revenues from group service fees from the companies abroad.

To secure Jotun A/S against exchange-rate fluctuations, forward contracts and options are used as hedging instruments. As of 31 December 2009, Jotun A/S has both forward contracts and options. The total hedging port folio is shown in the following table.

HEDGING JOTUN A/S'S CASH FLOWS IN CURRENCY

(NOK thousand)	Volumes at year's end	Unrealised gain/loss(-)
Hedging foreign currency income	480 500	27 000
Hedging foreign currency costs	235 400	-14 700
Total		**12 300**

Hedging is mainly by means of forward exchange contracts. Options have also been used to some extent. All hedging instruments mature in the course of 2010, the majority in the first six months.
The table shows the total hedging of cash flows for Jotun A/S. The total unrealised gain on hedges for Jotun A/S at the end of the year was NOK 12.3 million. The gain will be realised through the eight first months of 2010.

The basis for hedging cash flows is forecasts of expected income and expenses in foreign currency. The forecasts are updated every 4th month or for major events that significantly affect cash flows.

Hedging contracts are entered as loss/gain in the profit and loss account as they fall due (hedge accounting). Changes in value of unrealised hedges are not entered in the profit and loss account

Hedging balance sheet items in currency:

Jotun A/S provides loans to foreign subsidiaries in currency. To secure the parent company against exchange rate fluctuations, currency hedging was, until October 2009, done through currency swaps. As of November 2009, the policy has changes so that hedging shall be done for short-term loans only. Long-term loans shall not be hedged.

Jotun A/S has as of 31 Dec. 2009 loan hedges of loans to subsidiaries (currency swaps) with an equivalent value of NOK 166.5 million, and an unrealised gain of NOK 3.7 million at the end of the year.

Realised and unrealised loss/gain on hedges is taken to financial profit in Jotun A/S. Correspondingly, and unrealised currency gains on short-term and long-term lending are taken to financial profit in Jotun A/S.

cont. NOTE 22 Financial instruments and risk management

Hedging against price risk on raw materials copper and zinc

Jotun A/S has made financial price hedges for zinc and copper prices based on estimated demand relating to signed contracts for the sale of paint products. Hedges on the price of raw material at the end of the year totalled NOK 112.2 million, based on agreed raw material prices and USD exchange rate at 31 December 2009.

The raw material in Jotun A/S hedges have their counter effect in actual raw material purchases in Jotun A/S and in subsidiaries and joint ventures. Realised losses on hedges have their counter effect in lower raw material prices in the companies, and a gain on hedges will have as a counter effect increased raw material prices in the companies, and gains on hedges have their counter effect in increased raw material prices in the companies.

The table shows the hedges (calculated in NOK million at prices and exchange rates at the end of the year), and unrealised losses:

HEDGING OF ZINC AND COPPER PRICES

(NOK thousand)	Volumes at year's end	Unrealised gain/loss(-)
Hedging of copper prices	82 500	800
Hedging of zinc prices	29 600	7 800
Total	**112 200**	**8 600**

Forward contracts are used as hedging instruments. Most hedging instruments mature in the course of 2010, with a minority maturing in 2011.

Realised and unrealised gains and losses on hedging are booked in the accounts for Jotun A/S.

In 2009 a gain from raw material price hedging, totalling NOK 109.2 million, was realised in Jotun A/S accounts. This must be viewed in the light of the fact that NOK 142.5 million were reserved for unrealised losses at the end of 2008. This loss was included in the result in 2008. With rising raw material prices in 2009, the loss actually realised on hedging has been significantly smaller. The gain of NOK 109.2 million is therefore a write-back of an over-large allocation that was made in 2008. In the accounts for Jotun A/S it is entered in the financial result.

Unrealised gains/losses are based on spot rates obtained from Reuters on the balance date. Unrealised gains/losses of derivatives are calculated in the group financial system and compared with information from the external banks who are the counterparties in the transactions. Unrealised gains/losses of derivatives of raw material prices are obtained from the LME (London Metal Exchange) on the balance date.

PROFIT IMPACT OF THE HEDGING TRANSACTIONS

(NOK thousand)	Impact 2009
Impact on operating profit	-81 500
Impact on net financial items	5 400
Total earnings impact	**-76 100**

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of
Jotun A/S

Auditor's report for 2009

We have audited the annual financial statements of Jotun A/S as of 31 December 2009, showing a profit of NOK 327 307 000 for the Parent Company and a profit of NOK 604 255 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company and the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company and the Group are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company and the Group as of 31 December 2009, and the results of the operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 16 February 2010
Ernst & Young AS
Eirik Tandrevold
State Authorised Public Accountant (Norway)
(sign.)
Note: The translation to English has been prepared for information purposes only.

THE JOTUN GROUP

PRESIDENT & CEO
Morten Fon

FINANCE, IT, LEGAL
Ben Guren

HUMAN RESOURCES
Merete Aspaas*

COMMUNICATION
Vidar Ullenrød*

BUSINESS DEVELOPMENT
Tor Hatlo-Johansen*

*member of extended group management

JOTUN DEKORATIV
Bård K. Tonning

JOTUN PAINTS
Erik R. Aaberg

JOTUN COATINGS
Esben Hersve

JOTUN POWDER COATINGS
Martin Chew

BOARD OF DIRECTORS

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

CORPORATE ASSEMBLY

Olav Christensen, *Chairman*
Bjarte Erstad
Bjørn Mellem
Bjørn Ole Gleditsch
Hilde Myrberg
John Jørgensen
Kristin Olstad Schea
Nils Petter Ekdahl
Ole Anton Bakke
Sven Nicolai Eger Eppeland
Thomas Gleditsch
Thore Kristiansen

Sales Office

P Production

Jotun Powder Coatings

Jotun Paints

Jotun Coatings

Jotun Dekorativ

COUNTRY	COMPANY	SHARE HOLDING %	
Australia	Jotun Australia Pty. Ltd., Victoria	100	P
Brazil	Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	
Bulgaria	Jotun Powder Coatings Bulgaria Ltd., Sofia	100	
China	Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang	100	P
	Jotun COSCO Marine Coatings (GZ) Co. Ltd., Guangzhou	50	P
	Jotun COSCO Marine Coatings (HK) Co. Ltd., Hong Kong	50	
	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd., Qingdao	50	
	Jotun Paints (H.K.) Ltd., Hong Kong	100	
Czech Republic	Jotun Powder Coatings (CZ) a.s., Usti nad Labem	100	P
Denmark	Jotun Danmark A/S, Kolding	100	
Egypt	El-Mohandes Jotun S.A.E., Cairo	70	P
Finland	Nor-Maali OY, Lahti	33	P
France	Jotun France S.A.S., Paris	100	
Germany	Jotun (Deutschland) GmbH, Hamburg	100	
Greece	Jotun Hellas Ltd. Piraeus	100	
India	Jotun India Pvt. Ltd., Pune	100	P
	Jotun Powder Coatings (India) Private Ltd., Pune	100	P
Indonesia	P.T. Jotun Indonesia, Jakarta	99	P
	P.T. Jotun Powder Coatings Indonesia, Jakarta	100	P
Ireland	Jotun (Ireland) Ltd., Cork	100	
Italy	Jotun Italia S.p.A., Trieste	100	P
Libya	Jotun Libya J.S.Co., Tripoli	80	
Malaysia	Jotun (Malaysia) Sdn. Bhd., Shah Alam	93	P
	Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	81	P
	Jotun Paints (Malaysia) Sdn. Bhd., Kuala Lumpur	100	
Morocco	Jotun Maroc SARL AU, Casablanca	100	
Netherlands	Jotun B.V., Spijkenisse	100	
Norway	Jotun A/S, Sandefjord	100	P
	Jotun Powder Coatings (N) AS, Larvik	100	P
	Scanox AS, Drammen	100	P
Oman	Jotun Paints Co. L.L.C., Muscat	62	P
Pakistan	Jotun Pakistan (Pvt.) Lda., Karachi	100	
	Jotun Powder Coatings Pakistan (Pvt.) Lda., Lahore	100	P
Poland	Jotun Polska Sp.zo.o., Gdynia	100	
Russian Federation	Jotun Paints OOO, St. Petersburg	100	
Saudi Arabia	Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	49	P
	Jotun Saudia Co. Ltd., Jeddah	40	P
	Red Sea Paints Co. Ltd., Jeddah	40	P
Singapore	Jotun (Singapore) Pte. Ltd., Singapore	100	P
South Africa	Jotun Paint South Africa (Pty) Ltd., Cape Town	100	P
South Korea	Chokwang Jotun Ltd., Kyungnam	50	P
Spain	Jotun Ibérica S.A., Barcelona	100	P
Sweden	Jotun Sverige AB, Gothenburg	100	
Thailand	Jotun Powder Coatings (Thailand) Ltd., ChonBuri	100	P
	Jotun Thailand Ltd., Samutprakarn	95	P
Turkey	Jotun Boya San. ve Tic. A.S., Istanbul	100	P
	Jotun Toz Boya San. ve Tic. A.S., Istanbul	100	P
United Arab Emirates	Jotun Abu Dhabi Ltd. (L.L.C.), Abu Dhabi	52	P
	Jotun Powder Coatings U.A.E. Ltd. (L.L.C.), Dubai	47	P
	Jotun U.A.E. Ltd. (L.L.C.), Dubai	42	P
	Jotun F.Z.E., Jebel Ali Free Zone	100	
United Kingdom	Cathelco Ltd., Chesterfield	10	
	Jotun Paints (Europe) Ltd., Flixborough	100	P
	Jotun Powder Coatings Ltd., Flixborough	100	
USA	Jotun Paints Inc., Belle Chasse, LA	100	P
Vietnam	Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P
	Jotun Powder Coatings (Vietnam) Co. Ltd., Ho Chi Minh City	100	P
Yemen	Jotun Yemen Paints Ltd., Aden	26	P

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

In addition to legal companies Jotun has branch offices, agents, distributors and licesees in Argentina, Azerbaijan, Bahrain, Canada, Chile, Croatia, Cyprus, Domenican Republic, Estonia, Hungary, Iceland, Iran, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lebanon, Lithuania, Malta, Mauritius, Monaco, Montenegro, Namibia, Netherland Antilles, New Zealand, Nigeria, Panama, Peru, Philippines, Portugal, Puerto Rico, Qatar, Romania, Slovak Republic, Slovenia, Sri Lanka, Switzerland, Syria, Taiwan, Trinidad, Tunisia, Ukraine, Uruguay and Venezuela.