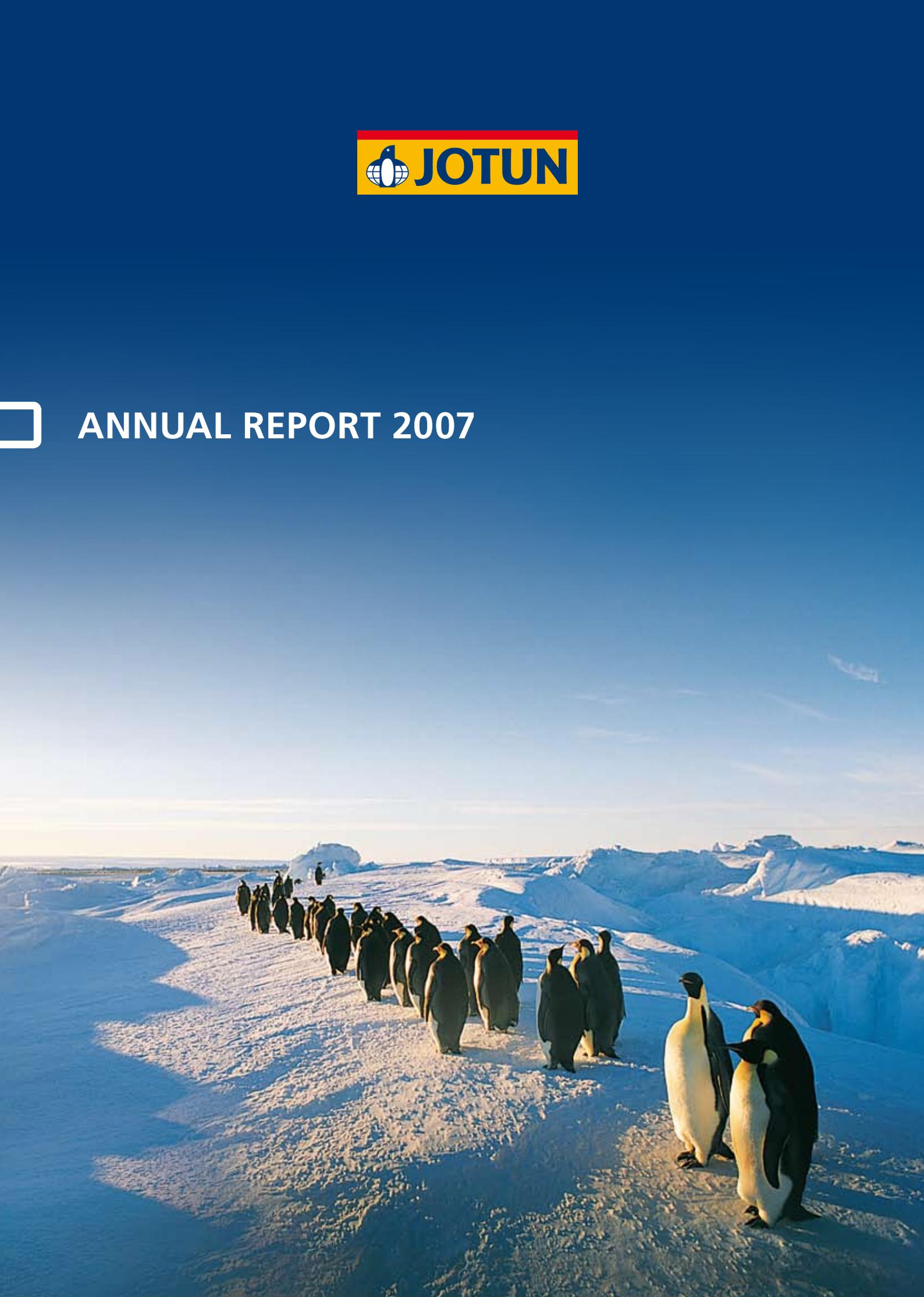
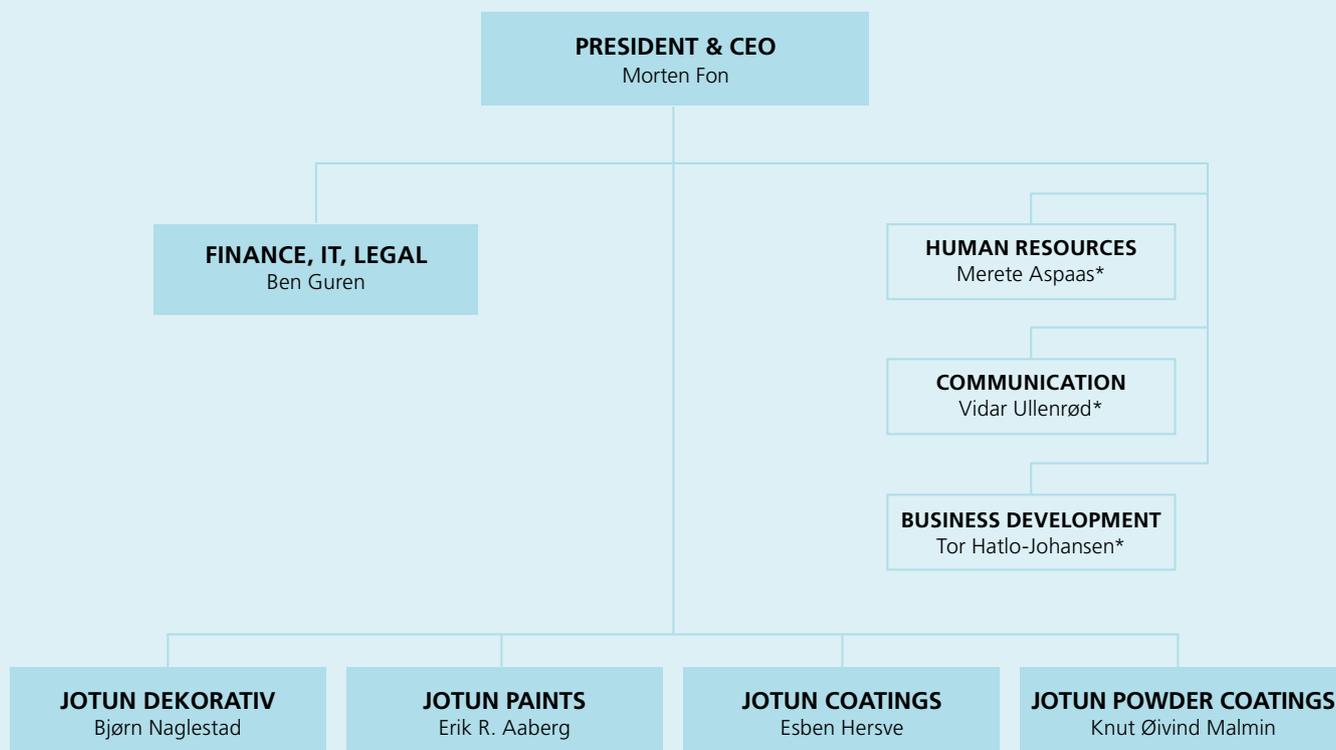




# ANNUAL REPORT 2007



# THE JOTUN GROUP



## BOARD OF DIRECTORS

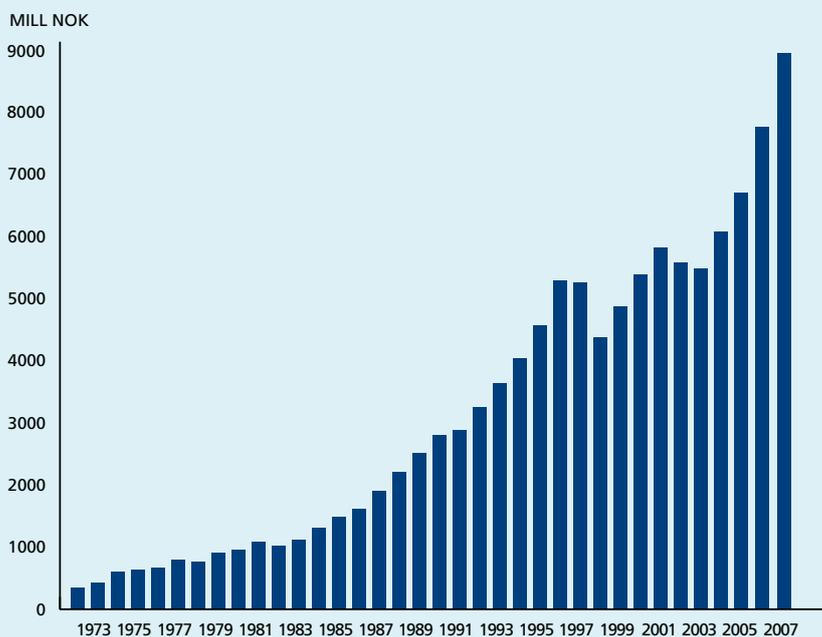
Odd Gleditsch d.y., Chairman  
Einar Abrahamsen  
Richard Arnesen  
Terje V. Arnesen  
Nicolai A. Eger  
Thore Kristiansen  
Torkild Nordberg  
Dag J. Opedal

## CORPORATE ASSEMBLY

Olav Christensen, Chairman  
Birger Amundsen  
Ole Anton Bakke  
Fredrikke Eger  
Bjørn Ole Gleditsch  
Thomas Gleditsch  
John Jørgensen  
Bjørn Mellem  
Leif Moe  
Hilde Myrberg  
Kristin Olstad Schea  
Erling Fredrik Sørhaug

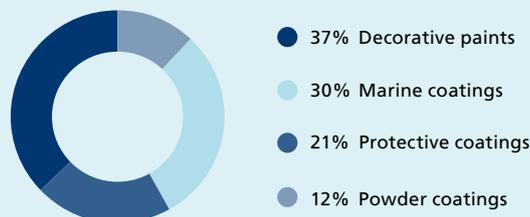
\*MEMBER OF EXTENDED GROUP MANAGEMENT

## SALES



(Figures include shares in joint ventures)

## BUSINESS SEGMENTS



## GROUP KEY FIGURES

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

	2007	2006	2005	2004	2003
<b>SALES</b>					
Sales external	<b>1 514</b>	1 249	1 042	901	817
Export ratio (per cent)	<b>78</b>	76	74	73	73
<b>PROFIT</b>					
Operating profit	<b>137</b>	104	83	73	64
Profit on ordinary activities before taxation	<b>131</b>	98	79	70	62
Net cash flow from operating activities	<b>118</b>	72	29	71	47
<b>PROFITABILITY</b>					
Return on assets (per cent)	1) <b>15.1</b>	12.8	12.0	12.5	12.0
Return on capital employed (per cent)	2) <b>22.2</b>	18.4	16.9	17.1	17.3
Operating margin (per cent)	3) <b>9.1</b>	8.3	8.0	8.1	7.7
Return on equity (per cent)	4) <b>18.1</b>	13.0	12.6	12.9	9.6
<b>YEAR-END FINANCIAL POSITION</b>					
Total assets	<b>1 108</b>	901	760	747	610
Capital expenditure	<b>80</b>	69	64	31	29
Equity (incl. minority interests)	<b>578</b>	479	417	424	374
Equity/assets ratio (per cent)	<b>52.1</b>	53.2	54.9	56.8	61.4
Average number of employees in group, including shares in joint ventures	<b>5 241</b>	4 754	4 437	4 080	3 934
Number of employees in group, including 100 per cent in joint ventures per 31.12.	<b>5 886</b>	5 331	5 009	4 738	4 481

## DEFINITIONS OF KEY FIGURES

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

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

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

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

# THE PURSUIT OF EXCELLENCE

**FOR MORE THAN EIGHT DECADES, JOTUN'S PENGUIN LOGO HAS BEEN RECOGNISED BY BOTH CONSUMERS AND THE INDUSTRY AS A SYMBOL OF QUALITY. BUT JOTUN'S COMMITMENT TO EXCEED CUSTOMERS' EXPECTATIONS IS NOT LIMITED TO OUR COATINGS SOLUTIONS OR THE STRENGTH OF OUR BRAND. IT IS PART OF EVERYTHING WE DO.**

Jotun is active in 70 different countries, providing a broad range of coatings solutions to four different market segments. Our customers range from homeowners in Malaysia to shipowners in Norway, contractors in Dubai to multinational energy companies active throughout the world. To succeed in these diverse regional markets and industry segments requires specific business strategies to manage different challenges. But no matter what market Jotun serves, the organisation is linked by its commitment to excellence.

The development, production and marketing of quality coatings is our core business. But we do not measure our success by cost per litre, but by how well our products match customer expectations. In a sense, the paints, coatings and

powder coatings we sell are an expression of Jotun's commitment to excellence, a principle which guides our actions throughout the Jotun value chain. In 2007, Jotun has taken significant steps to strengthen the organisation. In the product development phase, our research and development engineers and sales and marketing personnel are working together more closely than ever, combining sophisticated market intelligence with a "five gate" benchmarking system to ensure the coatings solutions meets with Jotun's high standards.

Internally, the group continues to invest in new equipment at our production facilities, share "best practices" to improve production flow and introduce Lean philosophy throughout the

organisation. We have renewed our commitment to competence development, implementing an ambitious management training programme and launching Team No. 1, a skills training system designed for our global network of coatings advisors. At the same time, Jotun's Business Development Department has provided each division with a more structured, analytical approach to entering and developing new markets.

While these initiatives are vital to our long-term efforts to strengthen our organisation, we recognise that the value in our pursuit of excellence is not about the destination, but the journey. In the meantime, we remain committed to investing our logo with the spirit of dedication which has defined the company for more than 80 years.



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# A GLOBAL LEADER

**JOTUN IS ONE OF THE WORLD'S LEADING MANUFACTURERS OF PAINTS AND COATINGS. WE HAVE 71 COMPANIES AND 39 PRODUCTION FACILITIES ON ALL CONTINENTS. IN ADDITION, JOTUN HAS AGENTS, BRANCH OFFICES AND DISTRIBUTORS IN MORE THAN 70 COUNTRIES.**

The Jotun group consists of four 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 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 local markets in Europe and selected markets in Asia.

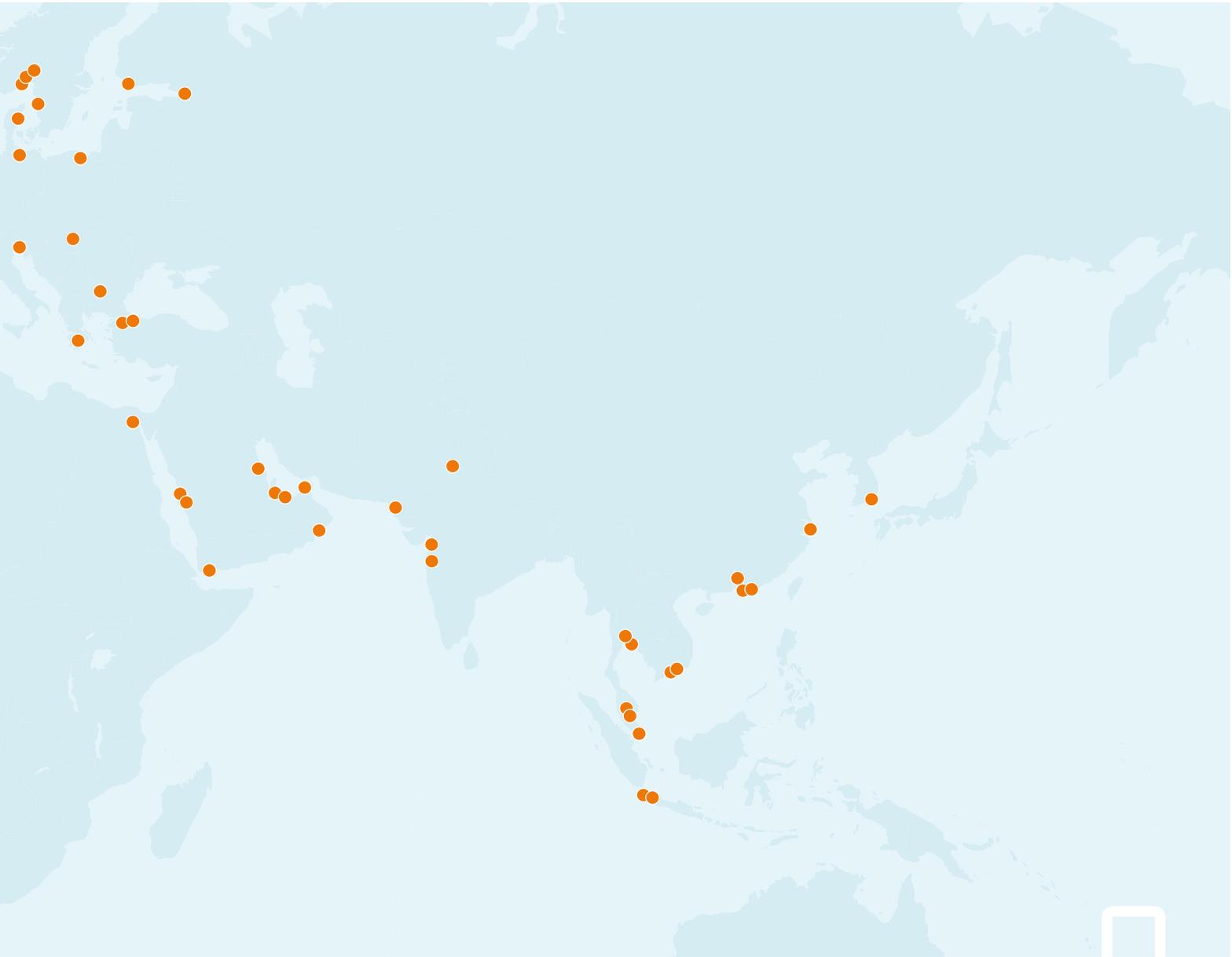
**JOTUN POWDER COATINGS** has global segment responsibility for powder coatings. The product portfolio caters for the architectural, functional and industrial market segments to both protect metal surfaces from corrosion and add colour and style to their appearance.



Ras Al Khor bridge, Dubai



Liberty of the Seas



The Regatta Jakarta, Indonesia



The Al Nasr Palace, Dubai

# A QUALITY GROWTH STRATEGY

**THE JOTUN GROUP'S EXTRAORDINARY GROWTH IN 2007 HAS BEEN DRIVEN BY FAVOURABLE MARKET CONDITIONS, BUT OUR SUCCESS AND FUTURE DEVELOPMENT DEPENDS ON OUR CONTINUED FOCUS ON QUALITY AND THE SUCCESSFUL IMPLEMENTATION OF OUR ORGANIC GROWTH STRATEGY.**



“JOTUN’S LONG TRADITION OF QUALITY, ENTREPRENEURIAL SPIRIT AND EXPERIENCE DEVELOPING THROUGH ORGANIC GROWTH GIVES US THE TOOLS TO MANAGE THE CHALLENGES WE FACE TODAY AND IN THE FUTURE.”

MORTEN FON, PRESIDENT & CEO

In 2007, the Jotun Group showed growth in every segment where we are active, generating record-breaking profitability. This remarkable growth is partly the result of economic expansion in Asia and the Middle East, which has stimulated large scale construction projects, a newbuilding boom in the shipping industry and increasing demand among consumers for decorative paint. Our more modest growth in other regions, including Europe, reflects the slower economic conditions in mature markets.

While Jotun is pleased with our results in 2007, the management team recognises that the seeds of our current success were planted in the past. We have become a global company thanks to Jotun's entrepreneurial spirit, which established our brand in emerging markets long before the competition. We also recognise that Jotun's global reputation for quality products and services has been built over decades, not years. In a sense, our challenge is to ensure that the company's organic growth

strategy and emphasis on quality continues to sustain Jotun's development for years to come.

The continued pursuit of our organic growth strategy is the right decision for Jotun, but it represents a significant challenge. In today's complex global economy, business cycles move more rapidly, requiring improved market intelligence and more investment in equipment, qualified personnel and facilities. We must combine our entrepreneurial spirit with a more process-orientated approach to market analysis and make sure we have the right people in place to lead these initiatives.

Last year, Jotun launched the Business Development Department, conceived to support growth initiatives in each division and develop a broad range of management training and extensive e-learning skills development programmes to build our international competence. Today, more than 20 business projects are being analysed and developed, and about 140 employees have completed training in a broad range of managerial disciplines. We are confident that the results of these efforts will help the company in both the short and long term.

We are also working to strengthen quality throughout the organisation to help differentiate Jotun from our competitors. In 2007, we reorganised our Research and Development Department and launched a number of new, quality products. We are also implementing a company-wide Lean initiative to improve efficiency and productivity and continue to enhance the professionalism of our service and sales support to serve our customers more effectively.

The Jotun Group's remarkable results in 2007, together with the ambitious initiatives we have launched to sustain that growth, have made for a memorable year. Yet in our rapidly changing industry we no longer have the luxury to think in terms of "next quarter" or "next year". After all, the decisions we make today will affect the company not only in 2008, but also for decades to come. Fortunately, Jotun's long tradition of quality, entrepreneurial spirit and experience developing through organic growth gives us the tools to manage the challenges we face today and in the future.



The Management Team (left to right):  
 Esben Hersve / Jotun Coatings  
 Bjørn Naglestad / Jotun Dekorativ  
 Morten Fon / President & CEO  
 Erik R. Aaberg / Jotun Paints  
 Ben Guren / Finance, IT, Legal  
 Knut Øivind Malmin / Jotun Powder Coatings.



**JOTUN DEKORATIV: RE-ENERGISING OUR OFFERING IN MATURE MARKETS**

The Jotun brand has been a strong leader in the Norwegian market for decades and continues to occupy good market positions in both Sweden and Denmark. However, in the last three years, Jotun's market position in Norway and throughout Scandinavia has been threatened by increased competition, the emergence of private label brands and a rapidly changing consumer and professional market. These developments have had a negative impact on margins—especially in Denmark – even as our overall sales growth has increased and the business remains profitable.

To manage these challenges, Jotun Dekorativ has put in place a number of initiatives to improve our overall results. By scaling up our distribution network and working more closely with chain stores, we have improved

volume sales, especially on high-end exterior paints. We will continue to work closely with large specialist paint centres like Colorama, Fargerike and Vakre Hjem, as well as multinational building material stores such as Coop Norden, Montér, Bygger'n, Byggeriet, Byggmakker Maxbo and, as of this year, the German superstore chain Bauhaus, to grow the business.

Jotun Dekorativ also remains committed to ensuring that Jotun is the preferred paint brand and has commissioned a number of independent tests to verify the quality of our products. For example, the Jotun exterior brands Demidekk Optimal and Drygolin Extrem earned top marks in a test conducted by Folksam, a consumer testing organisation based in Gothenburg, Sweden, while the launch of Lady Vegg Easy Clean won “Best in Test” from the Teknologisk Institutt (TI) in

"WE MUST COMBINE OUR ENTREPRENEURIAL SPIRIT WITH A MORE PROCESS-ORIENTATED APPROACH TO MARKET ANALYSIS AND MAKE SURE WE HAVE THE RIGHT PEOPLE IN PLACE TO LEAD THESE INITIATIVES."

MORTEN FON, PRESIDENT & CEO

## 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.

Norway. These efforts have been supported by our re-energised sales force and television and print ads throughout Scandinavia.

Another vital component to our growth strategy has been to improve our production and distribution efficiency. Our Lean process has so far resulted in the closure of several rented warehouses and brought our production schedule more in line with consumer demand. This effort increased our productivity by about 20 per cent, without significant cost increases. We have set a target for an additional 20 per cent productivity gains by the end of 2008.

While these initiatives are key drivers to our future success, Jotun Dekorativ operates in mature, highly competitive markets where growth typically occurs incrementally. We believe that the most important tool we have to stimulate more rapid growth is product innovation. In 2007, we launched Lady Vegg Easy Clean, a high quality washable decorative interior wall paint. To match consumer demand, we have also developed a range of neutral scent, colour fast, environmentally friendly paints and are currently developing more specialised brands for specific markets. We are confident that innovation, combined with our sensitivity to consumer trends, will help drive sales in the future.

### JOTUN PAINTS: REAPING THE REWARDS OF ORGANIC GROWTH

Jotun Paints experienced another year with rapid growth in 2007, continuing a trend of record-breaking profits which has been sustained for more than five years. In both the Middle East (where we saw sales growth of about 18 per cent over last year) and in South East Asia (where our profitability grew by about 20 per cent), Jotun Paints occupies leading positions in every market where we are active.

In addition to a boom in large construction projects, increased economic activity in the Middle East has resulted in more homeowners. To serve this growing market, Jotun Paints has invested in more in-shop tinting systems and Multicolor and Inspiration Centers – our specialty paints "boutiques", where trained staff are on hand to help homeowners make decorating choices. This year, we completed a major launch of Lady in the Middle East, a colour fast, scent-free and washable interior wall paint specifically designed to appeal to this growing market segment.

At the same time, Jotun Paints continues to provide coatings solutions to large construction projects throughout the Middle East. To manage the scale and complexity of these

"INNOVATION, EFFICIENCY AND IMPROVED DISTRIBUTION NETWORKS ARE VITAL COMPONENTS TO OUR GROWTH STRATEGY."

BJØRN NAGLESTAD, GROUP EXECUTIVE VICE PRESIDENT  
JOTUN DEKORATIV

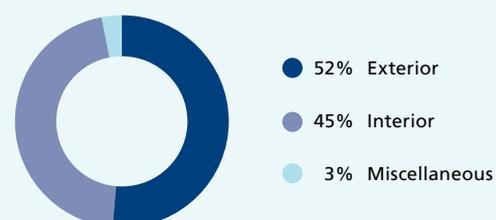
### JOTUN DEKORATIV

### SALES

### SEGMENTS

Employees per 31.12.07: 658

Production facilities:  
Norway (5)



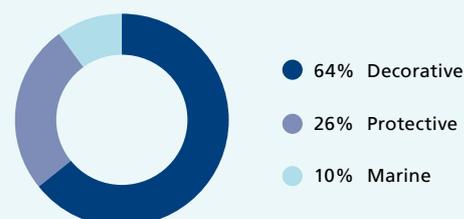
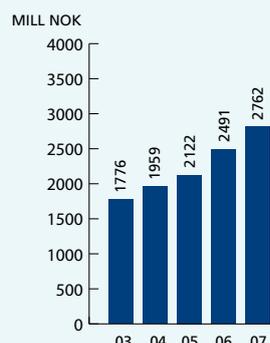
### JOTUN PAINTS

### SALES

### SEGMENTS

Employees per 31.12.07: 2 233

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



“WE RECOGNIZE THAT OUR FUTURE SUCCESS DEPENDS ON OUR ABILITY TO GROW ORGANICALLY IN NEW AREAS AND TO CONTINUE TO BUILD OUR NETWORK DISTRIBUTION CAPACITY WHERE WE HAVE A STRONG MARKET SHARE.”

ERIK R. AABERG, GROUP EXECUTIVE VICE PRESIDENT,  
JOTUN PAINTS

projects, we developed the Advance Project Group to coordinate and make sure that Jotun is the number one choice. The Advanced Project Group’s uniting efforts combined with Jotun’s ability to source different coatings solutions into one unique concept – the Single Source Solution – has been pivotal to meeting our customers’ expectations. In addition, we have experienced especially good sales of protective coatings to the oil and gas industry, as well as major infrastructure projects.

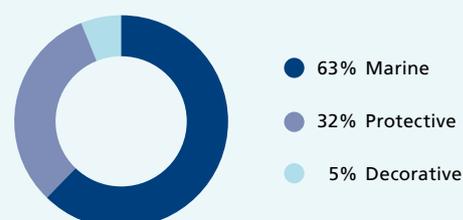
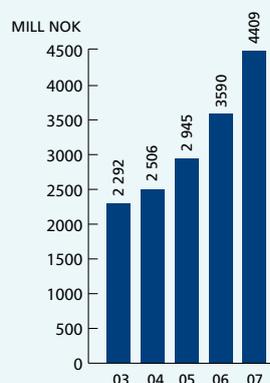
Our business in South East Asia continues to improve, lead by our operations in Malaysia, Indonesia and Vietnam. Our growth in Thailand has been limited by uncertain political and economic conditions, but we are pleased to report that, even in this slow growth market, business is improving. Also, we continue to provide complete coatings

solutions to large construction projects and have seen robust growth in our marine and protective businesses.

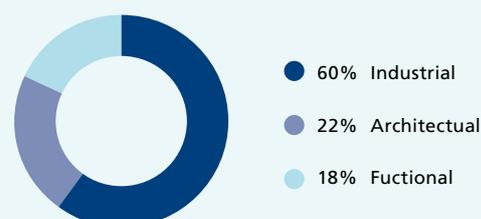
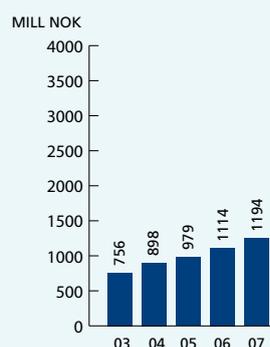
The pace of our growth has put pressure on Jotun Paints to step up both our recruiting efforts, especially for skilled managers, and our competence development training to further improve the quality of our sales and service. We are also working closely with the business development department to evaluate additional growth opportunities in South East Asia and the Middle East, especially in the emerging economies in the Levant and Northern Africa, which we believe are very promising markets. We acknowledge that our remarkable growth over the past few years has been driven in part by favourable economic conditions in the regions where we are active. However, our future success

**JOTUN COATINGS****SALES****SEGMENTS****Employees per 31.12.07:** 2 511**Production facilities:**

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

**JOTUN POWDER COATINGS****SALES****SEGMENTS****Employees per 31.12.07:** 816**Production facilities:**

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



depends on our ability to grow organically and continue to build our network distribution capacity in regions where we have a strong market share.

**JOTUN COATINGS: STRENGTHENING OUR GLOBAL NETWORK**

Jotun Coatings' positive trend continued in 2007 in every segment we are active. Demand for Jotun protective coatings solutions remains high, especially in Asia and the Middle East. This growth has been driven by increased construction of mega-projects and facilities related to the oil and gas industry such as offshore rigs and platforms, and land-based industry such as power plants and refineries.

Jotun's marine business also improved. We broke our previous record providing marine coatings to the newbuilding market. This growth has been driven in part by strong ship-

ping markets, but also by our efforts to work more closely with shipowners and shipyards, such as the shipping giant COSCO, our partner in China. Our decorative segment business continues to perform well in most regions.

Because Jotun Coatings operates in a global market, our business is sensitive to macro-economic trends, such as currency fluctuations, the relatively high costs of raw materials (such as zinc and copper) and increased competition, a result of consolidation of the coatings market. It should also be noted that contracts negotiated in the past with shipyards and energy companies often are not adjusted to reflect present realities. However, Jotun has developed a number of strategies to hedge both currencies and the acquisition of raw materials to minimize these risks.

While our turnover in 2007 is encouraging, the scale of investment, pace of development and the increasingly high requirements demanded by our global customers in the marine and energy industry have placed significant demands on our organisation. To help manage these challenges, we have developed a number of initiatives. In 2007, we launched the Team No. 1 concept, an extensive competence development training programme designed to enable Jotun to provide quality uniform technical support and service in every region where we are active. We have also continued to develop Albatross, a data management tool which has helped the marine segment track and manage customer information.



## BUILDING STRONG TIES

Since 2006, Jotun management personnel from all divisions, segments and work environments have met once a year to strengthen the company's shared values, culture and "Penguin Spirit."

"Penguin Spirit has never been so strong," says Morten Fon, President & CEO of the Jotun Group.

The 2007 event encouraged active participation from Jotun management personnel, who were invited to share their thoughts about the company's future direction and how to bring the organisation closer together. "The passion demonstrated by the organisation made a real impact on how we work," says Fon. "Their input has made a big difference in how we approach our corporate strategy."

Fon adds that the social element of these events also plays an important role in building Penguin Spirit. "These gatherings help build a sense of teamwork across different divisions, segments and work environments," says Fon. "For such a large and diverse organisation, it is important that we reinforce our shared values and work together to achieve common goals. After all, Jotun's greatest asset is the people in our organisation."

"TO MEET THE GROWING GLOBAL DEMAND FOR QUALITY MARINE AND PROTECTIVE COATINGS, JOTUN MUST CONTINUE TO BUILD OUR CAPACITY, COMPETENCE AND OUR NETWORK."

ESBEN HERSVE, GROUP EXECUTIVE VICE PRESIDENT,  
JOTUN COATINGS

To improve the quality of our sales and marketing in the protective segment, we established the Offshore Concept Team in 2006. Based in Singapore, the cross-border team collects and analyses information related to the offshore industry to help us improve sales and marketing and customer management. Jotun Coatings is also analysing a broad range of business development opportunities throughout the world, including Russia and West Africa.

Jotun Coatings has the advantage of having an excellent diversified global network, which has helped us serve our customers, wherever they operate. We are confident that the strong markets in the shipping and oil and gas industries over the next few years will continue to result in high turnover for the division. However, to meet the demands of this growth trend, Jotun Coatings must act quickly to

establish operations in new markets, build our global network and generate more volume.

### **JOTUN POWDER COATINGS: A CORE COMPONENT OF JOTUN'S BUSINESS PORTFOLIO**

After the successful restructuring of the business in 2006, Jotun Powder Coatings had another strong year, increasing pre-tax profits by more than 40 per cent overall. The most significant growth occurred in India, Thailand, Malaysia, Norway and – fed by increased export volume to Russia – the Czech Republic. At the same time, the division's continued focus on efficiency has stabilised manageable costs less than 25 per cent.

Over the past three years, Jotun Powder Coatings has become increasingly integrated into the Jotun Group. In 2007, we moved our architectural and industrial research and

## HIGHLIGHTS 2007

### JOTUN GROUP

- Growth in every coatings segment – sales and EBIT at all time high
  - Successful launch of company-wide Lean initiative
  - Focus on working capital management showed positive results. ■
- Construction of new production facility in India
- Decision taken to build new factories in Korea and Libya

### JOTUN DEKORATIV

- All time high sales, satisfactory growth in both Norway and Sweden
- Successful launch of Lady Easy Clean
- 20 per cent increase in productivity
- 50 interior products for the Scandinavian market received the official Nordic eco-label, the Swan, and the EU's eco-label, the Flower

### JOTUN COATINGS

- Marine Coatings coated a record number of newbuildings
- Protective Coatings increased sales by 40 per cent
- Successful launch of Team No. 1 technical service concept
- Supplied all time high number of dry dockings in 2007

### JOTUN PAINTS

- Strong growth in all segments and geographical areas
- Introduced Lady branded paints in the Middle East
- Several prestigious projects secured
- Strong development in number of Multicolor shops in Middle East and South East Asia

### JOTUN POWDER COATINGS

- Positive growth trend for Powder Coatings continued
- Completed relocation of Divisional Central R&D
- Recorded significantly improved cash flow
- Increased focus on market segments (Architectural, Industrial and Functional)

development facilities from Dubai, UAE to Norway. The division continues to cooperate with Jotun Paints to provide architectural coatings solutions to large construction projects in the Middle East and with Jotun Coatings to provide functional coatings solutions for pipelines to the oil and gas industry throughout the world. With the support of the Business Development department and other divisions, we are currently evaluating opportunities in new markets, including Russia and China.

We have also assigned three senior managers to coordinate efforts for our architectural, functional and industrial segments. These segments represent very different markets, and we are confident that this initiative will allow Jotun Powder Coatings to achieve a more focused and coordinated approach to sales, marketing and customer service. While based in Dubai, UAE, all three managers will

support sales efforts on both a divisional and local level, where appropriate.

As the industry's fourth largest producer of powder coatings, we face competition from both global competitors with significant development resources and small regional operators capable of producing low-priced powder coatings. To manage these challenges, Jotun Powder Coatings remains committed to developing quality specialised products, marketing refreshing new colours to the industrial market and developing improved service to distinguish our offerings from any competitor, large or small.

While we are encouraged by our improved top line growth and financial results, Jotun Powder Coatings' most significant development in 2007 cannot be measured by graphs, charts or tables. After a few years of uncer-

tainty, Jotun Powder Coatings has emerged as an indispensable part of Jotun's total business portfolio, both as a profitable stand-alone division and operating in cooperation with other divisions.

"THE EMERGENCE OF JOTUN POWDER COATINGS AS A CORE JOTUN BUSINESS HAS HELPED RESTORE THE DIVISION'S SENSE OF PURPOSE AND CONFIDENCE, AND WE ARE CONFIDENT THAT WE CAN CONTINUE TO BUILD ON OUR SUCCESS."

**KNUT ØIVIND MALMIN, GROUP EXECUTIVE VICE PRESIDENT, JOTUN POWDER COATINGS**

# JOINING R&D FORCES

**JOTUN HAS CENTRALISED THE R&D FUNCTIONS FOR ALL OF ITS SEGMENTS IN NORWAY AND IS WORKING MORE CLOSELY THAN EVER WITH SALES AND MARKETING TO ENSURE CONTINUITY AND BENEFIT FROM SYNERGIES.**

As one of the industry’s leading product innovators, Jotun has renewed its commitment to research and development. In 2007, Jotun decided to move its primary powder coatings research and development (R&D) department to Norway, where it will join the R&D departments for Jotun Coatings and Jotun Dekorativ. These highly-skilled R&D engineers in Norway will team up with centres of excellence and laboratories all over the world to speed the development of new high-quality products.

### UNITING COMPETENCE

By uniting its main R&D functions in Norway, Jotun can benefit by sharing resources such as colour and pigment laboratories, regulatory information, Health, Safety and Environment (HSE) skills and testing systems. The move will also enable more efficient collaboration between Jotun’s regions and divisions. For example, the 2007 launch of Lady Vegg Easy Clean interior wall paint resulted from close collaboration with Jotun’s R&D and sales and marketing teams in Sandefjord and laboratories in Dubai.

Quality research and development comes from careful observation of coatings performance, communication with the market and exhaustive testing. Jotun uses five gates to manage its innovation process: Idea, development, upscaling, trial launch and “go-to-launch”. This process often takes many years and does not always result in a product launch. Indeed, Jotun has stopped products at the final gate for failing to meet the organisation’s strict quality controls.

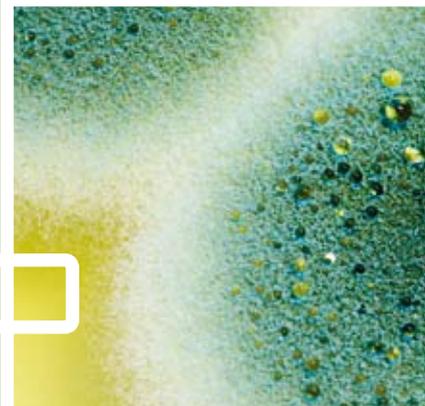
### IMPROVING ENVIRONMENTAL PERFORMANCE

At the same time, tight links with marketing teams lead to R&D work that addresses the market’s biggest challenges, such as improved environmental performance, lower solvent content, effective biocides, better mechanical performance against chips and cracks, faster drying to speed application and realistic testing in salt spray cabinets, etc. In addition to helping manage increasingly strict emissions regulations, environmentally friendly coatings solutions are increasingly in demand in certain markets.

Jotun’s R&D investment continues to grow, and rigorous in-house testing and independent benchmarking ensure Jotun always scores well in surveys. Even as innovation accelerates, Jotun will continue to launch quality products designed to anticipate and exceed customer demand.

## SHARING INNOVATIONS

Much of Jotun’s R&D work is incremental in nature, building on customer feedback and existing technological innovations. For example, a new interior primer launched by Jotun Dekorativ used knowledge derived from Jotun Coating’s work five to ten years ago on a waterborne steel primer that had great adhesion properties. Jotun Coatings combined the properties of its high-quality primer and top-coat products to develop a tintable primer (Penguard Finish Coat) that has had strong sales in the industrial market.





“IN TODAY’S COATINGS INDUSTRY, CHARACTERISED BY A HIGHLY COMPETITIVE MARKET AND RELATIVELY BRIEF INNOVATION LIFE CYCLES, SMALL INNOVATIONS CAN MAKE A BIG DIFFERENCE. OUR FOCUS IS ON REDUCING THE DEVELOPMENT TIME OF QUALITY CUSTOMER-FOCUSED PRODUCTS.”

**BENT W. HAFLAN, JOTUN R&D DIRECTOR**



Quality research and development comes from careful observation of coatings performance, communication with the market and exhaustive testing.



# KNOW YOUR MARKET

**JOTUN'S LEADING MARKET POSITION RELIES ON A STEADY STREAM OF INNOVATIONS – NEW PRODUCTS SPECIFICALLY DESIGNED TO APPEAL TO CERTAIN CUSTOMER SEGMENTS. JOTUN'S SALES AND MARKETING TEAMS WORK TOGETHER WITH OUR CHEMICAL ENGINEERS TO DEFINE THE MOST SOUGHT-AFTER QUALITIES.**

In late August of 2007 Jotun launched Lady Vegg Easy Clean, a new interior waterborne stain-resistant wall paint. The sales arguments are self-explanatory: No product in the market can match it in terms of resistance to stain. Sales personnel equipped with Lady Vegg Easy Clean panels and bottles of ketchup, coffee and red wine urged retailers and customers to do their worst. But with the aid of nothing more than a damp cloth, the panels washed clean. In addition, the product's low emissions and environmentally friendly properties allowed Lady Vegg Easy Clean to win a mark from both the EU's eco-label, the Flower, and the Norwegian eco-label, the Swan (Svanemerket).

## ANALYSE AND IMPROVE

This kind of success was at least two years in the making and was the result of the product team's close collaboration. This team

possessed two crucial components: A sales and marketing element and a research and development element. In this case, Jotun's leading brand in the Norwegian interior wall-paint market faced tremendous price pressure. Jotun sought to create a new product with qualities that customers would easily recognise as unique and valuable and thus prefer – even at a premium price.

The sales and marketing teams quickly realised that families placed a premium on an interior wall paint's resistance to stains and marks. The frustration experience of trying to wash out an impossible stain was not only universal, but universally negative. Customers would gladly reward the paint producer that solved this problem. Jotun's product team combed the market for products with these qualities and then set out to make a product that surpassed them.

## A UNIQUE LAUNCH

Jotun's development team tested dozens of binders and new materials and discussed its challenge with suppliers and partners. At last, they developed a product with unique technology that fit all of their specifications. In-house tests were successful, and the product was sent to an independent testing institute. Blind tests demonstrated the product's superiority over both domestic competitors and leaders in other markets.

Jotun's sales and marketing personnel found it easy to sell the market on Lady Vegg Easy Clean's advantages because the product team's work ensured that the demand was already there. Lady Vegg Easy Clean's launch was a tremendous success, and the product team's work is contributing to development work in other divisions.



## PRODUCT DEVELOPMENT TEAMS

In order to ensure a strategic and intelligent focus on innovation, Jotun builds product development teams with resources from throughout Our organisation – all dependent upon the demand. These teams often include sales and marketing expertise and a research and development component, but may also include members from purchasing, operations or even administration. We have a broad knowledge-based organisation in which many individuals can contribute to successful innovation.

Before launching a new product, development teams discuss marketing challenges with suppliers and partners.



“DEVELOPING A SUCCESSFUL PRODUCT REQUIRES BOTH A DETAILED UNDERSTANDING OF THE MARKET AND A FOCUS ON NEW AND IMPROVED PAINT QUALITIES WHICH WE CAN TAILOR TO DELIVER A PRODUCT THAT CUSTOMERS REALLY WANT.”

**AGNETHE EYDE, PACKAGING DEVELOPMENT MANAGER, JOTUN DEKORATIV**



PRODUCTION

## THE INTERPRETATION OF LEAN

"THE FUNDAMENTAL OBJECTIVE FOR A LEAN ORGANISATION IS TO ACHIEVE A STATE OF CONTINUOUS IMPROVEMENT THROUGH THE INVOLVEMENT OF ALL INDIVIDUALS AND CROSS-FUNCTIONAL TEAMWORK."

KJELL GUNDERSEN, GROUP OPERATIONS IMPROVEMENT MANAGER





Jotun personnel perform routine equipment maintenance at Jotun's production facility outside of Ho Chi Minh City, Vietnam.

**IN 2007, JOTUN BEGAN TRAINING ABOUT 150 OPERATIONAL MANAGERS IN THE PRINCIPLES OF LEAN MANAGEMENT. THIS BUSINESS PHILOSOPHY AIMS TO CREATE CUSTOMER VALUE THROUGH CUTTING WASTE AND INEFFICIENCY IN EVERY PART OF THE ORGANISATION.**

The success of any Lean organisation relies on every employee taking the initiative to solve problems and improve efficiency in a way that provides value for customers and prosperity for the organisation. After all, quality is free: It is all the non-essential activities involved in providing products and services which create unnecessary costs.

To remain consistent with Jotun's commitment to continuous improvement, the company has embraced Lean principles. Two years ago, Jotun introduced Lean management as a concept that could improve purchasing, production, logistics and distribution at its facilities in Norway. Today, Lean management ideas are shared with a broader group of managers via the Jotun Academy.

#### **THE LEAN JOURNEY**

To benefit from Lean management principles, Jotun managers are encouraged to view the process as a long-term commitment to a way of thinking – a journey, not a destination. The concepts that drive Lean management include eliminating waste, minimising inventory, maximising flow and pulling production from customer demand.

The company has already enjoyed tangible results. In Norway, Lean principles were initially applied to areas in supply chain management of Jotun Dekorativ, including

production, logistics, material administration and warehouse management. Last, year, Jotun Dekorativ reduced lead time from 18 days to four, expanded production capacity 20 per cent (without increasing costs) and reached almost perfect service levels on products with high turnover.

To help Jotun more fully embrace Lean, the group has invested in training programmes. In 2007, 75 operational managers completed instruction in Lean management principles at the Jotun Academy. Another 75 are scheduled to complete the training in 2008. Jotun Academy also collects "best practice" data from different parts of the organisation, such as in Jotun's operations in Dubai, which already have highly efficient operations in place. In addition, Jotun's country managers attend parallel sessions featuring a two-day introduction to the Lean business system.

#### **MEASURING SUCCESS**

To ensure continuous improvement, processes must be accurately measured. Jotun currently benchmarks the efficiency of our operations on a monthly basis, using Key Performance Indicators (KPIs) and On Time, In Full (OTIF) performance data. While Lean management typically reduces lead times and increases responsiveness, we believe the core value of this process will be to strengthen quality in every part of our business.

## CONTINUOUS IMPROVEMENT

Jotun's operations in the Middle East have long been an example of high efficiency in the supply chain and responsiveness to customer demand. While not structured as a classic Lean organisation, the culture of continuous improvement at Jotun Paints in Dubai has stimulated regional managers to pursue improved operations throughout the value chain and has produced and shared a number of "best-practice" processes now utilised by other parts of the organisation. The thinking behind Lean management puts a focus on this steady process of improvement.

## TRAINING TEAM NO. 1

**JOTUN'S TEAM NO.1 CONCEPT IS PERHAPS THE MOST AMBITIOUS TRAINING PROGRAMME THE COMPANY HAS EVER LAUNCHED. JOTUN IS OFFERING ALL OF ITS COATINGS ADVISORS – OVER 700 AND COUNTING – A PACKAGE OF 30 TRAINING MODULES, TIERED LEVELS OF CERTIFICATION AND LONG-TERM CAREER PLANNING.**

Two years ago, Jotun began an intensive process to assess its technical service and determine how best to increase the overall competence level of its coatings advisors. While many of Jotun's competitors limit their service to producing paint, Jotun has sought to introduce a new and higher level of technical service in coatings application and control. Starting in October 2007, Jotun Technical Service launched Team No. 1, a training programme for coatings advisors which covers a broad range of skills development concepts.

### CERTIFIED QUALITY

Increasingly strict maritime regulations, such as new rules regarding the certification of ballast tank coatings, have created fresh challenges for shipowners and shipyards. In addition, Jotun's customers increasingly value standardised reporting, quality controls and effective tools and working procedures from coatings advisors. To meet this demand, Jotun set out to build the best technical team in the coatings industry – Team No. 1.

The Team No. 1 training programme includes four levels of competence. While all members of Team No. 1 must pass exams to demonstrate their skill level, experienced coatings advisors will be able to fast track initial modules. Jotun has set ambitious mileposts for Team No. 1: 50 per cent of coatings advisors should complete level one by mid-2008, 95 per cent by mid-2009 and equal targets for levels two and three in the years thereafter.

### PREDICTABLE AND CONSISTENT

Jotun's technical service team has sourced dozens of experts internally to build the training modules, with product teams adding the latest technical knowledge and introducing "best practice" processes on a global basis. Thanks to a grading system and a focus on competence training built into the training programme, Team No. 1 members can develop the skills they need to advance their careers. Jotun will also train a group of so-called "fire-fighters", who are particularly well-trained and prepared to respond wherever and whenever they are needed.

About 1,000 individuals are scheduled to be trained through either parts of or the complete Team No. 1 programme – mostly people from technical service, but also Jotun employees in sales and customer service. With standardised training and reporting, our customers will benefit from a uniform level of quality, wherever they may operate. In the meantime, Jotun technical service remains committed to fulfilling the promise of Team No. 1: "We help deliver the best final result – the coated surface."





"JOTUN RECOGNISES THAT COATINGS ARE AN UNFINISHED PRODUCT UNTIL APPLIED PROPERLY TO A SURFACE. OUR GOAL IS TO ENSURE OUR CUSTOMERS HAVE ACCESS TO THE SUPPORT THEY NEED TO OPTIMISE THEIR COATINGS PERFORMANCE."

**KENNETH MYRSETH, GLOBAL DIRECTOR, TECHNICAL SUPPORT  
JOTUN COATINGS**



## TEAM NO. 1 BY THE NUMBERS

Team No. 1 represents Jotun's most ambitious, comprehensive and sophisticated training programme ever launched, building competence among the company's growing number of technical service providers around the world.

- 1000 Estimated number of individuals who will participate in training programme by 2009
- 513 Full-time Jotun Coatings Advisors
- 146 Part-time technical service providers
- 190 Number of locations where Jotun provides technical service
- 46 Number of countries where Jotun provides technical service
- 30 Number of new modules offered in the Team No. 1 training programme
- 4 Number of levels for Coatings Advisors
- 1 Target rating of Jotun technical service quality by 2009

# A FOCUSED APPROACH TO BUSINESS DEVELOPMENT

**MANAGING THE RAPID PACE OF GLOBAL ECONOMIC GROWTH AND THE EMERGENCE OF PROMISING MARKETS AROUND THE WORLD REQUIRES A COORDINATED APPROACH TO BUSINESS DEVELOPMENT.**

While Jotun's organic growth strategy has yielded record growth for the past few years, changes in the global coatings industry have created the need for a more focused, process-driven approach to business development. Previously, Jotun relied on the considerable entrepreneurial skills of regional managers to open and develop new markets. While this entrepreneurial spirit is alive and well in Jotun, the group created the Business Development department in 2006 to support future growth initiatives, strengthen Jotun's management competencies, provide a framework for due diligence, identify and share best-practices and develop a more analytical, coordinated approach to entering new markets.

## SEEKING OPPORTUNITY

The Business Development department, made up of four core analysts, has been tasked with exploring new markets, performing market analysis and feasibility studies, providing ad hoc consultancy services and managing selected projects, where appropriate. The department is also involved in evaluating regional partnerships and joint ventures. At present, the department is working closely with all four Jotun divisions to develop about five to ten different projects throughout the world, from Russia to Brazil, China to South Africa.

The unit also includes the Competence Development Department, responsible for coordinating training activities, harmonising competence development initiatives in each division, developing e-learning systems and motivating Jotun's employees to utilise the company's many competence training resources on offer from Jotun Academy. In 2007, the Competence Development Department provided management training for about 140 people and has launched an International Trainee Programme to help the company leverage its multicultural diversity and train the "next generation" of skilled workers.

## SUPPORTING GROWTH AMBITIONS

Over the past three decades, Jotun's successful application of an organic growth strategy has helped the company become one of the world's leading providers of coatings. Today, the rapid pace of global business development, the rising cost of entry into new markets and well-capitalised competition have created both challenges and opportunities for Jotun. The Business Development Department is committed to providing resources, structure and support to growth opportunities, wherever they may occur.

## JOTUN VIETNAM: A MODEL OF ORGANIC GROWTH

While all markets are different, Jotun Vietnam represents a useful example of how Jotun's organic growth model works. Jotun has been active in Vietnam since 1992 when the company served both marine and protective customers with personnel sourced from Singapore. The company opened its first representative office in Ho Chi Minh City in 1994, which was staffed with five people. As the economy grew, Jotun opened a small factory in 1998 and, over the next few years, established operations in other parts of the country, including the maritime hub Haiphong near the capital, Hanoi. Jotun began marketing decorative paints in 2003, and a year later, the company extended the factory with a larger and modern production facility. Today, Jotun employs about 180 people and is the market leader in marine and protective segments. Market potential remains strong in Vietnam, especially in the decorative segment, so it is likely Jotun will continue to grow at a rapid pace.

Jotun personnel at the company's production facilities in Vietnam inspect goods before the order is shipped to the customer.





"THE BUSINESS DEVELOPMENT DEPARTMENT IS COMMITTED TO PROVIDING ALL JOTUN DIVISIONS WITH THE TOOLS THEY NEED TO IMPLEMENT THE GROUP'S ORGANIC GROWTH STRATEGY."

TOR HATLO-JOHANSEN, GROUP VICE PRESIDENT, BUSINESS DEVELOPMENT

Rapid economic growth has created rising market demand for decorative paints in Vietnam.

# LOCAL APPROACH, UNIVERSAL QUALITY

**MANAGING JOTUN'S GROWTH IN THE DECORATIVE SEGMENT REQUIRES AN UNDERSTANDING OF WHAT DRIVES LOCAL MARKETS. BUT WHEREVER THE COMPANY IS ACTIVE, THE COMPANY'S COMMITMENT TO EXCELLENCE REMAINS A CONSTANT.**

About 40 per cent of the Jotun Group's total business comes from the global decorative paint segment, involving three of the company's four divisions: Jotun Dekorativ, Jotun Paints and, in selected regions, Jotun Coatings. Jotun decorative paints are sold throughout the world in countries with diverse economies, requiring Jotun to take a different approach to sales, marketing and distribution to drive sales and gain market share.

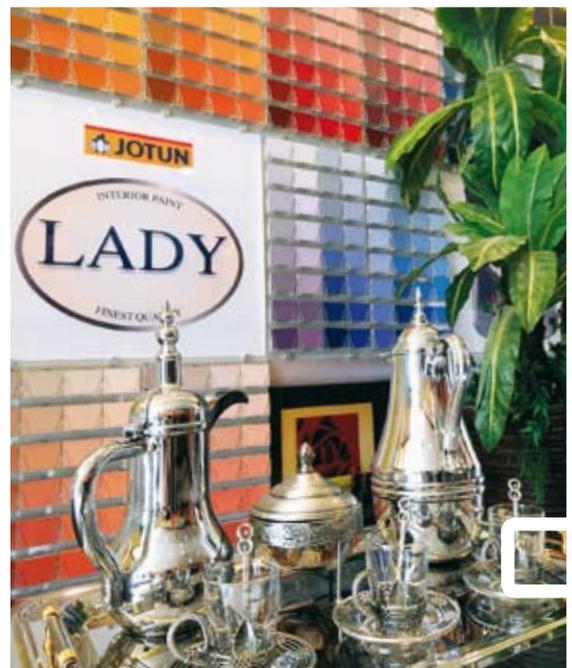
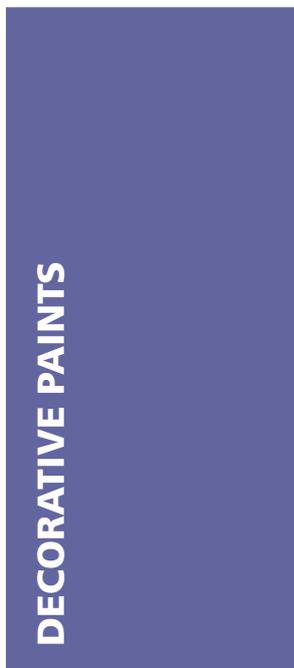
In the mature markets of Scandinavia, where economic growth remains modest, the market is characterised by fierce competition from large, multinational players, the construction of more international building materials super stores and an increase in private label brands, many developed by our local distributors. At the same time, we have seen rising consumer demand for environmentally friendly paints solutions with reduced emissions, which may impact individuals or the environment.

Product innovation remains an essential tool to manage these challenges. By developing quality "fit-for-purpose" solutions, we can meet emerging customer demand and ensure Jotun decorative paints are sold as "preferred products." We also recognise an opportunity to develop our own exclusive brands for certain markets.

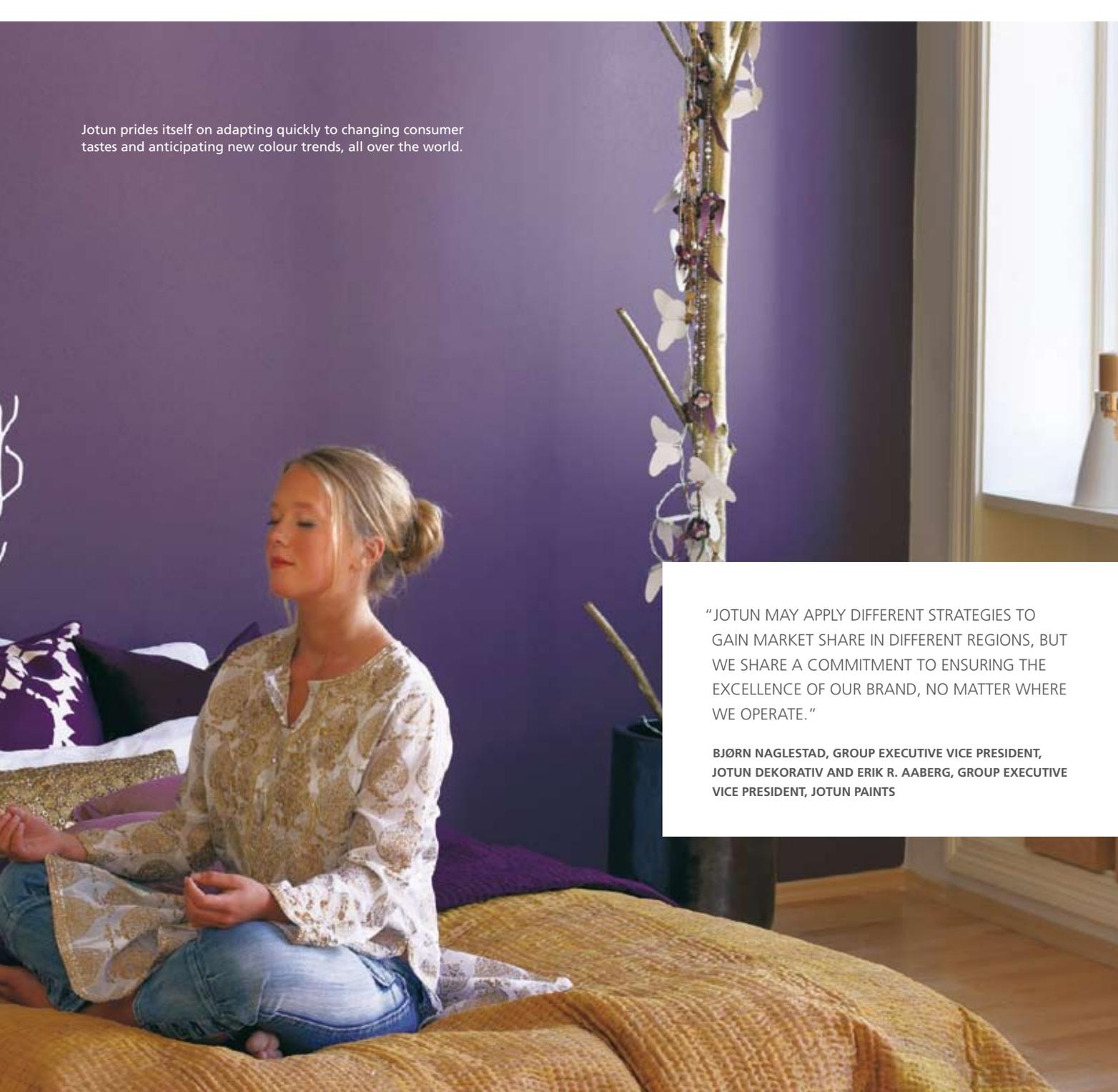
The rapid economic growth in the Middle East and Asia has created different opportunities and challenges for Jotun Paints. In the Middle East, where the soaring price of oil has helped create a new generation of homeowners, quality interior wall paints are increasingly popular as a decorating choice. At the same

time, the region is experiencing a boom in the construction of large mega-projects, which demand not only high volumes of paint, but also professional, reliable service. The project market in South East Asia and China is also strong, but sales in this region are driven more by the decorative home market, which continues to expand in line with high economic growth.

To meet the demands of a growing market, Jotun's operations the Middle East and Asia are increasingly focused on building up a strong distribution network (via Multicolor Centres and in-shop tinting machines) to drive sales. Looking forward, we expect the market will be increasingly impacted by the emergence of more building materials super-stores in the Middle East and South East Asia and anticipate a larger share of Jotun's business will be related to paints maintenance on existing structures.



Jotun prides itself on adapting quickly to changing consumer tastes and anticipating new colour trends, all over the world.



“JOTUN MAY APPLY DIFFERENT STRATEGIES TO GAIN MARKET SHARE IN DIFFERENT REGIONS, BUT WE SHARE A COMMITMENT TO ENSURING THE EXCELLENCE OF OUR BRAND, NO MATTER WHERE WE OPERATE.”

**BJØRN NAGLESTAD, GROUP EXECUTIVE VICE PRESIDENT, JOTUN DEKORATIV AND ERIK R. AABERG, GROUP EXECUTIVE VICE PRESIDENT, JOTUN PAINTS**

## AN INSPIRED CONCEPT

In 2005, Jotun Paints (Dubai) launched an innovative concept to market interior decorative paints to the growing Buy-It-Yourself (BIY) market in the Emirates. Over the past five years, the region's rapidly expanding economy has created an emerging middle class of new homeowners looking for contemporary and fresh design schemes for their homes. Because many of these decorative choices are being made by women unlikely to visit traditional hardware stores, Jotun recognised a market for a more exclusive, upscale place to buy paint. After extensive market research, Jotun launched the first "Inspiration Centre" concept store in 2005.

Today, there are 46 Inspiration Centres in the Middle East. In addition to being larger and more conveniently located than traditional paint stores, Inspiration Centres are staffed by trained colour specialists, who are on hand to help customers make informed decorating choices. High quality customer service, combined with an attractively furnished space, creates a welcoming environment for customers seeking advice on interior design. Jotun Paints plans to have about 100 Inspiration Centres open by the end of 2008 and is currently evaluating markets in South East Asia.



# UNDERSTANDING THE DEMANDS OF A DYNAMIC GLOBAL MARKET

**THE RAPID GROWTH OF THE PROTECTIVE COATINGS SEGMENT CONTINUES, DRIVEN BY INCREASED GLOBAL DEMAND FOR ENERGY AND INFRASTRUCTURE IN THE MIDDLE EAST, ASIA AND EUROPE.**

Jotun's protective coatings business is managed by the Jotun Coatings division (in cooperation with Jotun Paints, where appropriate), providing anti-corrosion coatings solutions to the following segments: Oil & gas, power, infrastructure and industrial. Over the years, Jotun has supplied protective coatings for numerous energy-related structures such as offshore rigs and platforms at sea and refineries and power stations on land. The company also markets protective coatings solutions to high profile mega-projects, such as airports, skyscrapers and stadiums.

The protective coatings segment is driven by increased global economic activity, especially in developing economies in the Middle East and Asia, and a corresponding increase in construction projects and energy infrastructure. The market is characterised by fierce competition between a few major global players.

For years, protective coatings providers seeking to gain market share focused on product development. While new products continue to be launched every year, winning contracts increasingly depends on meeting customer expectations in a broad range of criteria. These include distribution, quality products, service, brand reputation, innovation and consistency. To succeed, coatings suppliers

must meet increasingly high standards set by customer specifications, build strong relationships with owners, consultants, engineers and fabricators and maintain a strong global presence.

Looking ahead, it is likely the high activity in the offshore market will stabilise over the next five years, creating increased competition for land-based projects. In addition, the demands for infrastructure in developing regions, such as Asia, Eastern Europe, Africa and South America will create new opportunities for those companies with the right distribution capacity in place. Companies with a strong local presence, complete with production facilities or warehouses, will be in better position to win contracts for these land-based infrastructure projects.

In 2007, Jotun's protective coatings saw a growth of about 40 per cent in the Middle East and Asia and 30 per cent growth in Europe. To sustain these high growth rates, Jotun Protective Coatings will continue to analyse the needs of our complex market and fine-tune our customer-focused offerings by developing more global uniform services, launching new quality products designed to help companies to reduce maintenance time and pursuing business opportunities in promising regions.

PROTECTIVE COATINGS





## DRILLING FOR SUCCESS

Seadrill (together with partners) owns 37 drilling units, of which 13 are under construction, including semi-submersibles, jack-ups, shallow and deepwater tender rigs and drill ships. Active in 14 different countries, Seadrill is one of the fastest growing offshore contracting services providers in the industry. Jotun has provided coatings solutions to Seadrill for more than a decade. In addition to a frame agreement which covers all of Seadrill's offshore units operating in the North Sea, Jotun personnel in Singapore and Shanghai are supplying protective coatings to Seadrill's existing newbuilding programme, which includes tender rigs and jack ups.

West Sirius



“SUCCESS IN THE HIGHLY COMPETITIVE PROTECTIVE COATINGS MARKET INCREASINGLY REQUIRES A GLOBAL REACH, QUALITY PRODUCTS AND A DETAILED UNDERSTANDING OF THE NEEDS OF THE CUSTOMERS.”

**MARTIN CHEW, DIVISIONAL VICE PRESIDENT,  
PROTECTIVE COATINGS**



Jotun protective technical advisors at the Phu My Power Plant outside of Ho Chi Minh City, Vietnam

## ON THE RIGHT COURSE

**WITH A STRONG NEWBUILDING MARKET EXPECTED TO LAST ANOTHER THREE YEARS, DEMAND FOR MARINE COATINGS REMAINS ROBUST. BUT ENSURING STRONG GROWTH IN A HIGHLY COMPETITIVE AND NOTORIOUSLY CYCLICAL MARKET REQUIRES A LONG-TERM PERSPECTIVE.**

In the past five years, rapidly increasing global trade volumes, particularly between the United States and China, have created new opportunities for shipowners who have invested heavily in new tonnage. Newbuilding orders, perhaps the best indicator of the industry's overall health, will keep shipyards operating at capacity at least until 2010. At the same time, the shipping industry has become increasingly dominated by fewer, larger players, who demand more and more from their suppliers.

The marine coatings market revolves around two core businesses: The newbuildings market and the vessel maintenance and dry dock market. To win contracts in these different markets requires quality products, a strong global distribution network, close relationships with the shipyards and shipowners and excellent service. Coatings suppliers must also keep up to date on emerging environmental legislation.

Last year, Jotun Marine Coatings initiated a programme to coordinate, integrate and focus the company's sales and marketing efforts on about 20 leading global shipping companies. Based in Shanghai, the Newbuilding Concept Team has been successful in strengthening Jotun's presence among shipyards (especially in Asia) and many European and Asian shipowners. Due in part to this new programme, Jotun's marine coatings were used on a record number of newbuildings in 2007, many of which represent some of the largest vessels in the world fleet. We have been successful in serving the container ship segment and are seeking to gain market share in the bulk carrier and cargo tankers segments, especially within tank coatings.

Jotun's long history serving the maritime industry has helped the company establish operations in more than 50 countries, creating one of the industry's most extensive distribution networks. This network is vital to our plans to strengthen our seastock capacity and improve our supply logistics efficiency. To strengthen our long-term relationships with global shipowners and help reduce claims costs related to improper application of marine coatings, we have launched Team No. 1, a competence building initiative which will help Jotun improve service quality.

Looking forward, the emergence of rapidly developing maritime clusters throughout the world, including Russia, Brazil and West Africa, represents significant opportunities for marine coatings suppliers. Jotun is actively seeking to develop capacity in these regions to serve these promising markets. In addition, Jotun Marine Coating has renewed its commitment to serving the small, but important yacht segment. While Jotun's strong sales in marine coatings over the past few years have been largely driven by a strong global shipping market, we are moving quickly to secure our future growth in a cyclical market.



MARINE COATINGS



Jotun's marine coatings were used on a record number of newbuildings in 2007.



“OUR CUSTOMERS ARE MOVING TARGETS. TO SERVE THE MARITIME MARKET EFFECTIVELY, WE MUST CONTINUE TO STRENGTHEN OUR GLOBAL REACH.”

**GEIR BØE, DIVISIONAL VICE PRESIDENT,  
MARINE COATINGS**



### PARTNERING FOR QUALITY

With plans to become the fourth largest shipping nation in the world by 2015, the Vietnam Shipbuilding Industry Corporation (Vinashin) has developed a number of training course to help strengthen the organisations technical competence to ensure quality. The programme, developed in cooperation with Det Norske Veritas (DNV), includes a coatings module sponsored by Jotun Paints (Vietnam). Jotun, which is the leading supplier of marine coatings in Vietnam, will provide training services and financial support to about 500 individuals via 16 courses over the next three years. The courses will take place at DNV Academy at Haiphong and will focus on a broad range of subjects, from surface preparation to relevant maritime regulations.



# STANDING OUT IN A CROWDED MARKET

**IN A HIGHLY COMPETITIVE INDUSTRY DOMINATED BY THREE GLOBAL GIANTS AND CROWDED WITH HUNDREDS OF SMALL REGIONAL PLAYERS, WINNING CONTRACTS REQUIRES A FOCUS ON QUALITY PRODUCTS, SERVICES AND SUPPORT.**

The global powder coatings market continues to strengthen, but the industry remains somewhat fragmented. The industry is dominated by three multinational coatings companies, which derive most of their business supplying powder coatings to global companies, such as leading auto manufacturers and energy companies. At the same time, powder coatings are produced and marketed by many local shops, supplying regional appliance manufacturers and equipment suppliers. To successfully compete in such a varied market, Jotun must maintain both a global perspective and a keen understanding of local market trends.

Despite the fact that powder coatings are used in an increasing number of applications, the industry itself is too often dismissed as a commodities business. While many powder coatings' components are derived from common raw materials and are relatively easy to manufacture, product innovation remains a vital tool for companies seeking to gain market share.

The industry caters to the following market segments: Industrial, which includes household items such as domestic appliances, home comfort fans, laptop computers, metal furniture and fixtures, etc.; functional, which includes pipes and valves for offshore platforms and onshore plants; and Architectural, which includes windows and door frames, spaceframes, louvers, etc. The rising demand for powder coatings in all three segments reflects the increased activity in manufacturing, oil and gas sector, as well as construction, especially in the Middle East and Asia.

To drive growth in these three segments, Jotun Powder Coatings continues to develop

sales capacity, strengthen our distribution network and invest in product innovation. In the industrial segment, which represents about 60 per cent of our business, we recognise a market demand for new colours and finishes. The growth in construction projects in diverse climatic areas has fuelled the development of highly durable powder coatings solutions in the architectural segment. In the functional segment, the development of increasing temperature and damage resistant three-layer fusion bond coatings solutions will enable energy companies to reduce maintenance frequency and off-hire times.

Looking ahead, the powder coatings market is likely to continue growing. Because powder coatings technology is solvent free, it represents the most environmentally friendly industrial coating solution available in the market today. In addition, the development of low temperature curing powder coatings for a variety of new substrates will significantly expand the market in the future. Jotun Powder Coatings enjoys a leading position in many of the areas where we are active, and we are confident we have the resources, skills and vision to capitalise on future opportunities.



**POWDER COATINGS**



“OUR SUCCESS OVER THE LAST THREE YEARS HAS HELPED JOTUN POWDER COATINGS ESTABLISH A STRONG FOUNDATION TO RAISE OUR PROFILE IN A HIGHLY COMPETITIVE MARKET.”

KNUT ØIVIND MALMIN, GROUP EXECUTIVE VICE PRESIDENT,  
JOTUN POWDER COATINGS



In Vietnam, the Powder Coatings segment represents about seven per cent of the total coatings market, but with the continuing strength of the economy driving new business and construction, demand for powder coatings is expected to rise.

Jotun began marketing powder coatings in Vietnam in 1995. Today, the company employs about 43 people and has a 20 per cent market share.

# PREPARING FOR THE FUTURE

**AFTER ABOUT FIVE YEARS OF SOLID GROWTH, JOTUN MUST ADOPT A NEW MINDSET TO REFLECT OUR INCREASINGLY INTERNATIONAL COMPANY AND MANAGE THE RISKS AND REWARDS OF OPERATING IN A COMPLEX GLOBAL ECONOMY.**

The positive results reported by the Jotun Group in 2007 are encouraging, continuing a growth trend which has lasted for five years. Indeed, Jotun has strengthened its position in every segment where we are active, allowing each of our four divisions to show steady improvement, year after year. Yet 2007 is perhaps more notable for the significant changes the company has experienced internally to manage this growth.

In 2007, we continued to invest time and resources in new facilities to raise capacity, competence development to strengthen our workforce and research and innovation to improve our product offering. We have expanded our efforts to manage currency fluctuations and the rising price of raw materials and launched an ambitious initiative to improve efficiency throughout the whole organisation. As a result, Jotun is evolving into a more international, more structured company with an increasingly diverse workforce.

While we acknowledge the significance of these achievements and all the hard work, skill and dedication of Jotun employees, we also recognise that our success today is rooted in decisions made in the past, which have allowed us to capitalise on economic growth in developing markets. We must also acknowledge our growth in these markets is due in part to macro-economic conditions and complex global trade flows which are vulnerable to rapid and unexpected change.

Global economic growth, driven primarily by developments in Asia and the Middle East, has created an unprecedented demand for coatings and fresh opportunities for Jotun to apply our organic growth strategy to new markets. The success of this strategy has been supported by improved cash flow, a corporate structure which allows a long-term approach and Jotun's core values: Loyalty, Care, Respect and Boldness.

We continue to remain confident about Jotun's future, even as we recognise that we operate in a highly complex and often unpredictable global economy. Market forces beyond our control may impact our growth rate and create a more challenging business environment in the years ahead. Just as Jotun must adapt to becoming a more diverse and international company, we must embrace a new mindset to capitalise on future opportunities and learn to manage fresh challenges which we expect to face in the future.





"JOTUN'S TRANSFORMATION INTO A TRULY GLOBAL ORGANISATION WILL CONTINUE TO GENERATE NEW OPPORTUNITIES AND CREATE SIGNIFICANT CHALLENGES IN THE YEARS TO COME."

ODD GLEDITSCH D.Y., CHAIRMAN OF THE BOARD

## 1. MAIN ACTIVITIES

At the end of 2007 Jotun's activities comprised development, manufacture, marketing and sale of various coatings systems and products for surface treatment, organised through four divisions:

**Jotun Dekorativ:** Decorative paints, stains and varnishes for the professional and do-it-yourself markets in Norway, Sweden, Denmark and Iceland, as well as 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 heavy industry and the offshore industry in Europe, USA, South Africa, Australia and North Asia, as well as decorative paints for local customers in the same regions.

**Jotun Powder Coatings:** Decorative and functional powder coatings for industrial corrosion protection and aesthetic surface treatment of metal.

Jotun has a worldwide network and is represented on all continents through subsidiaries and joint ventures. The group consists of 71 companies in 37 countries, including 39 production plants. 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

The conditions for going concern are present, and the accounts for 2007 are rendered on this assumption.

### Profit and loss accounts

The group's total sales were NOK 8,872 million, against NOK 7,733 million in 2006. Most of the group's areas of activity have shown a satisfactory development throughout 2007. Through the year, sales were affected by price fluctuations for key raw materials and currency exchange rates. The strong Norwegian krone (NOK) in 2007 has negatively affected the group's sales and profit due to conversion of the foreign activity to Norwegian kroner.

The group achieved a pre-tax profit of NOK 768 million, compared to NOK 585 million in 2006. Total taxes for 2007 were NOK 214 million, against NOK 209 million in 2006. The consolidated profit after taxes, but before minority interests, was NOK 553 million, against NOK 376 million in 2006.

The parent company, Jotun A/S, shows a pre-tax profit of NOK 466 million, up from NOK 461 million in 2006. After total taxes of NOK 92 million, the parent company accounts show a profit of NOK 374 million, against NOK 327 million in 2006.

### Research and development

The group conducts continuous research and development work at its head office in Sandefjord and at regional laboratories outside Norway.

In 2007, NOK 153 million was posted in the consolidated accounts as expenses for research and development. The corresponding figure for 2006 was NOK 138 million.



### Financial position, capital structure and risk

In its regular business operations, Jotun is exposed to risks relating to credit, interest rates, prices on raw materials and currency exchange rates, steering toward an acceptable risk in those areas.

To reduce risk, Jotun has established routines for currency and commodity hedging as well as customer credit rating.

The net interest-bearing debt at the end of 2007 was NOK 82 million, against NOK 229 million at 31 December 2006.

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 in the consolidated balance sheet and net cash flows through foreign exchange loans, forward contracts, currency swaps and options. The mandate for currency hedging was expanded in 2007 to strengthen predictability and reduce the effect of currency exposure.

The group's total investments in 2007 were NOK 290 million.

Jotun A/S had, on behalf of the group, available established overdraft facilities and other committed short and long credit lines of NOK 1,275 million as of 31 December 2007. There were no draw downs on



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

those credit lines at the end of the year. At the same time, Jotun A/S had cash or cash equivalent totalling NOK 504 million, indicating that the company has a good financial position.

The group's net cash flow in 2007 was NOK 320 million, compared to NOK 108 million in 2006. Cash flow from operations was NOK 691 million. Reported cash flow in the group was affected by the strong Norwegian krone throughout 2007. In converting foreign activity to Norwegian kroner, the reported cash flow was affected by conversion of exchange rates that have had no direct cash effect for the group.

The consolidated equity/assets ratio was 52.1 per cent at the end of the year, against 53.2 per cent a year earlier.

Jotun A/S and the group's cash position and solidity are considered satisfactory.

**Allocation of net profit**

Jotun A/S reports a net profit of NOK 374,075,000 for 2007. The Board of Directors proposes the following allocation of the profit to the Annual General Meeting:

Allocation to share dividend (NOK 600 per share)	NOK 205 200 000
To other equity	NOK 168 875 000
Total allocation	NOK 374 075 000

Jotun A/S had NOK 2,353 million in distributable reserves at the end of 2007, against NOK 2,217 million the previous year.

**3. THE MARKET**

**Jotun Dekorativ**

2007 was yet another year with growing sales volume for this division. However, several factors, including an increased share of private brands in the market as well as changes in distribution structure, have caused a reduction in margins and negatively impacted the profit result. The company focuses continuously on increased earnings in the division's various functions.

The division makes efforts to adapt to trends in the trade's distribution structure, from independent stores to strong, professional chains and building material stores. This is important in order to remain the trade's preferred supplier.

The division has achieved increased efficiency in internal manufacturing and distribution. Improvement work based on the Lean principles was introduced in 2006, and the division enjoyed benefits from this effort in 2007. Among other things, the initiatives have resulted in a 20 per cent increase in capacity without making significant investments. Furthermore, a number of the independent warehouses were discontinued without decreasing delivery ability.

Jotun is dependent on a high innovation rate in launching new or improved products in order to maintain its strong position as a supplier of brand products. In 2007, Lady Easy Clean was launched, a high quality washable product in the Lady series. This product was well received in the market and was ranked "best in test" in a survey conducted by the National Institute of Technology (TI).

Toward the end of 2007 Jotun had to withdraw a product from the market due to inadequate storage stability. However, thanks to the division's continuous development of technology and new products, Jotun could launch Lady Interior Wood, a well-tested new product which covered customers' needs.

Because of Jotun's major expertise in research and development as well as sale and marketing based on consumer insight, the division is well equipped to meet an ever more discerning customer base and growing competition in the market.

### **Jotun Paints**

Jotun Paints enjoyed yet another year of strong growth and earnings, particularly the segments Decorative Paints and Protective Coatings. Sales are increasing significantly in South East Asia, headed by the units in Malaysia, Indonesia and Vietnam. The sales surge in the relatively new decorative markets in Indonesia and Vietnam is particularly encouraging. The Middle East can show a solid sales and profit increase over last year. Jotun continues to maintain its leading position in most segments in which the division is established.

Good economic growth in the Middle East has resulted in very high construction activities. However, competition is growing also in this market. Jotun shall be on the cutting edge of product and concept development in order to meet the increasing competition.

The concepts behind the Multicolor in-store tinting system are one of Jotun's competitive advantages. The number of Multicolor centres, either free-standing or as "shop in shop" solutions, is increasing in both the Middle East and Asia. Moreover, investments have been made in several Jotun Inspiration Centres – free-standing specialist stores with competent personnel who provide advice on colours and interiors for homes.

The market and customers in the Middle East and South East Asia are developing more and more in pace with the West and, as a result, the Lady brand was introduced in the Middle East in 2007 and the Majestic brand was further developed in South East Asia. These are product series where properties such as weak odour and washability are prominent features. Furthermore, the Jotashield brand for external protection of cement and concrete surfaces are being further developed with new variations and properties, thus securing strong growth in markets

such as Spain, Turkey, North Africa, the Middle East and Asia.

Operations in the Middle East and Asia are also directed toward the sale of decorative and anti-corrosive paints for major construction projects, a result of increasingly larger projects and more professional players. Jotun secured contracts in a number of new major projects with international architects and contractors in 2007.

Jotun has traditionally found success by entering markets where development is at an early stage. This, and organic growth, are pillars of the group's strategy. North Africa and the Levant carry major market potential in the long term, and the division is currently studying selected markets in these areas.

The division has over the last years benefited greatly from its presence in markets with good business environment and economic growth, which have contributed to the company's good profit results. Jotun's future success will depend on its ability to grow organically and establish effective distribution networks in markets where Jotun already has a high market share.

The division's manufacturing facilities maintain a good standard. The factory in Egypt has undergone considerable upgrading in 2007. Factories are under construction in Saudi Arabia and Libya which will be completed in 2009.

### **Jotun Coatings**

The division has shown yet another year of solid expansion. Both sales and profits increased in 2007. The network structure, particularly the uniqueness of the marine market, is capital intensive, and the high growth rate calls for increased resources and investments, which affects profits and cash flow.

The Marine segment is making progress and strengthened its position in 2007. In the shipbuilding sector, Jotun was preferred for a significantly greater number of vessels than last year. This is due in part to increased activity in the market, but also the division's increasingly tighter and more professional approach to customers. Specific measures include the launching of Team No. 1, a specialised training programme for boosting technical service competence globally. Furthermore, a new computer tool is now in place enabling the marine segment to manage and handle customer information more professionally than before.

The Protective Coatings segment is growing and developing at a fast pace, particularly in Northeast Asia and the Middle East. There is growing demand for protective systems within energy and the construction business, and it is important for Jotun to be present where the activity is high. Jotun has established a multinational Offshore Concept Team based in Singapore, which conducts market and customer analyses for coordinating an increased commitment to the oil and gas segment. This shows that Jotun is benefiting from its well established collaboration across borders within constantly new areas. Jotun has a tradition of entering markets at an early stage, also within the segment Protective Coatings.

Increased growth has resulted in a need to invest in new production facilities and upgrading existing plants. New, modern plants in India,

Turkey and Korea are under construction. The company is also considering establishing factory facilities in Russia and Brazil, increasing production capacity in China and a new plant for deliveries to Singapore. In addition, there is a need for maintenance and increased capacity in several existing factories. The division will thus need to make major investments moving forward.

### Jotun Powder Coatings

Jotun Powder Coatings showed positive profit results in 2006 as a result of restructuring. This positive trend has grown in 2007. There has been growth in India, Thailand, Malaysia, Norway and, due to a high share of exports to Russia, the Czech Republic.

In recent years the division has been more tightly integrated into the Jotun Group. This has proved fruitful for the division's activity and especially positive for its employees. Jotun Powder Coatings is increasingly working more closely with the Paints and Coatings divisions for delivering total solutions within wet paint and powder coatings to the oil and gas industry and major construction projects worldwide.

Like Jotun's other business areas, Jotun Powder Coatings is studying possible entries into new markets.

The markets in which the division is present are characterised by high competition, from both international players and smaller, local manufacturers who benefit from a low cost level compared with Jotun. In situations like this, production differentiation is one of the keys to success, and the company works continuously on launching new, high quality products and customised solutions.

## 4. HEALTH, SAFETY AND ENVIRONMENT (HSE)

### Goals and activities

Jotun is in the process of developing production volumes and planning and building factories in many places. This presents challenges and opportunities which can be utilised in a forward-looking way to ensure a good economy, HSE and social responsibility.

The company's commitment and ability to change are governed by its flexibility and drive. This concerns work process, structure, culture, diversity, competence, understanding of market realities and communication. In order for Jotun to have a good basis for development and growth, it is important that the company works systematically in developing competence and knowledge, both internally and externally.

The group places great emphasis on ensuring that profitability-boosting measures are not implemented at the expense of HSE.

The nine inspections conducted by HSE personnel in 2007 show that most of the group's factories, laboratories and storage facilities are in accordance with acceptable HSE standards. However, some facilities need to be upgraded, and plans of action have been formulated for this purpose. The board emphasises the importance of continuously improving HSE work and HSE measures.

### Costs

The total costs of HSE activity and HSE measures showed a slight downward trend the past five-year period. Most of the decline is due

to lower operating costs relating to waste management. The HSE-related operating costs decreased in 2007 to NOK 24 million. More recycling and sorting have resulted in reduced costs of waste management.

The HSE-related investments totalled NOK 14.1 million (down from NOK 19.5 million in 2006).

### Working environment

#### Group

In 2007 the group had three tragic accidents, two of which were fatal. An operator at Jotun Powder Coatings Pakistan was injured in a fire at the factory and later died of complications. An employee at Jotun Paints Yemen died in a car accident in February. A janitor, also at Jotun Paints Yemen, sustained serious injuries after the factory's main gate came loose and fell on him.

Sickness absence the past five years has shown a slight increase, peaking at 1.9 per cent in 2006. Sickness absence in 2007 was 1.8 per cent. The total sickness absence is usually a bit higher than the figures show. The low figures may be explained by different sick pay schemes, employment conditions and the extent to which sickness absence is recorded at the facilities.

There were reported 63 injuries resulting in absence in 2007, down from 77 in 2006. The frequency of injuries resulting in absence of one or more days per one million work hours (H value) was 6.1 as opposed to 7.9 in 2006. This translates into 1,592 workdays lost, up from 1,311 in 2006.

Injuries from accidents are mainly squeeze, cut and spray injuries. Jotun takes all types of injuries seriously and places major emphasis on prevention.

#### Jotun A/S

The trend for sickness absence for Jotun A/S in the same period shows a slight decline, with a peak of 5.3 per cent in 2003. Sickness absence rate in 2007 was 4.5 per cent, 83 per cent of which was long-term absence. In the past two years, Jotun A/S had a sickness absence rate that was lower than the average for the member companies in the Federation of Norwegian Industries.

### Environment

Emissions consist of dust from powder coatings production as well as dust and solvents from paint production. The consumption of solvents has been rising the past five years, and there is a clear correlation between production volume and solvent consumption. A total of 70,500 tonnes of solvents were used in 2007, compared to 59,700 in 2006.

Waste volume has increased the past five years, and here too there is a correlation between waste and production volumes. The group generated 15,700 tonnes of waste in 2007, of which 5,800 tonnes were classified as hazardous waste. This entails an increase from 2006 when 15,500 tonnes of waste was generated, with 5,800 tonnes classified as hazardous waste.

Manufacturing represented 77,200 tonnes of water-based emission (against 69,900 tonnes in 2006). Of that amount, 45,400 tonnes were

cleaned (down from 46,400 in 2006). Water-based emissions are slightly declining, with a peak of 83,100 tonnes in 2004. Better routines and production planning have produced positive results.

In six cases, public authorities have regarded emissions into the public sewage system from the group's factories to constitute a local problem. A total of NOK 2.6 million was invested in measures for preventing or reducing negative environmental impact (up from NOK 1.9 million in 2006). These measures include equipment for reducing waste volume and cleaning process water.

## Challenges ahead

Jotun takes all personal injuries seriously and has a zero tolerance policy. Fewer injuries and reduced absence are good economics in themselves and can be measured directly in the form of reduced costs. Equally important, however, is the general quality improvement in all areas achieved through precision and a good and safe working environment. As a part of this aim, Jotun established two internal training programmes in 2007 focusing on HSE. These programmes are important priority areas for preventing situations that lead to bodily or environmental harm.

Preparation of a maintenance standard commenced in 2007 and the system will be rolled out in 2008. This is a cultural change setting new requirements for local skills upgrading.

## 5. DIVERSITY

One of Jotun's core values is respect. This involves, among others, an appreciation of the fact that people are different and that we build organisations and teams across cultural and gender divides. This part of the corporate culture has been and continues to be one of Jotun's competitive advantages and is expressed in broad cooperation and internal recruitments across national borders. Most of Jotun's companies have a management team composed of persons from more than one nation, and most have women in leading positions. For example, both Egypt and Dubai have female managers in their factories.

In 2007, two out of nine members of the corporate management were women. At Jotun A/S, 15 per cent of those with personnel responsibility were women, down from last year's 20 per cent and from 25 per cent in 2004 and 2005. Jotun is not satisfied with the negative trend we see here. On the other hand, we see an increase in the percentage of women among

skilled workers. Women comprised 8.3 per cent of skilled workers in 2007 compared to 7.5 per cent in 2006. The percentage of women among office staff remained unchanged from 2006 (31 per cent).

## 6. GROWTH AND FUTURE PROSPECTS

The company's good underlying growth worldwide during 2007 is expected to continue in 2008. Most of the group's activities are in markets that we expect will have good growth. The US economy is expected to show slower growth in 2008. The markets in Europe are expected to show stable and moderate development. Solid growth figures are anticipated for both the Middle East and Asia in 2008.

There is uncertainty regarding the development of the USD in 2008 because of market signals in the US. For the group, the USD is still highly significant although the group's cash flows the past couple of years have developed in a direction of better balance between the USD and other key currencies.

Oil prices are still at a historic high and are expected to remain high through 2008. Some metal commodities, particularly copper and zinc, have stabilised at high levels, and high prices are still expected for 2008.

Market fluctuations, interest rates, currency exchange rates and the cost of raw materials pose a challenge to Jotun's guidelines for using hedging instruments.

Jotun aims to strengthen its market positions in 2008, through continued growth in volume.

Jotun has a solid market position in Scandinavia, the Middle East and Asia. Jotun's strategy is to continue strengthening its position in these regions through organic growth. To ensure continued growth, the company invests actively in developing technology, processes, personnel and markets.

The Jotun Group's diversification, both geographically and in business areas, makes it less vulnerable to fluctuations in individual markets. Experience points to a probable consolidation within some of Jotun's business areas. Jotun has the economic strength necessary for adapting to changing market conditions and ensuring further expansion.

Based on the implemented efficiency improvement measures and Jotun's strong market positions, the Board is of the opinion that the group will achieve satisfactory profits in 2008.

Sandefjord, 15 February 2008  
The Board of Directors  
Jotun A/S

Odd Gleditsch d.y.  
Chairman

Einar Abrahamsen

Terje V. Arnesen

Richard Arnesen

Torkild Nordberg

Nicolai A. Eger

Dag J. Opedal

Thore Kristiansen

Morten Fon  
President & CEO

## PROFIT AND LOSS ACCOUNT

(NOK thousand)	Note	Jotun A/S		Group	
		2007	2006	2007	2006
<b>Operating revenues</b>	1.2	<b>2 406 806</b>	2 205 199	<b>8 872 209</b>	7 732 966
Change in inventory of finished goods		4 968	-77 358	24 854	59 132
Cost of goods sold	4	1 271 583	1 230 605	4 866 001	4 158 973
Payroll expenses	5.7	503 850	446 599	1 337 329	1 232 225
Depreciation	8	63 602	63 987	226 032	221 749
Bad debt	3	-460	361	22 959	34 764
Other operating costs	6	455 319	372 574	1 590 984	1 381 176
<b>Operating profit</b>		<b>107 944</b>	168 431	<b>804 051</b>	644 947
Dividend / group contribution from subsidiaries		184 893	142 242	-	-
Dividend from joint ventures		107 311	105 788	-	-
Interest income		62 270	43 127	29 773	12 848
Other financial income		9 756	21 490	46 874	31 104
Interest costs		-4 129	-18 747	-53 940	-60 495
Other financial costs		-1 649	-1 563	-59 173	-43 542
<b>Profit before tax</b>		<b>466 396</b>	460 768	<b>767 585</b>	584 862
Tax expense	14	-92 322	-133 568	-214 107	-209 101
<b>Profit before minority interests</b>		<b>374 075</b>	327 200	<b>553 478</b>	375 761
Minority's share of the profit for the year	15	-	-	-76 642	-45 136
<b>Profit for the year</b>		<b>374 075</b>	327 200	<b>476 836</b>	330 625
<b>Appropriation of profit for the year</b>					
Allocated to dividend	15	205 200	171 000	-	-
Other equity	15	168 875	156 200	-	-
<b>Total appropriation</b>		<b>374 075</b>	327 200	-	-

# BALANCE SHEET

(NOK thousand)	Note	Jotun A/S		Group	
		31.12.07	31.12.06	31.12.07	31.12.06
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Deferred tax assets	14	43 222	25 259	103 753	93 656
Other intangible assets	8	54 513	67 448	114 509	151 141
<b>Total intangible assets</b>		<b>97 735</b>	92 707	<b>218 262</b>	244 797
<b>Tangible assets</b>					
Land	8	14 469	14 469	108 097	99 480
Buildings and plants	8	156 024	164 865	651 211	689 176
Machinery, vehicles & equipment	8	132 113	146 089	515 048	590 189
Plants under construction	8	32 385	17 751	196 418	82 513
<b>Total tangible assets</b>		<b>334 991</b>	343 174	<b>1 470 775</b>	1 461 358
<b>Financial assets</b>					
Shares in subsidiaries	9	1 212 874	1 125 353	-	-
Shares in joint ventures	10	172 377	180 137	-	-
Other shares and interests	11	16 162	7 972	8 291	8 009
Pension funds	7	66 876	63 959	85 081	83 480
Other long-term receivables	18	828 352	849 465	36 493	38 603
<b>Total financial assets</b>		<b>2 296 641</b>	2 226 886	<b>129 865</b>	130 092
<b>Total non-current assets</b>		<b>2 729 367</b>	2 662 767	<b>1 818 902</b>	1 836 247
<b>CURRENT ASSETS</b>					
<b>Inventories</b>	4	<b>283 996</b>	272 611	<b>1 368 182</b>	1 359 787
<b>Receivables</b>					
Trade debtors	3.18	184 761	258 347	1 749 900	1 694 456
Other current receivables	18	175 216	172 124	226 745	235 117
<b>Total receivables</b>		<b>359 977</b>	430 471	<b>1 976 645</b>	1 929 573
<b>Bank deposits, cash, etc.</b>		<b>504 433</b>	186 539	<b>830 557</b>	510 398
<b>Total current assets</b>		<b>1 148 406</b>	889 621	<b>4 175 384</b>	3 799 758
<b>Total assets</b>		<b>3 877 773</b>	3 552 388	<b>5 994 287</b>	5 636 005

# BALANCE SHEET

(NOK thousand)	Note	Jotun A/S		Group	
		31.12.07	31.12.06	31.12.07	31.12.06
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Paid in capital</b>					
Share capital	15.16	102 600	102 600	102 600	102 600
<b>Total paid in capital</b>		<b>102 600</b>	102 600	<b>102 600</b>	102 600
<b>Retained earnings</b>					
Other equity	15	2 638 117	2 469 241	2 839 732	2 763 668
<b>Total retained earnings</b>		<b>2 638 117</b>	2 469 241	<b>2 839 732</b>	2 763 668
Minority interests	15	-	-	183 239	120 518
<b>Total equity</b>		<b>2 740 717</b>	2 571 841	<b>3 125 571</b>	2 986 786
<b>LIABILITIES</b>					
<b>Provisions</b>					
Pension liabilities	7	82 860	77 600	108 846	107 924
Deferred tax	14	-	-	16 393	22 989
Other provisions for liabilities		-	-	-	119
<b>Total provisions</b>		<b>82 860</b>	77 600	<b>125 240</b>	131 032
<b>Other long-term liabilities</b>					
Debt to credit institutions	12.17	-	-	61 807	56 567
Interest-free long-term debt		-	-	42 493	35 201
<b>Total other long-term liabilities</b>		-	-	<b>104 300</b>	91 768
<b>Current liabilities</b>					
Loans	18	233 671	162 864	394 089	407 024
Bank overdrafts	21	-	-	292 736	275 858
Trade creditors	18	217 010	207 275	880 511	829 331
Tax payable	14	92 192	100 130	154 037	133 941
Public duties payable		88 189	81 085	113 372	107 972
Allocated dividend	15	205 200	171 000	205 200	171 000
Other current liabilities	13.18	217 935	180 593	599 231	501 293
<b>Total current liabilities</b>		<b>1 054 197</b>	902 947	<b>2 639 176</b>	2 426 419
<b>Total liabilities</b>		<b>1 137 057</b>	980 547	<b>2 868 716</b>	2 649 219
<b>Total equity and liabilities</b>		<b>3 877 773</b>	3 552 388	<b>5 994 287</b>	5 636 005

Sandefjord, 15 February 2008

The Board of Directors

Jotun A/S

Odd Gleditsch d.y.

Chairman

Einar Abrahamsen

Terje V. Arnesen

Richard Arnesen

Nicolai A. Eger

Dag J. Opedal

Thore Kristiansen

Morten Fon  
President & CEO

# CASH FLOW STATEMENT

(NOK thousand)	Note	Jotun A/S		Group	
		31.12.07	31.12.06	31.12.07	31.12.06
<b>Cash flow from operating activities</b>					
Profit for the year		374 075	327 200	476 836	330 625
Change in deferred tax	14	-17 963	1 427	-16 693	-2 065
Gains/losses on sale of fixed assets		-9 906	-1 511	-5 144	-8 566
Depreciation	8	63 602	63 987	226 032	221 749
Change in goods deliv., trade receiv. and trade creditors	19	71 936	18 972	-12 659	-223 135
Change in borrowing/lending in group account system		79 832	93 843	-	-
Change in warranty provisions	13	33 649	-3 355	30 068	2 983
Change in other accruals	19	-6 915	33 504	101 617	93 336
Translation exchange differences		-	-	-108 650	27 689
<b>Net cash flow from operating activities</b>		<b>588 310</b>	534 067	<b>691 407</b>	442 616
<b>Cash flow from investment activities</b>					
Payments from sale of fixed assets		2 251	3 209	9 555	23 142
Payments for purchase of fixed assets	8	-43 874	-74 720	-290 148	-277 505
Payments for invest. in subsidiaries and joint ventures		-78 902	-134 606	-	-
Change in other investments and lending		21 109	-54 888	227	-3 613
<b>Net cash flow from investment activities</b>		<b>-99 416</b>	-261 005	<b>-280 366</b>	-257 976
<b>Cash flow from financing activities</b>					
Payments from new lending		-	-	160 927	343 632
Payment of debt		-	-96 787	-143 530	-270 483
Payment of dividend		-171 000	-153 900	-171 000	-153 900
Payments of group contributions		-	31 711	-	-
Change in minority interests	15	-	-	62 721	4 464
<b>Net cash flow from financing activities</b>		<b>-171 000</b>	-218 976	<b>-90 882</b>	-76 287
<b>Net change in bank deposits, cash, etc.</b>		<b>317 894</b>	54 086	<b>320 159</b>	108 353
Bank deposits, cash, etc., 1 Jan.		186 539	132 453	510 398	402 044
<b>Bank deposits, cash, etc., 31 Dec.</b>		<b>504 433</b>	186 539	<b>830 557</b>	510 397
Undrawn credit facilities, 31 Dec.	21	1 275 000	1 275 000	1 275 000	1 275 000

**Basic accounting principles – assessment and classification**

The company accounts for Jotun A/S and the consolidated accounts consist of the profit and loss account, balance sheet, cash flow statement and note information and are rendered in accordance with the Accounting Act and generally accepted accounting practices as of 31 December 2007 in Norway. 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 and consolidated accounts are based on basic principles such as the transaction principle, the earned income principle, the matching principle and the prudence principle.

**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, in preparing the accounts in accordance with generally accepted accounting principles.

**Consolidation of subsidiaries and joint ventures**

The consolidated accounts include the parent company, 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 and joint ventures. In joint ventures, Jotun A/S has, by agreement, joint control with other owners. The subsidiaries are fully consolidated line by line, and joint ventures are consolidated with the group's share interest line by line in 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. Newly acquired companies are consolidated from the point controlling interest is achieved and sold companies are consolidated up to the date of sale. All intercompany transactions as well as payables and receivables are eliminated. Unrealised profits in stock of goods ascribed to intercompany deliveries are eliminated in the group's stock of goods and operating profit.

**Elimination of shares in subsidiaries and joint ventures**

The acquisition method is used as the consolidation principle when eliminating shares in subsidiaries and joint ventures. This entails that the parent company's cost price for shares in subsidiaries and joint ventures 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 paint 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.

Translated differences arising upon consolidation are posted directly against equity.

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

**Dividends from subsidiaries and joint ventures**

Dividends are recognised as income in the parent company's accounts in the year of the decision.

**Subsidiaries in countries with high inflation**

In companies in countries with high inflation, which in Jotun's case are Jotun Toz Boya San. ve. Ticaret AS and Jotun Boya San. ve. Ticaret AS, Turkey, the accounts are prepared in the companies' functional currencies: EURO and USD, respectively. This entails that assets and liabilities are valued on the basis of historical cost price in the above currencies.

**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.

**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. 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 assets 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.

**Financial instruments**

The company uses financial instruments to reduce the effect of fluctuations in currency and raw material prices in the company.

**Securing cash flow**

Jotun hedges currency-exposed cash flow from operating activities.

Expected future cash flow is used as the basis. Hedging transactions intended to secure future cash flows and are valued together with those, and unrealised gains or losses are not posted until the due date. The profit effect is presented on the same line as the hedged cash flow.

Jotun hedges against fluctuations in zinc and copper prices. Gains and losses on hedging transactions made to secure future prices are evaluated together with the hedged cash flows and entered in the profit and loss account on the due date. Unrealised gains and losses are not entered in the profit and loss account. The profit effect is presented on the same line as the hedged cash flows.

### *Fair value hedges*

Loans to foreign subsidiaries are hedged with financial instruments such as currency swaps and forward contracts. Hedging instruments and objects are recognised at fair value. Realised and unrealised gains and losses are entered in the profit and loss account as financial items.

### **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. Other securities carried as current assets are valued according to the portfolio principle. The portfolio is managed as a unified group and is only value-corrected if the total stock has a lower value than acquisition cost. 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 paint 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 10 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.

### **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. 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 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 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**

<i>(NOK thousand)</i>	<b>Jotun Dekorativ</b>	<b>Jotun Coatings</b>	<b>Jotun Paints</b>	<b>Jotun Powder Coatings</b>	<b>Total</b>
Sales revenues 2007	1 696 511	4 082 919	2 000 668	1 001 377	<b>8 781 475</b>
Sales revenues 2006	1 628 456	3 304 292	1 765 262	928 743	7 626 753

<b>Geographical areas</b>	<b>Europe</b>	<b>Middle East/ Far East</b>	<b>USA</b>	<b>Other</b>	<b>Total</b>
Sales revenues 2007	4 445 126	3 828 594	73 835	433 920	<b>8 781 475</b>
Sales revenues 2006	4 032 534	3 108 356	82 501	403 362	7 626 753

**NOTE 2 OPERATING REVENUES**

<i>(NOK thousand)</i>	<b>Jotun A/S</b>		<b>Group</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
Sales revenues	1 453 972	1 380 477	8 781 475	7 626 753
Sales revenues from subsidiaries	689 473	599 947	-	-
Other revenues	95 207	75 669	90 734	106 214
Other revenues from subsidiaries	168 154	149 106	-	-
<b>Total</b>	<b>2 406 806</b>	2 205 199	<b>8 872 209</b>	7 732 966

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

**NOTE 3 BAD DEBTS**

<i>(NOK thousand)</i>	<b>Jotun A/S</b>		<b>Group</b>	
	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06
Allocation to bad debts 1 Jan.	3 332	3 900	191 152	190 421
Realised loss/utlised in the year reduced for previous write-offs	-440	-929	-34 944	-34 034
Loss charged to profits for the year	-460	361	22 959	34 764
<b>Provisions of bad debts, 31 Dec.</b>	<b>2 432</b>	3 332	<b>179 167</b>	191 152

**NOTE 4 INVENTORIES**

<i>(NOK thousand)</i>	<b>Jotun A/S</b>		<b>Group</b>	
	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06
Raw materials	104 518	102 267	540 913	558 698
Finished goods	193 959	188 991	896 802	871 947
Write-down for obsolescence	-14 481	-18 647	-69 532	-70 858
<b>Total</b>	<b>283 996</b>	272 611	<b>1 368 183</b>	1 359 787

**NOTE 5 WAGES AND SALARIES, NUMBER OF EMPLOYEES AND REMUNERATIONS**

<b>Wages and salaries and other social costs</b>	<b>Jotun A/S</b>		<b>Group</b>	
<i>(NOK thousand)</i>	<b>2007</b>	2006	<b>2007</b>	2006
Wages and salaries incl. bonuses	403 589	355 397	1 068 464	969 948
Social benefits	57 316	56 670	117 528	111 847
Pension costs – defined contribution plans	20 433	17 575	55 223	48 124
Pension costs – defined benefit plans	16 194	16 101	25 881	32 869
Other benefits	6 318	856	70 233	69 437
<b>Total</b>	<b>503 850</b>	446 599	<b>1 337 329</b>	1 232 225

Average number of employees, including shares in joint ventures	<b>788</b>	765	<b>5 241</b>	4 754
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**CONTINUED NOTE 5 WAGES AND SALARIES, NUMBER OF EMPLOYEES AND REMUNERATIONS****Remuneration to members of the Board of Directors, Corporate Assembly and President & CEO:**

<i>(NOK)</i>	CEO		Board		Corporate Assembly	
	2007	2006	2007	2006	2007	2006
Wage incl. bonuses	3 156 504	2 704 000	-	-	-	-
Other remuneration (company car, etc.)	150 731	165 616	1 589 000	1 350 000	188 750	164 750
Pension premiums*	54 525	403 762	-	-	-	-

\* Life annuity has been changed and disability annuity included in wage as of 2007.

The President & CEO enters into 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).

The President & CEO also enters into a profit-dependent bonus system for the group management limited upward to 20 per cent of agreed annual wage.

Jotun A/S 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 A/S 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:**

<i>(NOK thousand)</i>	Jotun A/S		Group	
	2007	2006	2007	2006
Statutory audit	1 145	1 107	6 505	5 817
Other attestation services	158	-	465	-
Tax advising	-	-	1 801	3 541
Other services	32	490	2 206	3 210

**NOTE 6 SPECIFICATION OF OTHER OPERATING COSTS**

The essential items under 'other costs' are related to the following:

<i>(NOK thousand)</i>	2007
Manufacturing costs	218 536
Warehouse costs	87 906
Transportation	241 984
Sales costs	579 841
Technical service	39 720
Warranty costs	67 459
Research and development	68 828
Royalty	9 464
Other operating costs	277 246
<b>Total</b>	<b>1 590 984</b>

**NOTE 7 PENSION COSTS**

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

**Group life annuity insurance schemes in the companies in Norway**

At the end of 2006, Jotun established pension schemes for employees who had a pension base beyond 12G (12 times the base amount), which consisted of performance-based and deposit schemes. Those schemes have been closed due to changed framework conditions.

For members of the salary-based scheme, paid-up policies have been issued to both active employees and pensioners. For the members of the deposit scheme, paid-up policies have been issued for accrued deposits.

A new disability cover has been established without paid-up-policy accrual in a life company as of 1 January 2007. The remaining obligation to members of the previous salary-based scheme and continuation of the previous deposit scheme are established as unfunded schemes from the same date.

**Defined contribution plans**

Defined contribution plans are schemes whereby the company pays an annual deposit to the employees' pension plans 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 57 years of age and replaced those schemes with defined contribution plans 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 performance plans are indicated in Note 5.

**Defined benefit plans**

Schemes with net pension funds include 140 employees and 636 pensioners connected with the group pension scheme at Jotun A/S. In addition, 17 employees and 79 pensioners are in other Norwegian subsidiaries within corresponding schemes. The group pension scheme provides for

future pension benefits of up to 60 per cent of terminal pay singularly limited upward to 12 times the social security basic amount (G). The scheme is coordinated with social security benefits.

Included in the scheme involving net pension obligations are fund based benefit schemes for 104 employees and 156 former employees/pensioners in Jotun's English companies. In addition there are pension obligations for 241 employees in our Indonesian companies. Also included are obligations for Jotun A/S and Norwegian subsidiaries from the contractual-pension scheme ("AFP"). In addition there are other pension obligations financed over operations, which include agreed and implemented early retirement, unfunded pensions, early retirement schemes for Jotun's senior executives in Norway and the remaining obligation with the discontinued performance-base scheme for a pension base beyond 12 times the basic amount (12G) in Jotun A/S.

	Jotun A/S	Others
Pensioners in unfunded schemes	7	1
Early retirement agreements – contractual and implemented	33	1
Senior executive schemes – active	10	-
Senior executive schemes – pensioners	4	-
Contractual pension (AFP) – active	915	110
AFP pensioners	56	3
Benefit scheme over operations	8	-

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 in the Norwegian and English schemes has been calculated as of 31 December 2007. Pension obligations in the Norwegian and English schemes are valued at fair value as of 31 December 2007. Overfinancing in the fund-based schemes has been calculated and may be used to finance future pension premiums.

Jotun A/S (NOK thousand)	2007		2006	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
<b>Changes in pension obligations</b>				
Defined benefit obligation at the beginning of the period	281 961	166 425	278 478	148 687
Current service cost	2 510	12 157	2 865	14 552
Interest cost on pension obligations	11 609	7 143	14 836	7 666
Actuarial loss (gain)	15 837	-50 043	3 256	14 117
Social security upon paying pension funds	-	-556	-	-
Pension payments	-18 180	-12 834	-17 474	-18 597
<b>Defined benefit obligation at the end of the period *</b>	<b>293 737</b>	<b>122 292</b>	281 961	166 425

## CONTINUED NOTE 7 PENSION COSTS

Jotun A/S (NOK thousand)	2007		2006	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
<b>Changes in plan assets</b>				
Plan assets at the beginning of the period	318 824	62 863	299 700	58 589
Expected return on plan assets	17 036	3 470	20 038	3 936
Actuarial (loss) gain	-6 116	-64 588	11 912	2 372
Payments to the scheme	-	4 308	4 648	4 318
Pension payments	-18 180	-3 846	-17 474	-6 352
<b>Plan assets at the end of the period</b>	<b>311 564</b>	<b>2 207</b>	318 824	62 863
<b>Reconciliation of pension assets/(liability)</b>				
Net pension obligation – overfunded (underfunded)	17 827	-120 085	36 863	-103 562
Unrecognised actuarial loss (gain)	49 049	37 225	27 096	25 962
<b>Book value – assets (liability)</b>	<b>66 876</b>	<b>-82 860</b>	63 959	-77 600
<b>The period's pension costs including social security</b>				
Current service cost	2 510	12 157	2 865	14 552
Interest cost for the pension obligations	11 609	7 143	14 836	7 666
Expected return on plan assets	-17 036	-3 470	-20 038	-3 936
Recognised actuarial loss (gain)	-	3 281	-	156
<b>Pension cost recognised in the profit and loss account</b>	<b>-2 917</b>	<b>19 111</b>	-2 337	18 438

\* Including unsecured schemes

Group (NOK thousand)	2007		2006	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
<b>Changes in pension obligations</b>				
Defined benefit obligation at the beginning of the period	313 961	439 579	309 905	400 961
Translation difference at the beginning of the period	-	-30 023	-	12 144
Current service cost	2 748	21 092	3 162	22 427
Interest cost on pension obligations	12 852	19 412	16 512	20 719
Actuarial loss (gain)	16 216	-77 641	3 760	10 377
Social security upon paying in pension funds	-	-561	-	-
Pension payments	-20 233	-21 796	-19 378	-27 049
<b>Defined benefit obligations at the end of the period</b>	<b>325 544</b>	<b>350 062</b>	313 961	439 579

Group (NOK thousand)	2007		2006	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
<b>Changes in plan assets</b>				
Plan assets at the beginning of the period	365 674	273 647	345 140	222 340
Translation difference at the beginning of the period	-	-23 558	-	7 152
Expected return on plan assets	19 505	15 399	23 036	15 305
Actuarial (loss) gain	-8 378	-67 975	13 927	8 103
Payments to the scheme	-2 050	15 528	2 949	34 323
Pension payments	-20 233	-12 037	-19 378	-13 576
<b>Plan assets at the end of the period</b>	<b>354 518</b>	<b>201 004</b>	365 674	273 647
<b>Reconciliation of pension assets (liability)</b>				
Net pension obligations – overfunded (underfunded)	28 974	-149 058	51 713	-165 932
Actuarial loss (gain) not recognised	56 107	40 212	31 767	58 008
<b>Book value – assets (liability)</b>	<b>85 081</b>	<b>-108 846</b>	83 480	-107 924
<b>The period's pension costs including social security</b>				
Current service cost	2 748	21 092	3 162	22 427
Interest cost on pension obligations	12 852	19 412	16 512	20 719
Expected return on plan assets	-19 505	-15 399	-23 036	-15 305
Actuarial loss (gain) entered in the profit and loss account	267	4 414	259	8 131
<b>Pension cost recognised in the profit and loss account</b>	<b>-3 638</b>	<b>29 519</b>	-3 103	35 972

**The actuarial assumptions are as follows:**

	2007			2006		
	Norway	England	Indonesia	Norway	England	Indonesia
Discount rate (%)	4.80	5.80	10.00	4.50	5.00	12.00
Expected return (%)	5.75	6.75	10.00	5.50	6.30	-
Wage adjustment (%)	4.25–4.50	4.00	9.00	3.14–3.40	3.70	10.00
Inflation / increase in soc. secur. basic amount (G) (%)	4.25	3.50	9.00	3.15	2.80	10.00
Pension adjustment (%)	2.0–4.25	3.50	-	1.1–3.15	3.30	-

The calculations are made on the basis of real pension bases, pension and portfolio as of 1 Jan. 2008.

## NOTE 8 FIXED ASSETS AND INTANGIBLE ASSETS

Jotun A/S (NOK thousand)	Goodwill	Technology	Other intangible assets	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under con- struction	Total
Cost, 1 Jan.	7 175	96 495	72 895	14 469	438 835	529 138	17 750	1 176 757
Reclassification	-	-	-	-	-	-	-	-
Additions	-	-	1 350	-	3 119	24 770	14 635	43 874
Disposals	-	-	-	-	-	-6 410	-	-6 410
<b>Cost, 31 Dec.</b>	<b>7 175</b>	<b>96 495</b>	<b>74 245</b>	<b>14 469</b>	<b>441 954</b>	<b>547 498</b>	<b>32 385</b>	<b>1 214 221</b>
Accumulated depreciation 1 Jan.	3 314	93 626	12 177	-	273 970	383 049	-1	766 135
Reclassification	-	-	-	-	-	-	-	-
Depreciation for the year	1 435	2 866	9 984	-	11 960	37 363	-6	63 602
Disposals ordinary depreciation	-	-	-	-	-	-5 027	7	-5 020
<b>Accumulated depreciation, 31 Dec.</b>	<b>4 749</b>	<b>96 492</b>	<b>22 161</b>	<b>-</b>	<b>285 930</b>	<b>415 385</b>	<b>-</b>	<b>824 717</b>
<b>Book value, 31 Dec.</b>	<b>2 426</b>	<b>3</b>	<b>52 084</b>	<b>14 469</b>	<b>156 024</b>	<b>132 113</b>	<b>32 385</b>	<b>389 504</b>

Economic life	Up to 10 years	Up to 10 years	Up to 10 years		Up to 25 years	Up to 10 years
Depreciation plan	Linear	Linear	Linear		Linear	Linear

Group (NOK thousand)	Goodwill	Technology	Other intangible assets	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under con- struction	Total
Cost, 1 Jan.	401 073	95 469	84 568	100 177	1 277 766	1 780 237	82 439	3 821 729
Reclassification and corrections	1 501	4 197	-5 697	-33	7 996	1 060	-9 636	-612
Additions	8	246	2 381	16 551	33 897	106 599	130 466	290 148
Disposals	-	-41	-	-791	-1 682	-33 489	-	-36 003
Conversion differences	-635	-331	-493	-6 923	-67 750	-98 707	-6 914	-181 754
<b>Cost, 31 Dec.</b>	<b>401 947</b>	<b>99 541</b>	<b>80 760</b>	<b>108 980</b>	<b>1 250 227</b>	<b>1 755 700</b>	<b>196 355</b>	<b>3 893 509</b>
Accumulated depreciation 1 Jan.	319 363	90 809	19 798	696	588 590	1 190 048	-74	2 209 230
Reclassification and corrections	932	2 446	-3 379	-	-7 064	7 112	17	66
Depreciation for the year	23 969	3 668	11 208	240	46 623	140 329	-6	226 032
Depreciations ordinary depreciation	-	5	50	-	-2 127	-29 511	-10	-31 592
Conversion differences	-640	-164	-330	-54	-27 007	-67 326	10	-95 511
<b>Accumulated depreciation, 31 Dec.</b>	<b>343 625</b>	<b>96 764</b>	<b>27 347</b>	<b>882</b>	<b>599 016</b>	<b>1 240 653</b>	<b>-63</b>	<b>2 308 224</b>
<b>Book value, 31 Dec.</b>	<b>58 323</b>	<b>2 777</b>	<b>53 412</b>	<b>108 098</b>	<b>651 210</b>	<b>515 046</b>	<b>196 418</b>	<b>1 585 284</b>

Economic life	Up to 10 years	Up to 10 years	Up to 10 years		Up to 25 years	Up to 10 years
Depreciation plan	Linear	Linear	Linear		Linear	Linear

Goodwill at acquisition is depreciated over an economic life calculated at 10 years for the coatings industry.

The consolidated research and development costs relate primarily to the development of more environmentally friendly products. The development costs are considered necessary for the group to maintain its competitiveness. Costs for research and development in the group amounted to NOK 153.4 million in 2007 (NOK 137.6 million in 2006).

## NOTE 9 SHARES IN SUBSIDIARIES

## Shares held directly by the parent company:

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun Victoria Pty.Ltd.	Victoria	Australia	AUD	1000	1 000 000	1 000	11	100.00
Jotun Australia Pty. Ltd.	Victoria	Australia	AUD	11 550	16 050 001	11 550	45 026	100.00
Jotun Deutschland GmbH	Hamburg	Germany	EUR	614	1 200	512	12 090	83.33
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	6 600	3 300	2 698	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	20 000	2 000 000	14 000	91 945	70.00
Jotun Italia S.p.A.	Trieste	Italy	EUR	2 632	509 099	2 632	29 925	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	11 303	86 845	11 303	126 482	100.00
Jotun France S.A.S.	Paris	France	EUR	320	16 000	320	2 108	100.00
Jotun Paints (Europe) Ltd.	Flixborough	UK	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Insurance Cell	St. Peterport	Guernsey	GBP	121	1	121	1 350	100.00
Jotun Hellas Ltd.	Piraeus	Greece	EUR	343	11 435	334	2 937	97.40
Jotun Paints (H.K.) Ltd.	Hong Kong	China	HKD	110 334	110 334 615	110 334	85 319	100.00
P.T. Jotun Indonesia	Jakarta	Indonesia	USD	8 675	172 000	8 600	58 852	99.14
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	487 409	640	5 500	100.00
Jotun (Malaysia) Sdn.Bhd.	Shah Alam	Malaysia	MYR	48 000	48 000 000	44 702	101 022	93.13
Jotun B.V.	Spijkenisse	Netherlands	EUR	2 616	29 001	2 616	49 175	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	80 280	100.00
Jotun Powder Coatings AS	Larvik	Norway	NOK	87 000	87 000	87 000	87 000	100.00
Demidekk Optimal Utendørsmaling AS	Sandefjord	Norway	NOK	111	500	111	111	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	25 000	155	45 145	62.00
Jotun Polska Sp.zo.o.	Gdynia	Poland	PLN	7 500	15 000	7 500	14 371	100.00
Jotun Sverige AB	Göteborg	Sweden	SEK	4 000	80 000	4 000	4 550	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	28 040	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	84 000	84 000	80 186	44 285	95.46
Jotun Boya San. ve Tic. A.S.	Istanbul	Turkey	USD	1 830	115 000	1 830	32 556	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	19 580	110	19 580	17 913	100.00
Jotun Brasil Imp. Exp. & Industria de Tintas Ltda.	Rio de Janeiro	Brazil	USD	922	2 144 200	922	6 731	100.00
Jotun Paints (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	USD	2 309	-	2 309	15 563	100.00
Jotun Paints Inc.	Belle Chasse	USA	USD	37 600	100	37 600	18 253	100.00
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	UAE	AED	4 000	4 000	1 400	28 061	35.00
Drygolin Værbestandig Oljemaling AS	Sandefjord	Norway	NOK	109	500	109	109	100.00
Lady Interiørmaling AS	Sandefjord	Norway	NOK	120	1 000	120	120	100.00
Jotun Paints OOO	St. Petersburg	Russian Fed.	RUB	17 000	17 000	17 000	3 814	100.00
Jotun India Private Ltd.	Mumbai	India	INR	232 500	23 250 000	232 500	32 768	100.00
Jotun COSCO Marine Coatings (HK) Co. Ltd.	Hong Kong	China	HKD	77 390	2 000	38 695	34 231	50.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	11 902	1 190 152	11 902	1 144	100.00
Jotun FZE	Dubai	UAE	AED	4 000	4	4 000	6 637	100.00
Other holdings							10 344	
<b>Total</b>							<b>1 212 874</b>	

The voting interest corresponds to the share interest.

## CONTINUED NOTE 9 SHARES IN SUBSIDIARIES

## Shares held directly by subsidiaries and joint ventures:

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
<b>Jotun Powder Coatings AS</b>								
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 Bulgaria Ltd.	Sofia	Bulgaria	EUR	3	-	3	2 157	100.00
Jotun Powder Coatings Ltd.	Flixborough	England	GBP	1 000	1 000 000	1 000	8 843	100.00
Jotun Powder Coatings LLC	Cairo	Egypt	EGP	300	300	270	421	90.00
Jotun Powder Coatings (M) Sdn. Bhd.	Shah Alam	Malaysia	MYR	1 950	1 950 933	1 572	29 146	80.60
Jotun Powder Coatings (N) AS	Larvik	Norway	NOK	12 500	125 000	12 500	95 776	100.00
Jotun Powder Coatings (Thailand) Ltd.	Bangkok	Thailand	THB	9 000	9 000	9 000	65 000	100.00
Jotun Toz Boya San. ve Tic. A.S.	Istanbul	Turkey	TRL	23 600	23 600 000	23 600	75 831	100.00
Jotun Powder Coatings (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	VND	37 800 575	1 200 000	37 800 575	10 000	100.00
Jotun Powder Coatings Pakistan (Pvt.) Ltd.	Lahore	Pakistan	PKR	60 000	6 000 000	24 000	2 934	40.00
PT. Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	17 842 803	81 000	17 842 803	13 074	100.00
Jotun Powder Coatings (India) Priv. Ltd.	Daman	India	INR	68 600	6 860 000	68 600	9 453	100.00
Other holdings							10 854	
<b>Total</b>							<b>354 376</b>	
<b>Jotun Powder Coatings (N) AS</b>								
Jotun Powder Coatings LLC	Cairo	Egypt	EGP	300	300	30	64	10.00
<b>Scanox AS</b>								
Butinox Inne og Utemaling AS	Drammen	Norway	NOK	100	500	100	100	100.00
<b>Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)</b>								
Jotun Powder Coatings Pakistan (Pvt.) Ltd.	Lahore	Pakistan	PKR	60 000	6 000	24 000	2 230	40.00
<b>Jotun B.V.</b>								
Jotun (Deutschland) GmbH	Hamburg	Germany	EUR	614	1 200	102	2 502	16.67
Jotun Hellas Ltd.	Athens	Greece	EUR	343	300	9	175	2.60
<b>Jotun Paints (H.K.) Ltd.</b>								
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	89 387	-	89 387	65 468	100.00
<b>Jotun Paints Inc.</b>								
PRS Delaware LLC	Belle Chasse	USA	USD	1 000	100	1 000	5 413	100.00
<b>Jotun U.A.E. Ltd (L.L.C.)</b>								
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	UAE	AED	4 000	4 000	1 600	2 359	40.00
<b>Jotun COSCO Marine Coatings (HK) Co. Ltd.</b>								
Jotun COSCO Marine Coatings (GZ) Co. Ltd.	Guangzhou	China	CNY	72 957	-	72 957	53 708	100.00
<b>Total</b>							<b>486 395</b>	

The voting interest corresponds to the share interest.

The companies Jotun COSCO Marine Coatings (HK) Co. Ltd. and Jotun COSCO Marine Coatings (GZ) Co. Ltd. are both controlled 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 10 SHARES IN JOINT VENTURES****Shares held directly by the parent company:**

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun U.A.E. Ltd. (L.L.C.)	Dubai	UAE	AED	4 000	2 000	1 660	108 930	41.5
Chokwang Jotun Ltd.	Kyungnam	South Korea	KRW	2 320 000	232 000	1 160 000	9 831	50.0
Corro-Coat Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	161	301	2.2
Jotun Saudia Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 000	9 000	3 600	17 278	40.0
Red Sea Paints Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 500	9 500	3 800	21 995	40.0
Ratinjat Co. Ltd.	Jeddah	Saudi Arabia	SAR	13 000	13 000	5 200	13 248	40.0
Jotun Yemen Paints Ltd.	Aden	Yemen	USD	1 500	20 000	160	1 095	10.7
Other holdings							(301)	
<b>Total</b>							<b>172 377</b>	

**Shares held directly by subsidiaries and joint ventures:**

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
<b>Jotun Powder Coatings AS</b>								
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)	Dubai	UAE	AED	3 000	3 000	1 410	66 067	47.00
Corro-Coat Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 035	20 000	27.80
<b>Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)</b>								
Corro-Coat Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 928	4 234	40.00
<b>Jotun Saudia Co. Ltd.</b>								
Jotun Yemen Paints Ltd.	Aden	Yemen	USD	1 500	20 000	255	1 382	17.00
<b>Jotun Paints Co. L.L.C.</b>								
Jotun Yemen Paints Ltd.	Aden	Yemen	USD	1 500	20 000	281	1 519	18.70
<b>Total</b>							<b>93 202</b>	

The voting interest corresponds to the share interest.

**JOINT VENTURES – HOLDING PER MAIN GROUP**

For its involvement in joint ventures, the Jotun Group posts its share of revenues, expenses, assets, liabilities and cash flow in the consolidated accounts. The Jotun Group has eight joint ventures that are consolidated with a holding.

Those companies are as follows:

Jotun U.A.E. Ltd. (L.L.C.)  
 Chokwang Jotun Ltd.  
 Corro-Coat 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 venture companies' holding per main group:**

(NOK thousand)	2007	2006
Operating revenues	<b>753 793</b>	711 488
Operating profit	<b>136 562</b>	132 147
Profit for the year	<b>151 527</b>	150 365
Non-current assets	<b>132 191</b>	150 246
Current assets	<b>468 274</b>	462 142
Long-term liabilities	<b>49 918</b>	53 667
Current liabilities	<b>183 989</b>	189 689

**NOTE 11 SHARES AND OTHER SECURITIES****Shares held directly by the parent company:**

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	33.4
Cathelco Jotun Ltd.	Chesterfield	England	GBP	1 333	1 333	133	7 565	10.0
Sundry other companies							417	
<b>Total</b>							<b>16 162</b>	

**NOTE 12 LIABILITIES AND BONDS**

Debt due for payment more than five years after the end of the accounting year: (NOK thousand)	Jotun A/S		Group	
	31.12.07	31.12.06	31.12.07	31.12.06
Mortgage loans	-	-	3 951	3 422
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3 951</b>	<b>3 422</b>

Jotun has entered into arrangements for long-term drawing facilities entailing requirements for minimum equity ratio, maximum net interest-bearing debt with regard to EBITDA and requirements for minimum liquidity reserve. Jotun was well within those requirements at the end of the year.

**Information on loans to the Group from credit institutions:**

Currency	Average interest rate (%)	Loan amount in currency	Loan amount in NOK
NOK	-	-	-
USD	5.5	1 500	8 120
EURO	4.5	481	3 817
Other currencies	-	-	49 870
<b>Total other long-term liabilities</b>	<b>-</b>	<b>-</b>	<b>61 807</b>

**Repayment profile**

Year	2008	2009	2010	2011	2012	Thereafter	Total
Amount	25 457	3 082	25 528	3 572	216	3 951	<b>61 807</b>

**NOTE 13 OTHER CURRENT LIABILITIES**

Provisions for liabilities included in other current liabilities: (NOK thousand)	Jotun A/S		Group	
	31.12.07	31.12.06	31.12.07	31.12.06
Warranty provisions	76 864	43 215	141 294	111 226
Other provisions	53 541	24 657	106 787	83 792
Other current liabilities	87 530	112 721	351 150	306 276
<b>Total</b>	<b>217 935</b>	<b>180 593</b>	<b>599 231</b>	<b>501 294</b>

Warranty provisions	Jotun A/S		Group	
	31.12.07	31.12.06	31.12.07	31.12.06
Provisions for loss, 1 Jan.	43 215	46 570	111 226	108 242
Realised claims/utlised during the year	-7 547	-5 985	-37 390	-28 665
Losses recognised for the year	41 196	2 630	67 459	31 649
Provisions for loss, 31 Dec.	<b>76 864</b>	43 215	<b>141 294</b>	111 226

## NOTE 14 TAX

(NOK thousand)	Jotun A/S		Group	
	2007	2006	2007	2006
<b>Tax payable on profit for the year</b>				
Profit before tax	466 396	460 768	-	-
Permanent differences	-190 921	-127 798	-	-
Change in temporary differences	64 152	-5 097	-	-
Taxable income	339 627	327 873	-	-
<b>Tax payable on profit for the year (28%)</b>	<b>95 096</b>	91 804	-	-
<b>The tax expense for the year consists of:</b>				
Tax payable on profit for the year	95 096	91 804	233 008	212 271
Tax abroad, no credit deduction	10 606	14 972	-	-
Gross change deferred tax	-17 963	1 427	-16 693	-2 065
Translation differences	-	-	-2 208	-1 105
Correction previous year	4 583	25 365	-	-
<b>Tax expense on ordinary profit</b>	<b>92 322</b>	133 568	<b>214 107</b>	209 101
Norwegian share of taxes	54 666	71 586	54 666	71 586
Foreign share of taxes	37 656	61 982	159 441	137 515
	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06
<b>Tax payable consists of</b>				
Tax payable on profit for the year	95 096	91 804	233 008	212 271
Due tax previous year / pre-paid	19 110	28 335	-56 958	-58 321
Withholding taxes receivable	-22 014	-20 009	-22 014	-20 009
<b>Total tax payable</b>	<b>92 192</b>	100 130	<b>154 037</b>	133 941
<b>Specification of basis for deferred tax</b>				
Non-current assets	46 144	51 658	138 913	147 584
Current assets	-2 285	-6 764	26 315	42 399
Liabilities	-198 223	-135 103	-392 364	-315 676
Losses carried forward	-	-	-63 986	-119 481
<b>Total</b>	<b>-154 364</b>	-90 209	<b>-291 122</b>	-245 174
<b>Deferred tax</b>	-	-	<b>16 393</b>	22 989
<b>Deferred tax asset (-)</b>	<b>-43 222</b>	-25 259	<b>-103 753</b>	-93 656

# NOTES

## CONTINUED NOTE 14 TAX

### Correlation between tax expense and tax calculated at average nominal tax rate on profit before tax:

(NOK thousand)	Jotun A/S		Group	
	Amount	%	Amount	%
Tax calculated as average nominal tax rate on profit before tax	130 591	28	214 924	28
Effect of credit deduction and corrections previous year	10 597	2	6 064	1
Taxes on dividends, royalty and interest	4 592	1	31 971	4
Effect of permanent differences	-53 458	-11	-29 898	-4
Effect of goodwill depreciation and other eliminations	-	-	8 960	1
Deviations in tax rates and other items	-	-	-17 914	-2
<b>Tax cost on ordinary profit</b>	<b>92 322</b>	<b>20</b>	<b>214 107</b>	<b>28</b>

The effective tax rate in the group is higher than the nominal tax rate. This is due mainly to depreciation and write-downs of surplus values in the group, taxation of dividends from group companies, deviating tax rates in the various countries as well as deferred tax benefits in some companies not entered in the balance sheet.

## NOTE 15 EQUITY

Jotun A/S (NOK thousand)	Share capital	Other equity	Profit for the year	Total
<b>Equity, 1 Jan. 2006</b>	102 600	2 313 041	-	2 415 641
Profit for the year	-	-	327 200	327 200
Allocated dividend	-	-	-171 000	-171 000
Appropriations	-	156 200	-156 200	-
<b>Equity, 31 Dec. 2006</b>	<b>102 600</b>	<b>2 469 241</b>	<b>-</b>	<b>2 571 841</b>
Profit for the year	-	-	374 075	374 075
Allocated dividend	-	-	-205 200	-205 200
Appropriations	-	168 875	-168 875	-
<b>Equity, 31 Dec. 2007</b>	<b>102 600</b>	<b>2 638 117</b>	<b>-</b>	<b>2 740 717</b>
<b>Distributable reserve</b>	<b>31.12.07</b>	31.12.06		
Equity entered in balance sheet	2 740 717	2 571 841		
Downward adjustment because of 10% limit	-387 777	-355 239		
<b>The company's distributable reserve</b>	<b>2 352 939</b>	<b>2 216 602</b>		

Consolidated accounts (NOK thousand)	Share capital	Other equity	Profit for the year	Minority interests	Total
<b>Equity, 1 Jan. 2006</b>	102 600	2 592 288	-	116 054	2 810 942
Profit for the year	-	-	330 625	45 136	375 761
Allocated/paid-out dividend	-	-	-171 000	-32 560	-203 560
Appropriations	-	159 625	-159 625	-	-
Minority's share of share capital changes	-	702	-	-702	-
Translation differences	-	11 053	-	-7 410	3 643
<b>Equity, 31 Dec. 2006</b>	<b>102 600</b>	<b>2 763 668</b>	<b>-</b>	<b>120 518</b>	<b>2 986 786</b>
Profit for the year	-	-	476 836	76 642	553 478
Allocated/paid-out dividend	-	-	-205 200	-24 591	-229 791
Appropriations	-	271 636	-271 636	-	-
Minority's share of share capital changes	-	-15 523	-	15 523	-
Translation differences*	-	-180 048	-	-4 853	-184 901
<b>Equity, 31 Dec. 2007</b>	<b>102 600</b>	<b>2 839 732</b>	<b>-</b>	<b>183 239</b>	<b>3 125 571</b>

\* Of which the effect of translated profit result is NOK -31.6 million.

**NOTE 16 SHARE CAPITAL AND SHAREHOLDER INFORMATION JOTUN A/S**

The share capital in Jotun A/S as of 31 Dec. 2007 consists of the following share classes:

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

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

**Ownership structure**

No. of shareholders as of 31 Dec. 2007 was 452. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Share interest	Voting interest
Lilleborg AS	41 981	103 446	145 427	42.5%	38.2%
Odd Gleditsch AS	11 416	36 009	47 425	13.9%	11.0%
Mattisberget AS	25 038	-	25 038	7.3%	18.3%
Leo Invest AS	2 986	8 184	11 170	3.3%	2.8%
Abrafam Holding AS	3 364	4 315	7 679	2.2%	2.8%
Odd Gleditsch Farvehandel AS	-	6 750	6 750	2.0%	0.5%
ACG AS	-	5 548	5 548	1.6%	0.4%
Bjørn Ekdahl	1 872	3 431	5 303	1.6%	1.6%
Elanel AS	3 009	2 353	5 362	1.6%	2.4%
Odd Gleditsch Jr.	4 879	143	5 022	1.5%	3.6%
Taco Invest AS	-	5 234	5 234	1.5%	0.4%
Live Invest AS	4 051	547	4 598	1.3%	3.0%
Kofreni AS	131	4 094	4 225	1.2%	0.4%
Bjørn Ole Gleditsch	26	3 679	3 705	1.1%	0.3%
Pina AS	-	3 443	3 443	1.0%	0.3%
Conrad Wilhelm Eger	1 171	2 155	3 326	1.0%	1.0%
Odd Gleditsch d.y.	27	3 143	3 170	0.9%	0.2%
Anne Cecilie Gleditsch	5	3 161	3 166	0.9%	0.2%
Jill Beate Gleditsch	-	3 172	3 172	0.9%	0.2%
Fredrikke Eger	1 000	2 084	3 084	0.9%	0.9%
<b>Total 20 largest</b>	<b>100 956</b>	<b>200 891</b>	<b>301 847</b>	<b>88.3%</b>	<b>88.5%</b>
Total others	13 044	27 109	40 153	11.7%	11.5%
<b>Total no. of shares</b>	<b>114 000</b>	<b>228 000</b>	<b>342 000</b>	<b>100.0%</b>	<b>100.0%</b>

**CONTINUED NOTE 16 SHARE CAPITAL AND SHAREHOLDER INFORMATION JOTUN A/S****Shares owned by members of the Board of Directors, Corporate Assembly, President & CEO and/or related parties:**

<b>Name</b>	<b>Office</b>	<b>A-shares</b>	<b>B-shares</b>	<b>Total shares</b>
Odd Gleditsch d.y.	Chairman of the Board	27	8 421	8 448
Einar Abrahamsen	Board member	3 364	4 317	7 681
Richard Arnesen	Board member	1 855	3 129	4 984
Nicolai A. Eger	Board member	1 110	5 183	6 293
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	5 637	5 664
Fredrikke Eger	Corp. Assembly member	1 144	2 361	3 505
Erling Fr. Sørhaug	Corp. Assembly member	-	1	1
Birger Amundsen	Corp. Assembly member	-	2	2
Morten Fon	President & CEO	8	17	25

There are no options for share acquisitions.

**NOTE 17 ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES**

<i>(NOK thousand)</i>	<b>Jotun A/S</b>		<b>Group</b>	
	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06
<b>Debt secured with pledged assets, etc. entered in the balance sheet</b>				
Secured with pledged assets, etc., long-term	-	-	37 767	39 666
Secured with pledged assets, etc., short-term	-	-	62 375	46 749
Other long-term liabilities	-	-	4 158	5 353
<b>Total</b>	<b>-</b>	<b>-</b>	<b>104 300</b>	<b>91 768</b>
<b>Value of assets pledged as security for debt secured with pledged assets – entered in balance sheet</b>				
Plots, buildings, etc.	-	-	28 573	32 776
Machinery and facilities	-	-	51 983	48 663
Stock of goods	-	-	77 292	84 127
Trade receivables	-	-	22 867	21 573
<b>Total</b>	<b>-</b>	<b>-</b>	<b>180 715</b>	<b>187 139</b>
<b>Guarantee obligations not entered in the accounts</b>				
Surety for employees	-	-	2 122	2 702
Guarantees for tax deductions	26 000	24 000	26 000	24 000
Guarantees for subsidiaries	1 001 414	1 001 414	1 001 414	1 003 915
Surety for customers, etc., and guarantees for Jotun A/S	8 400	8 400	66 900	50 253
<b>Total</b>	<b>1 035 814</b>	<b>1 033 814</b>	<b>1 096 436</b>	<b>1 080 870</b>

**NOTE 18 INTER-COMPANY BALANCES IN JOTUN A/S WITH SUBSIDIARIES AND JOINT VENTURES**

<i>(NOK thousand)</i>	Subsidiaries		31.12.07	Joint ventures 31.12.06
	31.12.07	31.12.06		
<b>Financial assets</b>				
Other long-term receivables	823 791	845 011	2 046	1 919
<b>Total financial assets</b>	<b>823 791</b>	<b>845 011</b>	<b>2 046</b>	<b>1 919</b>
<b>Receivables</b>				
Trade receivables	158 481	179 764	14 743	19 755
Other current receivables	112 940	109 360	30 425	31 908
<b>Total financial assets and receivables</b>	<b>1 095 212</b>	<b>1 134 135</b>	<b>47 214</b>	<b>53 582</b>

<i>(NOK thousand)</i>	Subsidiaries		31.12.07	Joint ventures 31.12.06
	31.12.07	31.12.06		
<b>Current liabilities</b>				
Loans	233 671	162 864	-	-
Trade creditors	41 267	41 535	12 196	9 895
Other current liabilities	18 833	39 461	58 091	72 567
<b>Total liabilities</b>	<b>293 771</b>	<b>243 860</b>	<b>70 287</b>	<b>82 462</b>

**NOTE 19 SPECIFICATION – CASH FLOW STATEMENT**

<i>(NOK thousand)</i>	Jotun A/S		31.12.07	Group 31.12.06
	31.12.07	31.12.06		
<b>Change in inventory, customers and trade creditors</b>				
Inventory	-11 385	86 357	-8 395	-149 826
Trade receivables	73 586	-68 129	-55 444	-198 163
Trade creditors	9 735	744	51 180	124 854
<b>Total stock of goods, customers and trade creditors</b>	<b>71 936</b>	<b>18 972</b>	<b>-12 659</b>	<b>-223 135</b>

<i>(NOK thousand)</i>	Jotun A/S		31.12.07	Group 31.12.06
	31.12.07	31.12.06		
<b>Change in other accruals</b>				
Other current receivables	-12 117	2 914	8 371	-4 674
Tax payable	-7 939	21 490	20 097	34 577
Public duties payable	7 104	-1 749	5 400	3 663
Other current liabilities	-25 191	-32 232	67 750	59 770
Other provisions	31 228	43 081	-	-
<b>Total other accruals</b>	<b>-6 915</b>	<b>33 504</b>	<b>101 617</b>	<b>93 336</b>

**NOTE 20** 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 acquired from the Valspar Corporation. The outcome of the cases is expected by 2008 and 2009.

Jotun has on its own initiated measures for improving environmental conditions in the ground. A number of factories have been inspected, and initiatives have been implemented on the order of local authorities. Inspections and measurements are made by independent specialists in the field. Examples are cleaning up the bottom of the Sandefjord fjord and removing waste disposals at Vera in Norway.

**NOTE 21** OVERDRAFT AND OTHER DRAWING RIGHTS

	<b>Jotun A/S</b>	
	<b>31.12.07</b>	<b>31.12.06</b>
Unused portion of short-term and long-term committed drawing rights	1 275 000	1 275 000

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. The latter NOK 600 million may be extended to 2012 if accepted by

credit providers (extension option). No draws were made under these facilities as of 31 December 2007.

The drawing rights above include an unused, committed credit line to Jotun A/S of NOK 75 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 exposures 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 22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Policy for securing currency and interest exposure***Securing cash flows in foreign currency*

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. The policy applies to both the parent company and subsidiaries.

*Securing balance sheet items in currency*

Currency loans from Jotun A/S to subsidiaries shall be hedged 80–100 per cent against exchange rate fluctuations. Jotun A/S does not secure its equity holdings in foreign companies against exchange rate fluctuations. Jotun A/S and subsidiaries shall as a rule finance themselves in their own currency.

*Securing interest risk*

Jotun A/S and subsidiaries shall, as a rule, have a floating interest rate on their loans. If the market situation so indicates, or major loans are taken up, interest rate hedging shall be considered.

**Management and control of currency risk***Securing cash flows in foreign currency*

The parent company has cash flows linked to its own operations as well as dividends, interest income, licence income and revenues from group service fees from the external companies.

To secure the parent company against exchange-rate fluctuations, forward contracts and options can be used as hedging instruments. As of 31 Dec. 2007 Jotun A/S has only forward contracts and no options.

The basis for securing cash flows is forecasts of expected income and expenses in currency. The forecast is updated every fourth month or upon major events that significantly impact the cash flow.

As of 31 Dec. 2007 Jotun A/S has contracts on forward sale of currency with an equivalent value of NOK 350.2 million, mainly USD, which is an important net income currency for the group. At the same time, Jotun A/S has made forward purchases of currency with an equivalent value of NOK 233.8 million, mainly EUR, which is an important currency for purchasing. No hedging has been made beyond the eight-month period. At the turn of the year, the total hedges had an unrealised added value of NOK 9.1 million.

Hedging transactions are posted as loss/gain in the profit and loss account as they fall due. Loss/gain on dividend hedges is taken over

the financial profit, while loss/gain on other hedges is taken over the operating profit. In 2007, NOK 24.6 million was entered as income as realised profit on cash flow hedges, NOK 4.7 million of which was linked to dividend hedges and NOK 19.9 million for cash flow hedges realised over operations. The value changes in unrealised hedges are not posted in the profit and loss account (hedge accounting). Nor are the value changes entered in the balance sheet. At the turn of the year the cash-flow hedges had an unrealised added value of NOK 9.1 million.

*Securing 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 is done through currency swaps.

Jotun A/S has as of 31 Dec. 2007 loan hedges (currency swaps) with an equivalent value of NOK 526.8 million.

Realised and unrealised loss/gain on hedges is taken to financial profit. Correspondingly, realised and unrealised currency gains on lending is taken to financial profit. For 2007 the company posted a currency loss of NOK 50.2 million and a net currency gain on hedges of NOK 44.0 million, with a loss of NOK 6.2 million as the net result.

*Securing against interest risk*

The group's policy is to stick with floating interest rates. The parent company has an external interest rate hedge at 31 Dec. 2007 that has its contra entry in a fixed-rate loan given to a subsidiary in Indonesia. Consequently, it represents no net position for the parent company.

*Securing against price risk on raw materials copper and zinc*

The group has made financial price hedges for zinc and copper prices based on a forecast for the next 12 months' purchase of zinc and copper. Hedges on the price of raw materials at the end of the year totalled NOK 88.8 million, based on raw materials prices and USD exchange rate at 31 Dec. 2007.

Loss and gain on hedging transactions is entered in the profit and loss account as the contracts fall due. Loss/gain is posted over operations along with the cash flows the hedging transactions are meant to cover. In 2007 an NOK 5.5 million loss was posted in the profit and loss account. Unrealised value changes in hedging instruments are not posted in the profit and loss account. At the turn of the year, the hedging instruments had a shortfall of NOK 8.6 million.



■ Statsautoriserte revisorer

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To the Annual Shareholders' Meeting of  
Jotun A/S

Medlemmer av Den norske Revisorforening

## Auditor's report for 2007

We have audited the annual financial statements of Jotun A/S as of 31 December 2007, showing a profit of NOK 374 075 000 for the Parent Company and a profit of NOK 476 836 000 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 and the Group comprise the statements of income, balance sheet 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 2007, 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, 15 February 2008  
ERNST & YOUNG AS  
Eirik Tandrevold  
State Authorised Public Accountant (Norway)  
(sign.)

Note: The translation to English has been prepared for information purposes only.

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■ Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

COUNTRY	COMPANY	SHARE-HOLDING %	Division Jotun Dekorativ	Division Jotun Coatings	Division Jotun Paints	Division Jotun Powder Coatings
 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 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., Mumbai	100		P		
	Jotun Powder Coatings (India) Private Ltd., Daman	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
 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			

 Production  Sales office

COUNTRY	COMPANY NAME	SHARE-HOLDING %	Division Jotun Dekorativ	Division Jotun Coatings	Division Jotun Paints	Division Jotun Powder Coatings
 Oman	Jotun Paints Co. L.L.C., Muscat	62			P	
 Pakistan	Jotun Pakistan (Pvt.) Ltd., Karachi	100				
	Jotun Powder Coatings Pakistan (Pvt.) Ltd., Lahore	59				P
 Poland	Jotun Polska Sp.zo.o., Gdynia	100				
 Russian Federation	Jotun Paints OOO, St. Petersburg	100				
 Saudi Arabia	Corro-Coat 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 Iberica 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
 United Kingdom	Cathelco Jotun 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 legal companies Jotun has branch offices, agents, distributors and licensees in Antilles, Argentina, Azerbaijan, Bahrain, Canada, Chile, Croatia, Cyprus, Estonia, Hungary, Iceland, Iran, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lithuania, Malta, Mauritius, Monaco, Montenegro, Morocco, Namibia, Netherlands, Panama, Peru, Philippines, Portugal, Qatar, Romania, Slovak Republic, Slovenia, Sri Lanka, Switzerland, Syria, Trinidad, Tunisia, Ukraine, Uruguay and Venezuela.



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