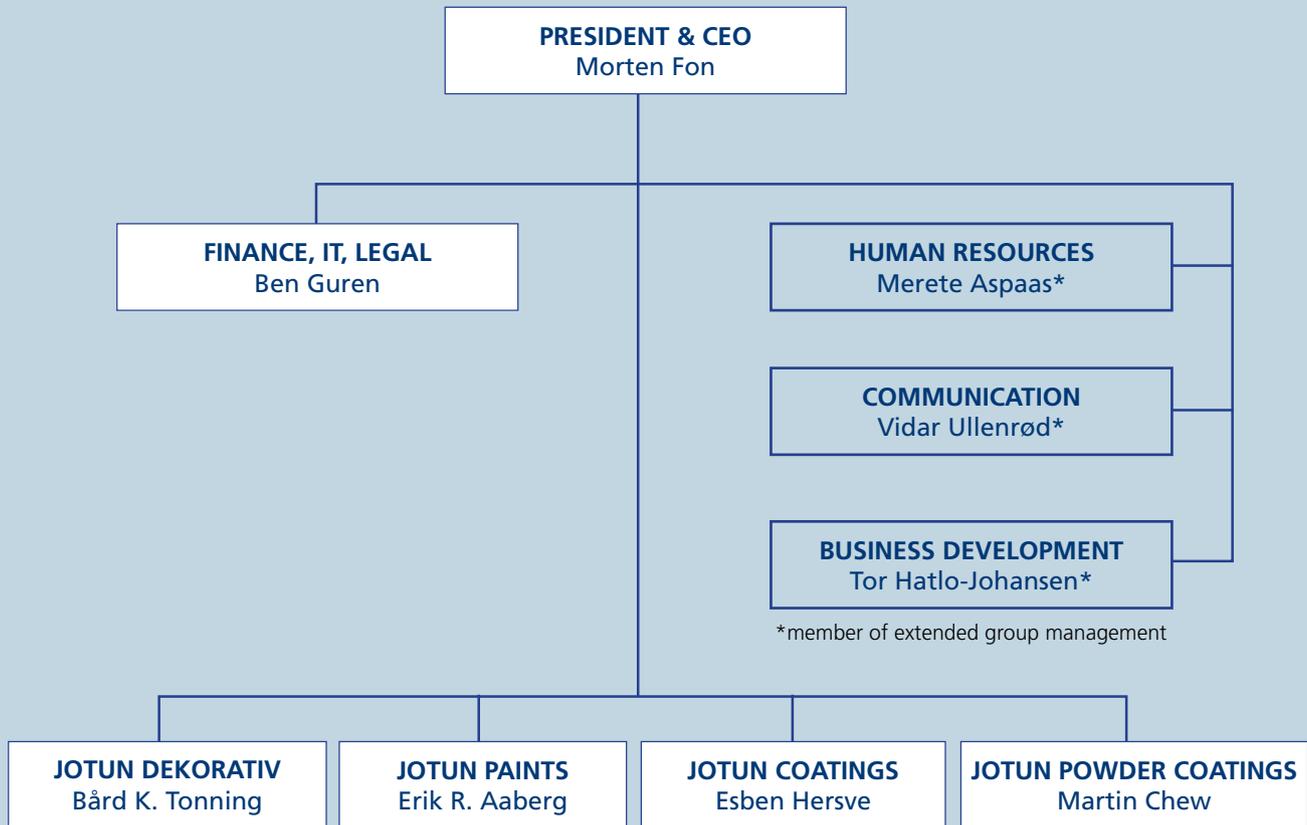




ANNUAL REPORT 2008



# THE JOTUN GROUP



**BOARD OF DIRECTORS**

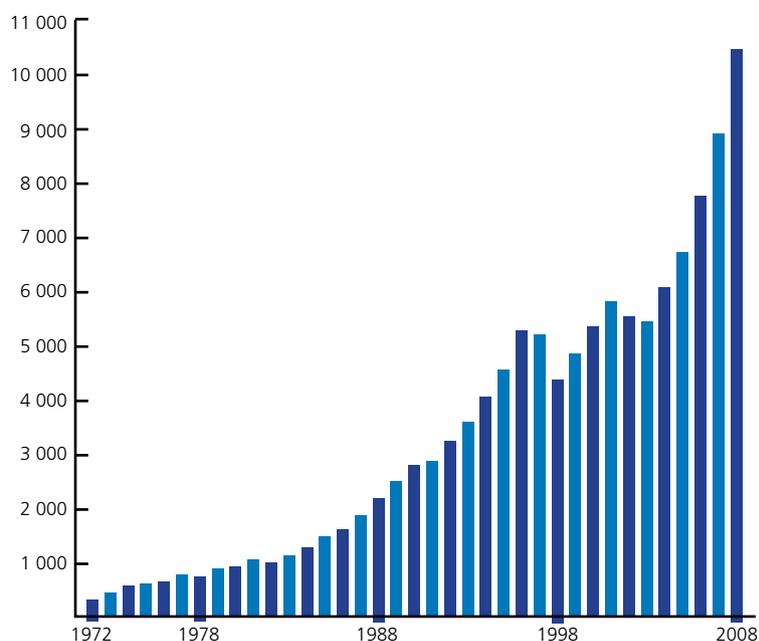
Odd Gleditsch d.y., *Chairman*  
Einar Abrahamsen  
Richard Arnesen  
Terje V. Arnesen  
Nicolai A. Eger  
Thore Kristiansen  
Torkild Nordberg  
Dag J. Opedal

**CORPORATE ASSEMBLY**

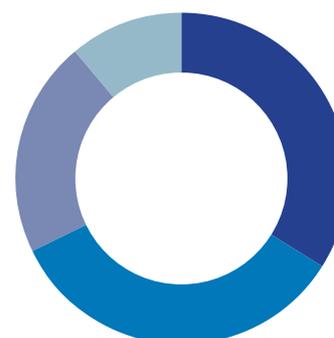
Olav Christensen, *Chairman*  
Birger Amundsen  
Ole Anton Bakke  
Nils Petter Ekdahl  
Sven Nicolai Eger Eppeland  
Bjørn Ole Gleditsch  
Thomas Gleditsch  
John Jørgensen  
Bjørn Mellem  
Leif Moe  
Hilde Myrberg  
Kristin Olstad Schea

## SALES

(NOK mill)



## BUSINESS SEGMENTS



- 34% Decorative Paints
- 34% Marine Coatings
- 21% Protective Coatings
- 11% Powder Coatings

## GROUP KEY FIGURES

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

	2008	2007	2006	2005	2004
<b>SALES</b>					
Sales external	<b>1 870</b>	1 514	1 249	1 042	901
Export ratio (per cent)	<b>80</b>	78	76	74	73
<b>PROFIT</b>					
Operating profit	<b>165</b>	137	104	83	73
Profit before tax	<b>157</b>	131	98	79	70
Net cash flow from operating activities	<b>16</b>	118	72	29	71
<b>PROFITABILITY</b>					
Return on capital employed (per cent)	<b>21.4</b>	22.2	18.4	16.9	17.1
Operating margin (per cent)	<b>8.8</b>	9.1	8.3	8.0	8.1
Return on equity (per cent)	<b>18.5</b>	18.1	13.0	12.6	12.9
<b>YEAR-END FINANCIAL POSITION</b>					
Total assets	<b>1 139</b>	1 108	901	760	747
Capital expenditure	<b>64</b>	54	45	64	31
Equity (incl. minority interests)	<b>577</b>	578	479	417	424
Equity/assets ratio (per cent)	<b>50.7</b>	52.1	53.2	54.9	56.8
Average number of employees in group, including shares in joint ventures	<b>6 164</b>	5 241	4 754	4 437	4 080
Average number of employees in group, including 100 per cent in joint ventures	<b>6 851</b>	5 886	5 331	5 009	4 738

## DEFINITIONS OF KEY FIGURES

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

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

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

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

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# Jotun protects property

**Protect:** (verb, from the Latin *protegere*, literally, to cover in front); To cover or shield from danger or injury; to defend; to guard; to preserve in safety; as a parent protects his children.

*Jotun Protects Property* has been the company slogan for several years, but just as the company has expanded, so has our understanding of what our company is all about. Where once our slogan served as an expression of our core business, protecting our customers' assets, we now recognise that our slogan is linked to how we safeguard our workers, the environment and the communities where we are active.

Jotun began with paint production for the hulls of Norway's whaling fleets in the early 20th century. Today, Jotun coatings can be found protecting a broad range of assets, from giant container ships to pleasure yachts, skyscrapers to mountain cabins, drill rigs to lawnmowers, five star hotel lobbies to family living rooms, all over the world. The company's innovative coatings solutions and highly-skilled technical advisors have enabled Jotun to establish a strong brand, internationally recognised for quality products with excellent protective qualities.

Over the last 20 years, the company's rapid international expansion has allowed the company to serve new markets and reach a broader customer base. While this development has helped drive profitability, we also recognise that Jotun's growth comes with added responsibilities. We recognise that our most important asset is our people, and through our health and safety programmes we do our utmost to protect our employees, wherever they are.

We also recognise that our activities impact the environment. To remain true to our slogan, we have worked hard to actively develop paints that reduce the potentially harmful effects of emissions, enable vessels to decrease fuel consumption and their carbon footprint and continue to develop a broad range of products in line with both consumer demand and relevant international and regional environmental guidelines. Jotun's international growth has led to the company becoming more involved in the communities where we are active. Jotun strives to contribute to sustainable development in local communities, create jobs and provide valuable training and participate in a broad range of locally organised charitable causes.

*Jotun Protects Property* –the slogan of our organisation. ■



Marine



Protective



Powder Coatings



Decorative

# Jotun worldwide

Jotun is a global leader in paints and coatings. We have 71 companies and 40 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. ■



# The management team

Jotun's performance in 2008 continues a positive trend which has endured for seven years, a period representing unprecedented growth for the company. Now faced with a new market reality, the company must leverage its resources, global presence and quality personnel to succeed in a changing world.

The Jotun Group recorded another strong performance in 2008, posting the highest operational results in Jotun's history. However, the weakening of the Norwegian krone against other currencies has affected the reported figures. Due to the global financial crisis, we saw a slowdown in demand for coatings in all segments towards the end of 2008. In addition, the rising price of raw materials experienced over the past two years has had a negative effect on our results. These macroeconomic events are likely to influence Jotun's

financial performance going forward, but Jotun is in a good position to emerge from this period stronger than before.

For the past five years, the company's remarkable success has been driven by global economic growth, especially in the developing economies in the Middle East and Asia. Jotun's long-term organic growth strategy has allowed the company to establish itself in markets with significant potential and seize opportunities when the pace of their development



“Our core business is expressed in the slogan, *Jotun Protects Property*. But as the company has grown, we understand that we have a greater responsibility to protect our workers and the environments and communities wherever we are active.”

**Morten Fon**, President & CEO, Jotun Group

reaches critical mass. To ensure the company's future success, Jotun continues to evaluate and enter promising markets and expand capacity in developed markets to meet rising demand.

In 2008, Jotun saw developments in different phases of this organic growth strategy. For example, Jotun opened a number of sales offices in promising new regions, opened its first wet paint production facility in the rapidly developing country of India and is on schedule to open new facilities in

Korea in 2009, where Jotun has operated successfully for many years. While the scale and investment costs of these and many other similar organic growth initiatives may vary, they are all a vital component of the company's long-term business strategy.

Jotun also made good progress in improving our operational efficiency, expanding our distribution networks and putting systems in place to control manageable costs. In September 2008, Jotun agreed to introduce a fully-integrated, component-based

Enterprise Resource Planning (ERP) system to 64 of Jotun's companies, worldwide. In addition to helping the company manage administration costs and streamline purchasing of raw materials, the system will support the company's growth ambitions in the global network. Jotun has also launched an initiative to redefine its Multicolor Concept, an important part of the company's business strategy, and continued to reduce costs by improving production flow at our paint factories.



**The management team** (left to right):

**Ben Guren**, Finance, IT, Legal

**Morten Fon**, President & CEO

**Martin Chew**, Powder Coatings

**Erik R. Aaberg**, Jotun Paints

**Esben Hersve**, Jotun Coatings

**Bård K. Tønning**, Jotun Dekorativ



“In a mature market characterised by intense competition, Jotun Dekorativ has been successful in both implementing systems to improve efficiency and developing innovative products to protect our market share.”

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

2008 also marked a milestone in Jotun's approach to Health, Safety, and Environment (HSE). Jotun's primary business is the protection of assets, but the company's slogan, *Jotun Protects Property*, can also be seen in the context of our commitment to ensuring worker safety, creating a healthy work environment for our employees and safeguarding the environment. In 2008, the company announced its commitment to achieving ISO 14001 certification, a management tool to improve its environmental performance and OHSAS 18001, developed to improve occupational health and safety management standards.

While many of the company's existing facilities mirror these standards, implementing these projects will be a complex and challenging task. However, Jotun recognises that this effort is not only good business, but consistent with our values; Loyalty, Care, Boldness and Respect.

Jotun's efforts to improve its health and environmental performance cascaded throughout the organisation, from product development to local initiatives. In 2008, the company launched SENS, a unique, fast-drying interior paint formulated to reduce potentially harmful effects of emissions, and SeaMate, a more affordable alternative to the company's premium plus self-polishing antifouling marine coating, SeaQuantum. These marine coatings enable shipowners to significantly reduce fuel consumption and carbon emissions over time. Closer to home, Jotun began the environmental clean-up of the waterways next to our headquarters and factory in Sandefjord, Norway. These efforts represent our continued commitment to protect our customers, our workers and the environment, wherever we operate.

As Jotun looks back on a successful period of growth, we recognise that we are entering a new market reality. While global events will impact the company's

results in the future, Jotun's strong balance sheet serves as a competitive advantage. Jotun has the flexibility to make targeted investments to continue to build our market share in promising regions and seek out new opportunities to stimulate future growth. We are confident that we have the personnel, products and services to emerge from this period as a stronger, better company.

#### JOTUN DEKORATIV Steady improvement

Jotun Dekorativ enjoyed mixed results in 2008, recording improved volumes but flat sales, due to increased margin pressures. To reduce manageable costs and improve its competitive position, the company continued to implement a focused LEAN initiative covering all aspects of the business and took a number of steps to secure its strong market share in Scandinavia.

The division strengthened its product offering with the launch of SENS, a unique, fast-drying interior paint which consistently outperforms competing brands on emissions testing. Available in a broad range of colours and finishes and endorsed by the Norwegian Asthma and Allergy Association (NAAF) and its sister organisation the Swedish Asthma and Allergy Association (SAAF), SENS has exceeded expectations, becoming a big market success in Scandinavia. Other existing products, including the masonry coatings Glamur Primer, Max and Glamur Paint, the wood stain products Demidekk Optimal and Butinox also saw improved sales.

In 2008, Jotun Dekorativ joined Jotun Coatings (Marine) to consolidate the group's efforts to expand market share in the lucrative yachting market. Previously, Jotun's marketing efforts to serve the leisure craft and mega-yacht industry were somewhat fragmented. The new business

unit, known as Jotun Yachting Concept, which is managed from Spain, develops and markets a broad range of quality products, including marine paints, varnishes, primers and fillers. At present, the business is focusing on pleasure boat owners throughout Scandinavia and the Mediterranean, but market potential in other regions is being evaluated.

While Jotun has been a market leader in decorative paint in Scandinavia for decades, the division faces increased competition from global competitors, particularly in Sweden and Denmark, where Jotun ranks third and fourth, respectively. Jotun also faces more complex competitive challenges, including the sale and market of private labels from retail chains. While these retail chains and building material superstores remain valuable partners for Jotun, the company has worked to strengthen its position by developing unique, innovative paints to match evolving consumer demand.

Jotun also began a process to review its supplier network following delayed deliveries on raw materials, which on a few occasions resulted in insufficient capacity. To ensure Jotun can provide a reliable supply of paint and have the capacity to ensure flexibility during surges in demand, the company is also working to optimise production and evaluating upgrades on three factories in Norway. Increased demand for waterborne paints, which is considered healthier and safer for the environment than solvent-based paints, may require changes in the older factories. Internally, the company is seeking to improve its resource allocation to streamline the development and launch of new products.

In addition, Jotun Dekorativ is involved in a project to develop the company's Multicolor machine concept. Multicolor Machines remain a core technology for Jotun throughout the world, enhancing

“Following more than five years of solid growth, Jotun Paints is in a strong position to seize new opportunities and manage the challenges of a new market reality in the regions where we are active.”

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

the company’s expansion into new markets and ensuring that customers have access to a broad range of colours to fit their needs. While development of this concept is capital intensive, improving the technology and functionalities of these machines is vital to Jotun’s organic growth strategy.

While some signs of weakness in the professional market emerged in the last quarter of 2008, it should be noted that the decorative market, which is tied to DIY consumer spending in Scandinavia, performs relatively well in slow markets. While Jotun Dekorativ’s results are likely to be impacted by the economic slow-

down, the division is confident that it has the right mix of products and personnel in place to manage future challenges.

### JOTUN PAINTS Leveraging our strong brand

Jotun Paints experienced another year of record results in 2008, a positive growth trend which has been sustained the last five years. The growth continued in the Middle East throughout the year and performance was particularly good in the United Arab Emirates, Oman and Saudi Arabia. Also, Jotun Paints operations in South East Asia performed well, with especially good growth in Indonesia and Viet-

nam. Most of the legal entities managed by Jotun Paints recorded improved results over the last year, representing a total growth for the division of about 18 per cent.

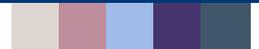
In the Middle East, rapid economic growth has fuelled a boom in large construction projects, ranging from residential complexes to bridges, skyscrapers to luxury hotels, foyers to stadiums. To win these contracts, Jotun must meet the specifications of a broad range of international companies, including architects, designers and contractors and have the capacity and distribution network in place to deliver high volumes.



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.



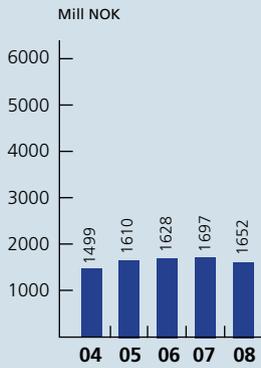
**JOTUN DEKORATIV**

**Sales**

**Segments**

Employees per 31.12.08: 707

Production facilities:  
Norway (5)



**JOTUN PAINTS**

**Sales**

**Segments**

Employees per 31.12.08: 2 459

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



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

For example, in 2008, Jotun won a contract to provide interior paint to the Mesaieed housing project in Qatar, which includes 1,244 housing units for employees of Qatar Petroleum and its subsidiaries. Jotun Paints is also coordinating the supply of interior decorative paint and protective and powder coatings to the Burj Dubai, which when completed will be the tallest building in the world. Jotun is also the exclusive supplier to the high profile Dubai Metro project, comprising intumescent fireproofing, concrete and steel protection. These and other high profile projects have strengthened Jotun Paints' leading market share in the Middle East.

Jotun's strong position in the BIY (buy-it-yourself) consumer market in the Middle East has been supported by a significant increase in Multicolor Centres and the launch of several new Inspiration Centres. These specialty shops typically can be found in upscale shopping centres with attractive interior furnishings, trained colour advisors and excellent customer service. Today, there are about 80 Inspiration Centres in the Middle East and more than 1,000 Jotun-branded Multicolor outlets.

Growth in South East Asia was robust in 2008, with sales in Vietnam and Indonesia performing especially well. In Malaysia, our market position is improved, especially in the dealer segment with stronger distribution network. In spite of continued political uncertainty and a cautious market situation in Thailand, we made progress, opening a series of new Multicolor Centres and improving Jotun's market share. The division has also worked further to develop Jotun's "shop-in-shop" concept, creating design standards for shops and display systems as well as our Multicolor Care concept. These processes were developed to provide dealers with support and guidelines on shop layout, interior furnishings and colour schemes to improve the customer experience.

It should be noted that Jotun Paints has also seen growth in the protective and marine coatings segments, which together represent about 35 per cent of Jotun Paints' revenues. In the protective segment, the division recorded especially strong results, securing large oil and gas infrastructure projects in both South East Asia and the Middle East.

Our Single Source Solution concept has contributed to securing large infrastructure and building projects in both regions. An anticipated slowdown in new construction projects and energy infrastructure may impact sales on the protective and decorative segments, but we expect other sub-segments like fire protection, concrete protection and maintenance to improve. Likewise, the division's focus on coastal vessels, yacht and the dry docking segment may offset slower growth in newbuilding market.

Looking ahead, Jotun Paints remains committed to Jotun's organic growth strategy, with a particular focus on the Levant and North Africa as well as growing existing markets in South East Asia and the Middle East. In 2008, the company opened a sales office in Pakistan and announced plans to open a new factory in Libya. The company is exploring market potential in Tunisia, Algeria and Morocco and further developing Jotun's export business to Syria, Libya, Jordan and Sudan and, in South East Asia, Cambodia.

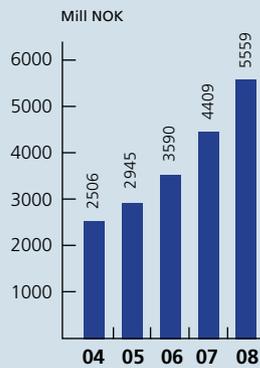
## JOTUN COATINGS

Employees per 31.12.08: 3 059

### Production facilities:

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

## Sales



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

## Segments



Marine: 66 %  
Protective: 29 %  
Decorative: 5 %

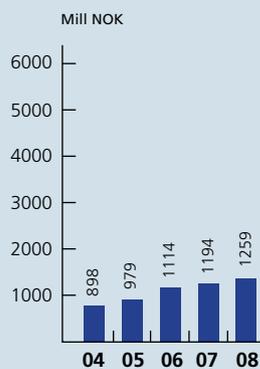
## JOTUN POWDER COATINGS

Employees per 31.12.08: 883

### Production facilities:

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

## Sales



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

## Segments



Industrial: 60 %  
Architectural: 20 %  
Functional: 20 %

Jotun Paints' consistent growth over the last five years has been driven by the strong economic performance of countries in the Middle East and South East Asia. In that time, the division has worked hard to expand our capacity, quality of service and product range and to seize fresh opportunities in these dynamic regions. While the market may change, we are confident that we have the tools and market reputation to manage whatever challenges we face in the future.

## JOTUN COATINGS

### Steady growth in unsteady markets

Jotun Coatings posted strong results in 2008 in both the marine and protective coatings segments, continuing a high-growth trend which began in 2003. This growth has been driven by significant global investment in construction, energy infrastructure and the offshore and shipping industries. Jotun's global presence, especially in developing markets with rapidly expanding economies, has placed Jotun Coatings in a good position to capitalise on this growth. Overall, the division performed well in all regions, with particularly strong results recorded in Korea and China.

Jotun's Marine Coatings business performed well, following continued expansion of the world fleet. While 2008 represents a cyclical turning point for the industry, resulting in cancellations of newbuilding orders, most yards are booked through 2011. With freight rates sinking, it is likely that scrapping of older tonnage will accelerate to harmonise tonnage capacity with reduced demand and provide more opportunities for shipowners to perform long overdue vessel maintenance. However, negative trends in the shipping industry, which emerged in the fourth quarter of 2008, will likely impact Jotun Coatings newbuilding business going forward.

To manage this challenge, Jotun Coatings has invested in optimising its seastock and drydock distribution network, strengthened Team No. 1, the division's successful technical training programme for coatings advisors, and expanded its product offering. SeaQuantum, a premium plus coating first launched by Jotun in 2000, has emerged as one of the most effective antifouling marine coatings in the industry with a proven track record for reducing fuel consumption and corresponding carbon emissions. In 2008, Jotun launched

SeaMate, a more affordable alternative solution which shares many of the same qualities as SeaQuantum.

*"Jotun Coatings' strong performance in 2008 follows a period of rapid growth in both the marine and protective segments over the last decade. Our challenge is to build on this success and continue to seek new markets."*

**Esben Hersve,**  
Group Executive Vice President, Jotun Coatings

Jotun Coatings activities in the Protective Segment also recorded strong results in 2008. These activities have benefitted recently from a more focused approach on specific segments, including oil & gas, combustion and renewable power stations, infrastructure and heavy industry plants. Jotun Coatings has further developed a more targeted approach to the offshore industry, which represents significant growth potential. Because all these segments are capital intensive and influenced by macroeconomic events, ranging from oil process to weaknesses in the global credit system, some of these large scale projects may be delayed or cancelled, impacting Jotun's activities in this segment in the future.



Guided tour in the warehouse (from left to right): Erik R. Aaberg, Knut Øivind Malmin, Odd Gleditsch jr., Terje V. Arnesen, Arnstein Haugbråten and Thore Kristiansen.

## Organic growth

Jotun's new production facilities in Pune, India may have taken only 18 months to build, but the new factory represents years of hard work, consistent with Jotun's long-term organic growth strategy. Indeed, Jotun began marketing marine coatings to India in the 1970s and has been active in the marine and powder coatings segments for more than a decade. In an industry characterised by consolidation, Jotun's organic growth strategy may be somewhat unusual, but the company's rapid international expansion over the last decade suggests it has been highly effective.

Jotun's growth strategy may take different forms in different countries but the process generally follows a similar pattern. Building on the company's strong presence in the shipping industry, Jotun establishes agencies to provide customers with

marine coatings in developing markets. Economic growth in these developing markets triggers new construction and manufacturing, creating demand for protective and powder coatings, resulting in Jotun sales offices and in some cases, small production facilities. Continued economic development creates a market for decorative paints and, as demand rises, new and larger production facilities are constructed.

Today, Jotun is the leading provider of marine coatings to India's growing shipping segment and has established itself in both the protective and powder segments. While Jotun faces significant challenges in the decorative segment, Jotun's new factory serves as a strong platform for future growth in one of the world's most dynamic economies.

Jotun will continue to refine the segmentation concepts for protective coatings and to develop products and services to specific industries. In 2008, the company launched Jotatemp 650, a specialty coating developed for the Hydrocarbon Processing segment, designed to combat Corrosion Under Insulation (CUI) issues. Unlike competing brands, Jotatemp 650 is a surface tolerant coating that can be applied to structures exposed to extreme hot or cold temperatures. In addition, the company has strengthened its market share in the renewable energy industry, winning important contracts in this growing segment.

A new factory in Pune, India was inaugurated in March 2008. India is expected to

be the second largest paint market in Asia Pacific. With modern facilities in place capable of producing up to 50 million litres of paint a year, Jotun expects to strengthen its market share. Looking ahead, Jotun Coatings will open a new production facility in Korea in 2009 and plans to expand capacity in China are being evaluated.

Despite weaknesses in the global economy, the outlook for Jotun Coatings remains promising. In addition to regional contracts, Jotun Coatings provides coatings solutions to some of the largest global companies in the world. Because these companies tend to favour long-term contracts, Jotun Coatings has some measure of security in uncertain markets.

In addition, Jotun's strong presence in high growth economies places the company in a good competitive position. While the division may see declines in demand in the next few years, we are confident in Jotun Coatings' long-term future.

### JOTUN POWDER COATINGS Focused segmentation

Jotun Powder Coatings posted a record sales volume in 2008, thanks in part to our success in Europe and winning contracts for several large architectural projects in the Middle East and South East Asia. Due to currency effects, the division saw a weakening in demand in the fourth quarter. However, it performed well in all

## Highlights 2008

### Jotun Group

- All time sales and volume high for the group
- Successful opening of factory in Pune, India
- Decision taken to certify all production facilities pursuant to ISO 14001 and OHSAS 18001
- Redefined focus on the Multicolor Concept
- Implemented measures to manage effects of slowing global economy
- Initiated global roll-out of new ERP systems

### Jotun Dekorativ

- Improvement in sales
- Success with Optimal and products in the masonry segment
- Successful launch of the Jotun Yachting concept (in cooperation with Jotun Marine Coatings)
- Successful launch of Sens, a healthier alternative to traditional paint

### Jotun Coatings

- All time high activity level in the Marine and Protective Coatings segments
- Success in securing many long term contracts

- The Jotun Protective Coatings segment continues to grow due to enhanced concept focus (ISM, Off Shore Concept and Team No. 1)
- Successful launch of SeaMate and re-positioning of SeaQuantum

### Jotun Paints

- All time high with strong growth in both South East Asia and the Middle East.
- Significant increase in new Multicolor Centres in South East Asia and the Middle East. New standardised Multicolor Centre Concept is developed – to be first launched in the Middle East
- Strong position in the project market, with several large projects being secured
- New territories, especially North Africa and the Levant, are being evaluated for future development

### Jotun Powder Coatings

- Growth in sales volume
- Several large projects secured
- Implementation of PRIME- project to standardize the product code system throughout the Powder Coatings Division
- New divisional structure strengthens focus on core segments, marketing and R&D

the three segments (Architectural, Industrial and Functional) and we remain confident in our long-term growth potential.

In Europe, Jotun Powder Coatings posted positive sales volume from both new and existing customers in the industrial segment. Sales in the Middle East reached record highs, with rapid growth in the architectural market. Working closely with other Jotun divisions, Jotun Powder Coatings has strengthened its ability to secure contracts for monumental projects. This includes work on the landmark Burj Dubai, which when completed will be the world's tallest skyscraper.

Likewise, Jotun Powder Coatings has performed well in South East Asia, especially in the architectural segment, despite evidence of a weakening in demand in the fourth quarter of 2008.

In 2008, Jotun opened a new, state-of-the-art production facility in India, which in addition to producing wet paint is capable of producing 5,000 metric tons of powder coatings a year. India's rapidly growing economy has led to a sharp increase in demand for powder coatings in all segments.

While growth in powder coatings demand remains encouraging, the market is fragmented, with many small local producers

creating price pressure, especially in the industrial sector. However, Jotun Powder Coatings' focus on quality, specialised products and excellent service has helped the company win long-term contracts. While many competitors, especially in Asia, view market powder coatings as commodities, Jotun's focus on value has earned the company a strong brand and helped build awareness among architects, specifiers and Original Equipment Manufacturers (OEMs) on the long-term protective benefits of powder coatings.

To meet the growing demand for specialised products in the architectural and functional segments, Jotun Powder Coatings has had success in the development and marketing of innovative products. In 2007, the company launched Corro-Coat Durasol, a fluoropolymer-based powder coatings engineered to provide a long-term weathering performance to the architectural segment. And in 2008, the division launched J-Trac, a multi-layer fusion bond epoxy coating system developed for the protection of pipelines.

Jotun Powder Coatings serves three very different segments, characterised by different products, service capabilities and marketing demands. In 2008, the division launched a focused segmentation initiative to refine our approach to these different markets. By understanding that

we provide coatings solutions to customers with special needs, we can target our products and services more accurately to meet their specific demands.

Looking ahead, Jotun Powder Coatings will continue to strengthen its position in markets where it is established, seek opportunities in promising regions and work with other divisions where appropriate.

**“To succeed in a rapidly changing market, Jotun Powder Coatings must continue to focus on the specific needs of our customers and work to improve our understanding of the different industries we serve.”**

**Martin Chew,**  
Group Executive Vice President, Jotun Powder Coatings

Despite evidence of a weakening in demand, the division is confident that the combined benefits of high durability and low environmental impact found in powder coatings will increasingly be viewed as a safe and effective coating solution. To capitalise on this trend, the company is working to develop low-temperature curing powder coatings for a variety of substrates, such as wood and plastic, which will significantly expand the market opportunities in the future. ■

# Comprehensive HSE

Jotun's HSE standard has been established to prevent occupational and work-related diseases, promote physical and psychological health, safeguard life and property and prevent the pollution of the environment. But the true measure of the quality of Jotun's HSE policy is found in actions, not words.

Jotun's approach to worker safety and environmental performance has been shaped by events in the company's 80-year history, rapid growth and global presence. As a leading multinational coatings company, many of Jotun's Health, Safety & Environment (HSE) policies have developed organically and match or exceed emerging international standards. However, what makes Jotun's approach to HSE unique are the links which bind the company's HSE policy to Corporate Social Responsibility (CSR), Human Resources (HR), Corporate Communications and the company's values; Loyalty, Care, Respect and Boldness.

In 2008, Jotun launched a number of new initiatives to improve its HSE performance. The company committed to achieving ISO 14001, a management tool enabling an organisation to identify and control the environmental impact of its activities, products or services and to improve its environmental performance and implement a systematic approach setting environmental objectives. Established by the International Standards Organization, ISO 14001 is a framework for a holistic, strategic approach for Jotun's existing environmental policy.

At the same time, Jotun will also adopt OHSAS 18001, an international occupational health and safety management

system specification, created by the US Occupational Safety and Health Act, which mandates various worker safety standards and conducts mandatory inspections. While some Jotun facilities are already in compliance and may have systems in place which mirror these standards, this complex process may take time to implement. However, as Jotun has grown, the company recognises the commercial, operational and ethical value of achieving the common high standards in all of its facilities.

But Jotun's comprehensive approach to HSE also extends to product development. Launched in 2000, SeaQuantum, a high quality, selfpolishing antifouling paint has emerged as a market leader. Today, more than 3,000 vessels are coated with SeaQuantum, and the product's long track record has clearly demonstrated its success in long-term fuel savings. While developed as a commercial product, SeaQuantum and its sister product SeaMate enable vessels to significantly reduce carbon emissions – a vital step in controlling global warming.

Jotun also takes direct action to manage environmental issues. In the early 1990s, a government-sponsored environmental review of Norway's coastal regions discovered some disturbing data around Jotun's facility in the local waters near Sandefjord. Samples taken from the fjord adjacent to Jotun's Gimle factory, which experienced a fatal fire and explosion in 1976, revealed a number of toxic compounds.

While many of the harmful chemicals found in the sediments in the fjord were unrelated to the manufacture of paints and may be attributed to shipping traffic and the proximity of maritime-related businesses (such as shipyards and bunkering facilities), Jotun took the lead on the clean-up effort. While complex, expensive and time-intensive, the project has helped Jotun understand the long-term

“Jotun's approach to HSE is not confined to specific policies, but is a reflection of our commitment to our workers, the environment and the communities where we are active.”

Arnstein Haugbråten, Jotun Group Technical Director



## SeaQuantum

Developed in cooperation with the Japanese company NKM, SeaQuantum has been in the marine market since 2000. Since launch, SeaQuantum has emerged as the industry's most effective IMO compliant antifouling marine coating when it comes to performance. Based on the unique hydrolysing silyl acrylate technology, SeaQuantum's selfsmoothing properties improve vessel fuel saving performance over time and thus provide fuel savings for 60 months. SeaQuantum's performance also helps shipowners manage fuel bills effectively and helps to reduce carbon dioxide and other air emissions. SeaQuantum has been applied on more than 3,200 vessels with proven fuel saving performance.



## Jotun's HSE vision

Jotun A/S will enhance long-term competitiveness and financial performance through a responsible approach, attitude and actions regarding Health, Safety and Environment.

All of Jotun's activities shall:

- Prevent work-related illnesses
- Promote employees' physical and mental health
- Protect life and property
- Prevent pollution

impact hazardous chemicals have on the environment, information which has contributed to the company's broader approach to waste management.

Standardisation, product development and waste management initiatives represent only a small fraction of the company's activities and investment in HSE. In addition to implementing many in-house training and awareness programmes, the company also works with a number of regional and international organisations, such as REACH, a new European Community regulation on chemicals and their safe use, and LEED, a third-party certifi-

cation programme benchmarking design, construction and operation of high performance "green buildings". Jotun has also started the process of auditing the HSE performance of its myriad of suppliers.

These and other initiatives will ensure that Jotun's HSE policy continues to develop, creating a better, more efficient and responsible company. But to achieve its objectives, Jotun must continue to rely on the dedication of its employees around the world. ■

# Making Sens

While many factors have contributed to Jotun's success in the past 80 years, the company's commitment to identifying and meeting consumer demand has remained a constant. In 2008, this consumer-driven approach to product development resulted in Sens, a healthier alternative to traditional decorative paint.

In 2005, Jotun began a programme to develop a unique paint solution that would help differentiate the company from competing brands in Scandinavia marketing similar water-borne paints. The company launched a survey initiative to track consumer preferences in Norway and worked closely with participants in three separate focus groups to get a better understanding of what consumers liked and did not like about interior paints. The results were surprising.

In addition to expressing a preference for more environmentally safe, low-solvent paints, many voiced health concerns, with a particular focus on allergies. To gather more information, the project team contacted the Norwegian Asthma and Allergy Foundation (NAAF). They learned that increased sensitivity to chemical allergens has risen significantly in Scandinavia in the past decade. Today, about 1.4 million individuals suffer from allergies, asthma or eczema in Norway alone.

The project team included both marketing personnel and chemical engineers from the research and development department. The team also took in valuable input from Jotun's sales personnel and the company's resident health care professionals and toxicologists. The project team invited NAAF to provide independent testing and verification of the health effects of the paint ingredients. NAAF agreed to participate but would only endorse the product if Jotun could meet

its strict standards. The goal was clear: to not only make a paint with low concentration of preservatives, but to also minimise any potential negative health effects, creating a valuable product for any consumer interested in avoiding exposure to unhealthy chemicals.

Together with NAAF, Jotun's project team began work immediately. While Jotun has developed low-solvent paint solutions previously for professional projects, the company's chemical engineers felt confident that they could improve existing formulations to create a truly unique consumer product. First, they needed to remove as many potentially harmful chemicals from the formula as possible without reducing the properties that contribute to a high quality, easy-to-use paint. Second, they needed to ensure that the raw materials sourced from suppliers were free of unwanted residues or potentially unhealthy chemicals, such as ammonia.

The result is a unique, fast-drying interior paint which consistently outperforms competing brands on emission testing. In addition to receiving an endorsement from the NAAF (which has the industry's strictest health criteria for paint), Sens is approved by the foundation's sister organisation, the Swedish Asthma and Allergy Foundation (SAAF), and has been certified by both the Nordic Council of Ministers' eco-label, the Swan and the EU Flower, established by the European Union Eco-labelling Board.

Available in a broad range of colours and finishes, the paint has been a genuine market success in Scandinavia. Jotun publicised its co-operation with NAAF in commercials, and the relationship between the two organisations received extensive media coverage, helping to boost sales. At present, plans to launch the product in other markets are currently being evaluated.

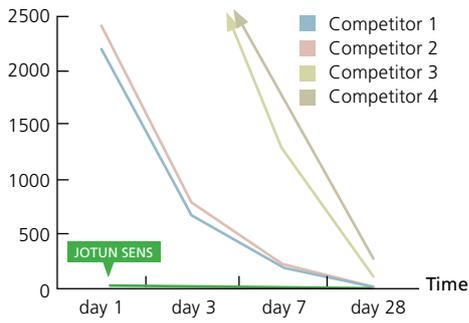
The strength of Jotun's research and development personnel, combined with the company's marketing expertise, goes a long way



to explaining the success of Sens. However, Jotun recognises that successful product development does not begin in the lab, but with the consumer. Rather than developing a product and attempting to convince consumers it is superior, Jotun focuses on identifying emerging consumer preferences. The result is a premium paint solution which meets the demands of an existing market. ■

### Emissions ( $\mu\text{g}/\text{m}^2\text{h}$ )

Emission levels are in TVOCs  
(total volatile organic compounds – boiling point below  $250^\circ\text{C}$ )



“As one of the industry’s first interior paint brands developed and marketed to help users manage health issues, SENS is unique. But the success of this product did not begin in the lab – it began with the consumer.”

Bent Haflan, Director, Jotun Research and Development



## Our partnership with NAAF

It is the aim of the Norwegian Asthma and Allergy Association (NAAF) to increase the quality of life of all affected by asthma, eczema, allergies, chronic obstructive pulmonary disease (COPD) and other hyper-sensitivities.

Asthma and allergies are one of the few chronic illnesses that are increasing annually, especially among children. Twenty per cent of children in Norway develop asthma before the age of ten. Both unhealthy outdoor and indoor environments are seriously contributing to the development of these illnesses.

The association speaks for the rights of around 1.4 million Norwegians affected by asthma and allergies – driving awareness on a national level, demanding relevant changes to the law and lobbying both politicians and the media on this topic. More at: [www.naaf.no](http://www.naaf.no)

# Protecting our people

Completed in 2008, Jotun's new factory in Pune, India is a model of efficiency, built to provide employees in the factory and office with a safe and healthy work environment.

On 5 March 2008, Jotun officially opened its new factory, located in Ranjangaon near Pune, in the Indian State of Maharashtra. The factory has a capacity to produce up to 50 million litres of wet paint and about 5,000 metric tonnes of powder coatings. India is expected to be the second biggest paint market in Asia Pacific, and with modern facilities now in place, Jotun expects to strengthen its market position in all segments.

Yet the significance of the factory goes beyond the business plan. Indeed, Jotun's factory in Pune represents to date the company's most ambitious effort to construct a facility to ensure a safe and healthy work environment and improve efficiency. While this effort was capital intensive (the factory cost about USD 22 million), the company recognised that its long-term success in India would have to be built from the ground up.

Upon arrival at the factory, several features stand out. Visitors are stopped at the gate by guards, who register each guest and provide them with tags. No guests may enter the site without an escort. To prevent potential traffic accidents, motorised access to the factory is limited to a wide, one-way road that circles the entire facility, with clearly marked areas for the off loading of supplies and raw materials and the loading of paints and powder coatings. Two Multicolor machines sit in the loading bay, allowing workers to tint fresh paint to customer specifications prior to its delivery to supply trucks.



Fire safety remains a top concern. The factory is equipped with its own guarded water station and two enormous water storage tanks with enough water to fight a fire up to three hours. The facility is also equipped with 47 fire hydrants spread throughout the grounds. In addition, Jotun has established agreements with other factories nearby to provide, or receive, mutual emergency response assistance if needed.

Paint storage facilities, which represent the greatest potential risk for fire, are equipped with automatic foam systems, which once triggered by smoke detectors can fill each warehouse up to a level of seven metres in less than five minutes. All flammable solvents are stored in two separate tank

farms, far from the factory building, and the spacious administration offices have been placed in a different building.

Inside, the factory has been specifically designed to improve efficiency, worker comfort and reduce the risk of fires or accidents. Floors are clearly marked with safe walking zones, safety tips have been placed in key locations and site-specific first aid kits and fire fighting equipment are easily accessible and clearly labelled. The high roofs are constructed of heat-reflecting materials, creating a cool working environment, and skylights provide natural light to cut down on electricity costs.

The careful planning and design of the factory, combined with significant

“We recognise the achievement of building a state-of-the-art factory, but we are more proud of our success in building a culture of safety and efficiency.”

Claes Jansson, Managing Director, Jotun India



## State-of-the-art fire security

To manage the significant fire risk associated with the production of solvent-based coatings Jotun's new factory in Pune is equipped with a number of fire safety measures.

- The factory is equipped with 47 hydrants placed at strategic locations throughout the facilities and its own pumping station, monitored by security personnel
- Water tanks provide up to three hours of firefighting capability
- Storage tanks for flammable solvents are separated from the production facilities
- The factory is equipped with state-of-the-art foaming equipment
- All staff are required to complete fire safety courses and participate in scheduled drills

investment costs in specialised equipment, is vital, but the safe, operational success of the facilities relies on the 100 individuals who report to the facility every day. New employees are subject to rigorous training seminars before being allowed on site, and existing employees participate in frequent training exercises in an on-site conference room.

Some workers familiar with Jotun's safety and efficiency systems from Jotun Paints in Dubai have joined the new factory and have played a valuable role in building a culture of safe efficient operations. After all, building the factory took about 18 months, but building a strong culture is a continuous process. ■

# An organic approach to CSR

Jotun's holistic approach to CSR covers a broad range of locally developed programmes around the world. And while each initiative is different, they are all united by the company's business principles, core values and commitment to the communities where we are active.

While a familiar term, Corporate Social Responsibility (CSR) is often confused with charity, seen by some as more a function of marketing than values. But for a company that supports a broad range of community initiatives around the world, Jotun's approach to CSR is grounded in its values and shaped by its long experience of working with different cultures.

While Jotun has a long history of community support both in Norway and abroad, the company's rapid international expansion has helped shape how it views CSR today. Unlike many companies who confine their CSR activities to supporting multinational charitable organisations, Jotun's global presence allows for a more holistic, flexible approach in which aid can be delivered more directly to local communities. This is consistent with the company's organic growth strategy, which requires a long-term perspective, making the company better equipped to make valuable and enduring contributions to local sustainable development.

The foundation of Jotun's corporate social responsibility lies in its business principles, which emphasise transparency, ethics and the company's values; Loyalty, Care, Boldness and Respect. At the same time, Jotun recognises the link between CSR, Health, Safety and the Environment (HSE) and Human Resources, which shares Group responsibility for CSR at Jotun with Corporate Communications.

While the Jotun Group has made significant contributions to multinational aid organisations, such as the Red Cross, most of the company's CSR work occurs on the local level. Typical projects might include donating interior paint to local schools or clinics, sponsoring local sports teams, offering support for orphans and the disabled, participating in blood drives or neighbourhood clean ups, financing scholarships, helping to pay for the restoration of historic buildings, etc.

Jotun recognises that by empowering local Jotun personnel to make their own decisions on how to allocate funds to various CSR initiatives, both the company and the communities where we operate reap the benefits. This organic approach to CSR also allows the company to tailor initiatives to match the community – after all, what might work in Norway may not apply in Thailand. This approach ensures that there is an objective and a real contribution behind every action.

CSR is a shared responsibility between Jotun corporate and local operations and is continuously monitored and evaluated. In addition, the company audits its suppliers and requires certain CSR and HSE standards of our contractors and subcontractors to ensure they meet our high standards. But the true value of a successful CSR programme cannot be measured by policy statements, audits or capital expenditure. Rather, we measure the quality of our CSR programme by its impact on local communities and the commitment demonstrated by our personnel to being an active and positive force in all the markets we serve. ■

## A place to call home

Active in 132 countries around the world, SOS Children's Villages is the world's largest non-governmental charity for orphans, providing support for more than 70,000 orphaned and abandoned children in 473 unique Children's Villages around the world. The Children's Village in Pune, India consists of 20 family houses, each supporting between eight and ten children who are cared for by a "house mother". The site, which was opened in 1974, also includes a multi-purpose hall for meetings and ceremonies, a clinic and laundry facilities. When the children reach age 15, they are moved to the nearby SOS Youth Facility, where they start vocational training or go on to higher education.

In addition to providing paint and financing an irrigation system to support the orphanages vegetable gardens, Jotun has hired two of the graduates of the SOS Youth Facility as technical advisors for Jotun Powder Coatings. Santosh Pillay (left) and Ishwar Bhansode (right) now have their own families to support but still find time to visit home.





## Focused CSR

Over the years, Jotun has conducted its business operations in accordance with sound values and business principles in the interest of customers, employees, owners, the environment and the society at large. At Jotun, Corporate Social Responsibility (CSR) is a shared responsibility involving the entire organisation. Our policy is grounded in our values and our business principles and cascades down to each CSR activity.

At Jotun, we strongly believe in a pragmatic approach to CSR, working within selected areas based on global and local considerations on a case-by-case basis. In this way, the company ensures that there is an objective and a measurable contribution behind every action. In 2008, Jotun Corporate took the decision to place CSR issues on the agenda for business reviews and management meetings, and have initiated actions to increase employee awareness. Furthermore, the company has adopted a policy demanding higher CSR standards from subcontractors and will audit suppliers' CSR policies.

“Jotun’s CSR activities may be defined by our business principles and sustainable development policies, but our community involvement is driven by our shared sense of responsibility to the communities we serve.”

**Merete Aspaas,**  
Group Vice President, Human Resources

# Understanding our market

Operating successfully in an industry characterised by rapid change, evolving consumer demand and increased competition remains a challenge, but Jotun's long-term commitment to innovative marketing strategies and improved distribution ensures the company will remain competitive in the decorative segment.

The decorative paint segment accounts for about half of the estimated USD 80 billion global coatings market. While sales in mature markets account for about a third of this, growth is more robust in the rapidly developing economies in China, India and among countries in the Middle East and South East Asia. While a large portion of the market is consumer related, high growth rates in the decorative paint market over the past five years has been driven by new construction, particularly in emerging markets where an increase in housing ownership and commercial development have helped increase sales volumes.

The current global slowdown is likely to impact the industry but will affect different regions in different ways. Sales in mature markets in the United States and Western Europe, which have absorbed most of the effects of the financial crisis, are expected to be flat. Economic growth in emerging markets is expected to slow, with a corresponding effect on the consumption of decorative paints. These changes are likely to weaken market share for those global coatings manufacturers with limited exposure to developing markets and may result in further industry consolidation.

About 40 per cent of the Jotun Group's revenue is derived from the decorative segment, which is managed by Jotun Dekorativ and Jotun Paints, with support

in selected countries from Jotun Coatings. The developed markets in Scandinavia, managed by Jotun Dekorativ, are characterised by intense competition from multinational players, price pressures from building materials superstores and private label brands, developed by competitors. To retain its strong market position in the DIY market, Jotun has focused on the development and launch of innovative paint solutions such as Sens, a healthy, low emissions alternative to interior paints and improving its distribution network.

The company's decorative paint business in the Middle East and South East Asia is managed by Jotun Paints. Over the past five years, strong economic growth in these regions has created a strong BIY market among new homeowners joining the middle class and significant investment in mega projects, such as housing developments, luxury hotels and skyscrapers. To remain competitive in the consumer market, Jotun has increased the focus on innovations, standardised shop design, launched a number of high end Inspiration Centres to attract new customers and continues to invest in the development of Multicolor Centres. Jotun Paints has also been successful in winning contracts in the professional market by creating special "single source" sales and service teams to ensure the company meets required specifications for new developments.

While Jotun has tailored its sales and marketing profiles to suit different decorative paint markets, there is an emerging and stronger demand for low-VOC paints. These "green technology coatings" are specifically formulated to improve environmental performance and reduce potential health risks resulting from harmful emissions. Jotun remains on the cutting edge in the development of these products and has had significant success in marketing them to both the consumer and professional markets.



While the long-term effects of the financial crisis on the decorative segment remain unclear, it is likely that Jotun's activities in the professional market will see a contraction, although the company is likely to see growth in the paint maintenance market. A fall in consumer spending may impact sales on the DIY and BIY consumer markets, but it should be noted that decorative paints remain a relatively cost-effective choice for interior design and that the segment has traditionally performed well in recessionary conditions. ■

“Achieving continued success in today’s changing markets requires that we leverage our strengths in quality product development, efficient distribution, and consumer-driven marketing strategies.”

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



## Developing Jotun’s Multicolor Culture

Long the backbone of Jotun’s core business, the company’s in-shop tinting systems, known as Multicolor Machines, have become a vital part of the Jotun brand. In 2008, the company took the decision to develop the Multicolor concept further and create an integrated Multicolor Culture within the organisation. The plan involves assigning staff to dedicated positions to manage a broad range of issues, ranging from colour technologies to hardware and software development, tinting colour and base development to commercial applications. The new internal Multicolor team will serve as a centre for competence, information and inspiration, helping Jotun develop a more integrated Multicolor Culture.

# Finding success in a changing market

Driven by rapid economic growth and increased investment in energy-related and civic infrastructure, demand for protective coatings was positive in 2008. But to remain competitive in uncertain markets, protective coatings suppliers must adapt to the evolving needs of their global customers.

The protective coatings segment serves both regional players and some of the biggest and most demanding multinational industrial development companies in the world. The high investment costs required for the construction and development of large energy and civic infrastructure projects often involves a complex, international network of architects, consultants, contractors, fabricators and manufacturers of specialist equipment. To compete for these projects, protective coatings suppliers must have the products, the distribution network and the competence to deliver on customer expectations.

Jotun protective coatings business is managed by the Jotun Coatings division, with significant sales support from Jotun Paints. The business serves four primary market segments: **Oil & Gas**, which includes offshore and the land-based hydrocarbon processing industry; **Combustion and renewable power stations**; **Infrastructure**, which includes civic infrastructure projects such as bridges, airports, skyscrapers and arenas; and various **Heavy Industry** plants. Due to its strong global presence, Jotun is ranked among the top three in all segments.

While most of Jotun's protective business is generated in local markets, the company is also a major player in more complex, international markets, which often include a network of multinational companies.

For example, a semi-submersible offshore platform owned by a Norwegian company may be contracted by a French company, designed in Houston, with a hull built in China, topside and modules built in Spain and outfitted in Singapore for service in deep waters off the North Sea. To compete successfully for these mega-projects, Jotun develops project teams to market Jotun's services to different stakeholders – wherever they are.

Looking ahead, uncertain economic conditions may impact financing for both industrial development and energy-related installations. While offshore activity is expected to stabilise in the next few years, some governments have announced plans to invest in civic infrastructure projects to stimulate national economies. In 2008, Jotun launched an initiative to develop its infrastructure segment further, which will require a more focused approach to products, solutions, services and distribution.

Rising concerns for the environment and the corresponding introduction of new international and regional regulations and standards have encouraged the development of new, more environmentally friendly protective coatings, resulting in more solvent-free, water-based products. To help customers reduce costs, Jotun has also developed some specialty coatings for the oil & gas segment, which can be applied to hot surfaces, reducing downtime. Jotun also provides coating solutions for alternative energy companies, a growing market segment.

With new facilities, a strong organisation and the successful launch of new products, Jotun's growth in the protective segment is expected to continue. While concerns remain about how global economic conditions will impact sales, the company's strong global presence and quality products have placed Jotun in a good position to emerge from this period in a stronger position. ■



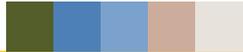
## Coating a giant

As one of India's largest companies, Essar Group is a diversified business corporation engaged in the manufacturing and services sectors of steel, energy, power, communications, shipping, ports & logistics, and construction. Essar with an assets base of over USD 14.5 billion, employs more than 50,000 people across offices in Asia, Africa, Europe and the Americas. Jotun's relationship with Essar began on a port construction project in Chennai in 1984 and has since expanded to include long-term contracts for the provision of protective coatings for Essar Steel, Essar Construction and Essar Energy. Jotun also provides marine coatings to Essar's fleet of 25 vessels.

While the relationship between Jotun and Essar has been built on business needs, the two companies share similar values and a common business philosophy. Both are international highly entrepreneurial organisations that recognise the value of excellent service and building long-term relationships with suppliers and customers alike. Essar's investment in worker competence and rigorous Health Safety and Environment policies are similar to Jotun's, and both have built their business by developing and delivering quality products and services. The result is a relationship built on mutual respect and openness which has endured for almost 25 years.

“By strengthening our focus on core business segments and specialised products, Jotun will continue to meet the needs of a changing industry.”

Gene Town, Divisional Vice President, Jotun Protective Coatings



## Morphic Wind

Jotun provides protective coatings solutions to a broad range of companies in the growing renewable energy industry, including Morphic Technologies, a Swedish-based company which manufactures fuel cells and windmills under three subsidiaries, including DynaWind Morphic in Sweden. In 2008, Jotun signed an exclusive, three-year agreement with DynaWind Morphic to supply the company with 30,000 litres of paint, including Barrier 80, Penguard Express and Hardtop XP. While the quality and service capacity of Jotun's offering helped win the contract, Morphic DynaWind also ensured that Jotun was in compliance with ISO 9001 and ISO 14001 certification before finalising the agreement. At present, Morphic Wind has 17 windmills in operation. Morphic Wind dominates the Scandinavian market for windmills producing in excess of 2.5 MW segment.

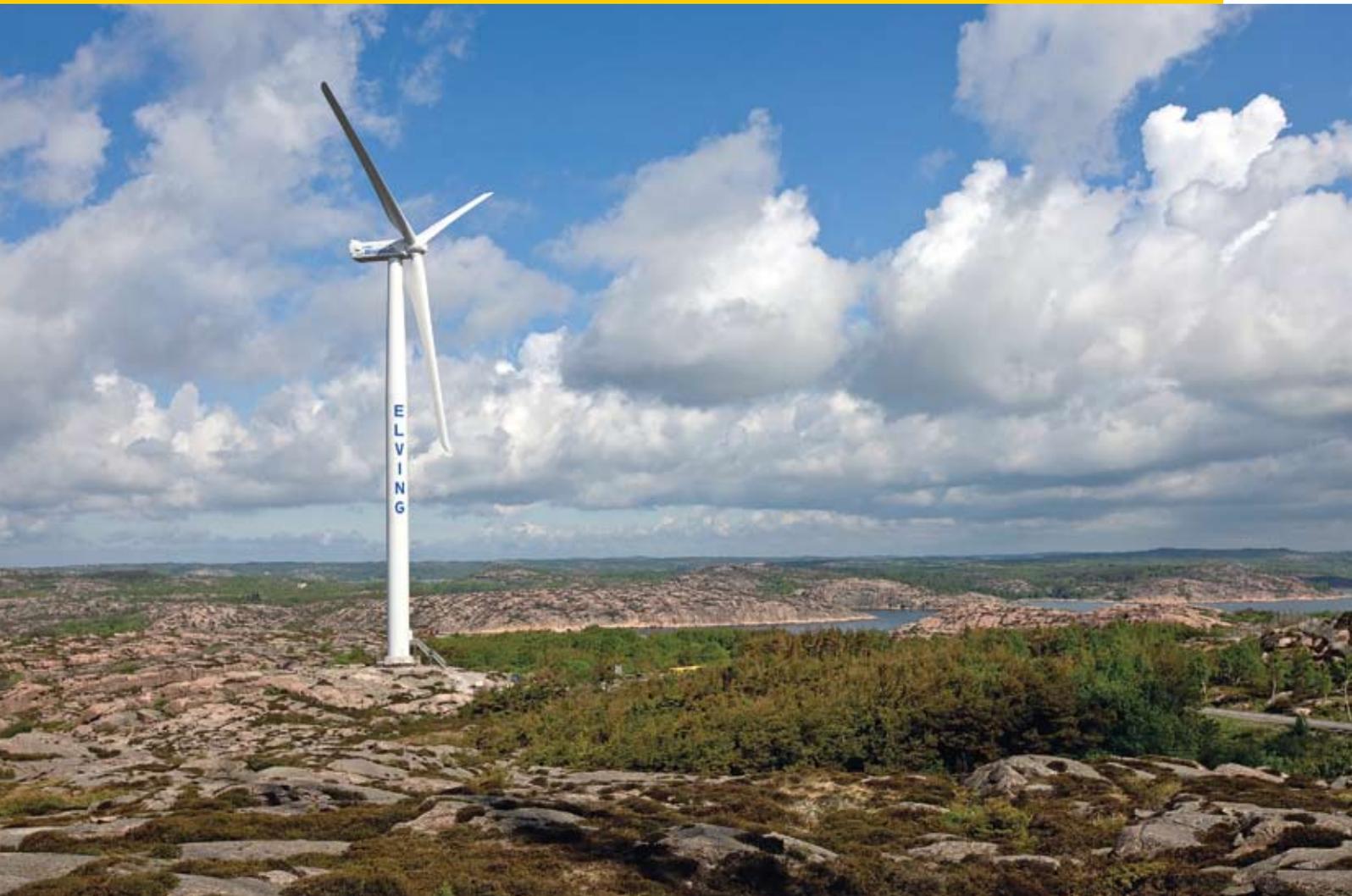


Photo: Alexander Von Sydow

# Charting a steady course through uncertain markets

After another strong performance in 2008, Jotun Marine has been successful in securing its strong global market position. But as the world's shipping industry enters a steep cyclical downturn, the company will continue to pursue a growth strategy in selected markets while increasing its focus on profitability.

The second half of 2008 will be remembered as a cyclical turning point in the shipping industry, as years of record growth and an unprecedented expansion of the world fleet gave way to a changing economic landscape. While many industry players accurately predicted a slowdown in newbuilding orders, reduced freight rates and a rebalancing of the world tonnage supply, the speed and ferocity of the global slowdown has created volatile and uncertain economic conditions.

These changes have resulted in cancelled newbuilding orders, vessel lay-ups and the scrapping of older tonnage. At the same time, market pressures may accelerate industry consolidation, creating fewer, larger players. While the industry has welcomed the return of more reasonable commodities prices, competition for contracts among shipyards, shipowners and suppliers is likely to become increasingly fierce.

The Jotun Group's marine coatings business is managed by Jotun Coatings, with significant sales support from Jotun Paints. Over the last five years, Jotun Marine has capitalised on industry growth, strengthening its position throughout the world and taking leadership positions in Korea and China. At the same time, Jotun Marine has launched a number of initiatives to build profitability in three key segments: newbuildings, drydock and seastock.

Jotun has further developed its newbuilding business, refining its Key Account Management concept, which targets multinational shipowners requiring access to coatings and uniform products and services, worldwide. In addition, training and implementation of Team No.1, a technical service concept launched in 2007, is on schedule. Jotun has also strengthened marketing support for its leading ballast tank coating systems and primers.

Jotun has already started work to further develop its drydock business in anticipation of a slowdown in newbuilding orders. Over the past five years, shipowners have been reluctant to take vessels out of service for expensive maintenance and repairs. While the high costs of drydockings remain an issue, some shipowners are likely to use this period to perform long overdue maintenance on their existing vessels.

The year 2008 also saw the launch of Sea-Mate, a more affordable alternative to the company's premium plus self-smoothing antifouling paint, SeaQuantum, developed to significantly reduce fuel usage and carbon emissions over time. SeaMate fills an important gap in Jotun's product range and has been developed to appeal to shipowners, shipyards and repair yards concerned about costs.

Jotun's historic roots in the marine industry, combined with a strong organisation and a more focused, segment-specific global sales strategy, have helped the company expand significantly in the marine coatings market. As the shipping industry moves into a new market reality, Jotun is in a strong position to build on its past success and seize market opportunities as they emerge. ■

## Coating a winner

Internationally recognised as the offshore industry's most influential magazine, Offshore Support Journal (OSJ) awarded its prestigious "Ship of the Year" award in 2008 to Island Constructor. The vessel, constructed and designed by the Norwegian-based Ulstein Group, was recognised for its versatile and innovative design, including Comfort Class, with minimal noise. Indeed, when representatives from OSJ went aboard during sea trials in calm seas, it was difficult to know from noise and vibration levels if the ship was moving at all, or at what speed.

Island Constructor is also noteworthy for being the first ship with the new IP-based ULSTEIN COM® communications system from Ulstein Elektro. It is the first vessel equipped to the new Ulstein Accommodation Standard, the intention of which is to create more modern accommodation on board, of a type that meets the expectations of a new generation of seafarers. Jotun provided a broad range of coatings to the award-winning vessel, including SeaQuantum Ultra, Hardtop PS5 and Jotacote Universal.



Photo: The Ulstein Group/Tony Hall



## SeaMate

Launched in 2008, SeaMate is in full compliance with the International Maritime Organization (IMO) rules regarding marine coatings. This hydrolysing silyl acrylate antifouling product is suitable for vessels sailing between 12-26 knots and positioned in the premium fouling protection segment. SeaMate also gives the benefit of a slight reduction in fuel consumption compared to non-silyl technologies.

SeaMate can be applied in two coats only for most vessel types for the 60 months of antifouling protection and can be applied in 175 microns per coat. In addition, SeaMate provides excellent technical advantages like rapid drying after application, reducing both application and materials costs.

SeaMate also provides a hard finish offering protection against mechanical damage and uses second generation copper biocides, giving the product an environmentally sustainable profile.

“Following years of rapid growth, Jotun’s marine business is in a strong position to succeed in an increasingly uncertain and competitive industry.”

Geir Bøe, Divisional Vice President, Marine Coatings

# Adapting to a new market reality

Buoyed by strong consumer spending and a boom in architectural and energy infrastructure projects, the global powder coatings industry enjoyed positive growth for most of 2008. However, existing weaknesses in the global financial system have created fresh challenges for the industry ahead.

Dominated by a few major players and crowded with hundreds of smaller, local companies, the powder coatings industry serves three main market segments: Industrial, which includes consumer goods such as domestic appliances, home and office furniture, automotive components, heating and ventilation systems; Functional, which includes concrete reinforcing steel bars, pipelines and valves; and Architectural, which includes window and door frames on monumental, commercial and residential developments.

For the past five years, growth in the three core segments has been fuelled by rapid economic growth in emerging economies, especially China, the Middle East and Southeast Asia – regions where Jotun has benefited from a strong distribution network. While long-term projections for these segments remain promising, current market conditions may result in delays or cancellations of large construction projects, resulting in decreased demand for powder coatings.

Growth in the industrial segment has been largely driven by consumer demand. But because consumers are particularly sensitive to difficult economic

conditions, the industrial powder coatings market segment is likely to experience a contraction in 2009. Recorded weaknesses in consumer spending in the last quarter of 2008 in many parts of the world have impacted production of consumer goods. These conditions may also impact smaller, regional players and likely result in increased market consolidation.

Despite these market uncertainties, 2008 saw an increased focus on powder coatings as an environmentally friendly coating solution. Because powder coatings are not manufactured with solvents, they represent a low Volatile Organic Compound (VOC) emissions risk. Today, indoor environmental quality and control of VOC emissions are becoming as critical to specifiers as the product performance. For this reason, demand for environmentally friendly, low VOC coating solutions in Europe, where legislation is rigorous, and in the Middle East and Asia, which have seen a rise in sustainable architecture practices, is growing.

Market conditions in 2009 are likely to be challenging. But Jotun's global network and strong presence in all three powder coatings segments, combined with its focus on the development of innovative products with thinner films, improved finish, lower curing temperature, extended durability and improved corrosion and protective properties, have helped position the company to take advantage of competitive changes in the market. ■

“While difficult market conditions will impact Jotun’s powder coatings business, the division has the products, personnel and global presence to emerge from this period stronger than before.”

**Martin Chew,**  
Group Executive Vice President, Jotun Powder Coatings

Architectural



Industrial



Functional

## Building together

With a production capacity in excess of one million tonnes, PSL Limited is India's largest manufacturer of HSAW pipes and a leading provider of fusion bonded epoxy (FBE) coated reinforcing steel bars. Established in 1994, PSL's 18,000 square metre coating factory in Daman India, supplies quality coated rebar in a variety of diameters to a broad range of companies.

PSL's success in the rebar coatings market is built in part on their quality standards and rigorous testing of finished goods. Coated

bars are subject to ASTM, ISO or BS standards and are tested for thickness of the coating, flexibility, abrasion, chemical resistance, chloride permeability, cathodic disbondment and thermostatic salt corrosion. Jotun has been providing PSL with powder coatings since 1995, and the two companies continue to work closely together to improve PSL's coated rebar. In fact, Jotun's first powder coatings production facility in India was located at PSL's factory in Daman.

# Protecting our future

Jotun's strong performance in 2008 is consistent with the company's growth trend over the last decade. However, this growth comes with a greater responsibility to our workforce, the environment and the communities where we are active.

Due in large part to Jotun's strong presence in rapidly developing markets in the Middle East and Asia, the company has enjoyed remarkable success in the past 10 years. This growth has allowed the company to establish our brand in promising new markets, expand existing facilities in key locations and further strengthen the competence of our multinational workforce. Jotun's activities in 2008 saw a continuation of this trend, reflected not only in the group's positive results, but also in the successful implementation of the company's organic growth strategy.

Jotun now faces two challenges. First, uncertain global market conditions, which emerged in the third quarter of 2008, are likely to impact Jotun's results in 2009. While all divisions reported positive growth for the year, signs of weakness in certain segments were noted in the fourth quarter. The severity of the global economic crisis and speed of developments make any useful predictions difficult, but it is clear that the company must continue to prepare for a new market reality.

Jotun is fortunate to have a strong balance sheet with little net debt, which allows the company some measure of flexibility. However, managing this challenge will require more efficient use of capital, greater focus on profitability, improved operational efficiency throughout the organisation. Continuous improvements in all our activities – from production

facilities to management processes, distribution networks to supplier chains – are vital to our efforts to successfully manage our business in a changing market.

Our second challenge is to improve our results in Health Safety and the Environment (HSE). Jotun has performed well in these areas in the past, but the company's rapid growth and greater awareness of how our operations impact the lives of our workers and the societies where we operate demand a higher standard.

Jotun has benefitted from a number of successful programmes already in place, but we recognize the need for a more organised, systemic approach to HSE. Developing, implementing and refining these systems are a complex and capital intensive, but remain a priority. Indeed, the Board of Directors has supported every HSE initiative brought forward by management.

As a global company, Jotun is influenced by macroeconomic trends we cannot control. However, with a strong regional presence in more than 70 countries, the company has a significant impact on the people and communities where we are active. Jotun remains committed to managing these challenges and conducting our business in a way consistent with our values: Loyalty, Boldness, Care and Respect – values which have defined the company for more than 80 years. ■



**Odd Gleditsch d.y.**  
Chairman of the Board

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

**Odd Gleditsch d.y.** Chairman of the Board



# Directors' Report

## 1. MAIN ACTIVITIES

At the end of 2008, Jotun's business activities included development, production, marketing and sales of a range of paint systems and products for surface treatment, organised through four divisions:

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

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

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

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

Jotun has a worldwide network and is represented on every continent by subsidiaries and joint ventures. The group comprises 71 companies in 37 countries, including 40 production facilities. In addition, Jotun has agents, sales offices and distributors in a number of countries. The parent company, Jotun A/S, has its head office in Sandefjord, Norway.

## 2. REVIEW OF THE GROUP ACCOUNTS

In accordance with Section 4-5 of the Norwegian Financial Reporting Act, the Board of Directors finds that conditions are present for going concern and the accounts for 2008 are rendered on this assumption.

### Profits

The group's total operating income was NOK 10,442 million, against NOK 8,872 million in 2007. The majority of the group's business areas showed satisfactory development throughout the year. The first part of the year was highlighted by steady growth in most areas, while the economic crisis which affected the global economy in the second half of the year also had an impact on Jotun's total profit.

The group achieved a pre-tax profit of NOK 877 million, compared to NOK 768 million in 2007. Total taxes for 2008 were NOK 215 million, compared to NOK 214 million in 2007. The

group's consolidated profit after taxes, but before minority interests, was NOK 662 million, against NOK 553 million in 2007.

The parent company, Jotun A/S, achieved a pre-tax profit of NOK 375 million, compared to NOK 466 million in 2007. After total taxes of NOK 77 million, the parent company accounts show a profit of NOK 299 million, against NOK 374 million in 2007.

### Financial position, capital structure and risk

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

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

The net interest-bearing debt at the end of 2008 was NOK 557 million, compared to net deposits of NOK 82 million as of 31 December 2007. The increase of NOK 639 million can mainly be linked to currency changes, investments in working capital and capacity expansion. The group's total investments in 2008 were NOK 445 million, compared to NOK 290 million in 2007.

The group's net cash flow after investments in 2008 was NOK -315 million, compared to NOK 320 million in 2007. Cash flow from operations was NOK 90 million, as against NOK 763 million in 2007. During the fourth quarter of 2008 USD and USD-related currencies increased considerably in value in relation to NOK. This has resulted in a significant increase in the group's balance sheet items expressed in NOK and has had a major impact on the reported cash flow statement.

The group's equity ratio was 50.7 per cent at the end of the year, as opposed to 52.1 per cent for the previous year. The group is in a sound financial position. Jotun A/S had available, on the group's behalf, overdraft facilities and other committed short and long term credit lines totalling NOK 1,225 million as of 31 December 2008.

### Allocation of net profit

Jotun A/S can report a net profit of NOK 298,504,000 for 2008. The Board of Directors suggests the following use of the profit to the Annual General Meeting:



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

Allocation to share dividend (NOK 600 per share)	NOK 205 200 000
To other equity	NOK 93 304 000
Total allocation	NOK 298 504 000

Jotun A/S had NOK 2,413 million in distributable reserves at the end of 2008, against NOK 2,353 million in 2007.

### 3. THE MARKET

#### Jotun Dekorativ

This division can report another year with rising sales in spite of the reduction in volume. However, lower margins have had an adverse impact on profits, compared to the previous year.

Margins must be improved and this can be achieved by giving more attention and initiatives on structure and cost trends. Important measures which have been taken include an analysis of the production and delivery structure, aimed at finding more effective operational methods in every area.

Investment in human competence has been made in recent years. This has led to additional costs in the short term. In the long term, however, these initiatives are required to ensure future development and a solid position.

The division had some delivery problems during the summer period. During the second half of 2008 production capacity has been increased and stocks built up to ensure delivery capability for the coming season.

In 2008 the division undertook one of its biggest product launches in many years with Sens, a new range of paints. This product is odourless and solvent-free and does not give off any toxic vapours. Independent tests show that this paint is the most environmentally friendly paint available on the market. The Norwegian Asthma and Allergy Association supported the launch and recommends the product to its members. The range has been very well received in the trade and sales to all chains have been good.

The division has an important asset in the form of a strong brand name and good relations with both customers and operators in the professional sector. Jotun wants to be a good partner both by providing revenue from the sale of Jotun's products and by offering better products, services and total solutions than our competitors. An expert research and development function facilitates innovation, which also helps ensure that the division is very well equipped, even in a situation with increased competition from the trade's own brands and reduced margins.

### Jotun Coatings

This division has shown yet another year of good market development and high levels of activity throughout the whole period. An ever-increasing proportion of the business in both the Marine and Protective segments is being generated in North East Asia. The shipyards in Asia have full order books through 2011 and the infrastructure projects planned in this region have a similar timeframe. This presents Jotun with opportunities even during this period of global economic crisis.

The network structure, particularly the uniqueness of the marine market, is capital intensive, while the high growth rate calls for increased resources and investments, which affects profits and cash flow.

The Marine segment continues to consolidate its position in the market and improved its results in 2008. In spite of gloomy predictions and slowdown in the shipping industry, the results were not affected by the economic turbulence towards the end of 2008. This segment is also well equipped for the future as the business includes both newbuildings and maintenance on existing ships. Jotun is being challenged by major global customers with ever-increasing demands. In this respect, the development of the Key Account Manager function and good internal tools ensure that customers receive the same standard treatment in all countries. The segment launched SeaMate in 2008. This product, along with the existing SeaQuantum, offers features which enable ships to reduce their fuel consumption considerably over time.

The Protective segment is continuing its rapid development, particularly in North East Asia and the Middle East. This segment is primarily geared towards local operators. There is, however, a steady growth in regional and global customer groups. This type of multinational customer demands new ideas and a high degree of follow-up and cooperation internally at Jotun, as well as a costly structure. The market is complex and major construction projects in such areas as offshore and energy infrastructures involve a large number of operators, including surface treatment workers. Jotun's organisation is demonstrating an increasingly more professional attitude in dealing with quotations during the planning phase of these projects. More stringent environmental legislation and an increased demand for environmentally friendly products require a rapid rate of innovation in terms of new water borne products. Further work is being carried out on developing product features for the customers' benefit.

Increased growth is strengthening the network structure and creating the need for investment. This will have a negative effect on the division's cash flow in the short term. However, long-term investments are still vital so that the division can consolidate its world-leading position in both the Marine and Protective segments. The division will therefore need to make major investments in the coming years. A new factory was opened in India in 2008, and new state-of-the-art production facilities will be ready in Korea in March 2009. There are also plans to increase capacity in China and the US.

### Jotun Paints

Jotun Paints enjoyed yet another year of strong growth and earnings, particularly in the Decorative and Protective segments. Sales are increasing significantly in both the Middle East and South East Asia. Strong economic growth in these regions has resulted in high inflation and cost pressure affecting both goods and services. Margins are therefore generally somewhat reduced compared to last year.

In South East Asia, the companies in Malaysia, Indonesia and Vietnam are making significant progress. Growth in Thailand, where the political and economic climate is somewhat unstable, has also been satisfactory. The sales surge in the relatively new decorative markets in Indonesia and Vietnam is encouraging.

Jotun's companies in the Middle East can report a solid sales and profit increase over last year, while Jotun has continued to maintain its leading position in other important markets. There has been a great deal of construction activity going on in the region. Jotun has consolidated its strong regional position in the project market. The companies in Egypt and Saudi Arabia have enjoyed significant growth and increased their market shares. There has been a rise in the volume of exports of the division's products to countries in the Middle East and North Africa, where Jotun has not set up production sites as yet.

The concept behind the Multicolor paint mixing system is one of Jotun's competitive advantages. There is a strong focus on developing the concept further, which includes Multicolor and Jotun Inspiration Centres aimed at boosting distribution and maintaining a strong market position. Strategic activities are being carried out involving brand building in South East Asia and the Middle East. Jotashield is now the division's biggest brand in terms of sales volume.

Supplying decorative paints and protective coatings for major construction projects is an important part of the division's activities in the Middle East and Asia. A series of new major projects involving international architects and contractors has been provided in 2008, for instance, the world's highest building, Burj Dubai (818 metres). However, these activities are expected to drop off in some markets as a result of the global economic crisis.

Strong growth has generated the need for increased production capacity. A new factory in Saudi Arabia will be ready in 2009. Investments are also being made in new production facilities in Malaysia, with construction due to start in 2009.

### Jotun Powder Coatings

Jotun Powder Coatings has enjoyed positive growth in most markets over the recent years. However, the global economic crisis has affected this sector and thereby the division's product sales towards the end of 2008. This slowdown is expected to last beyond 2009. Specific activities are being carried out aimed at reducing costs, along with other measures to ensure profitability, hold margins up and maintain the division's position in the market.

In 2008 the market saw a stronger overall demand for powder coatings. Powder coatings are produced without solvents, thereby providing an environmentally friendly alternative to wet paints. Environmentally friendly products are required particularly in Europe where the legislation in this area is strict.

Intense competition is a main feature of this market, with a considerable number of suppliers capable of providing low-cost products. Jotun's strategy is to operate in the quality and premium segment. It is therefore extremely important to be able to offer customers something that makes it stand out from its rivals.

One of the main features of the powder coatings market is the need to customise products for small and large customers. Product differentiation is an important part of the innovation effort in order to cope with the stiff competition. The group

works continuously on consolidating its development activities and launching new high-quality products capable of meeting customers' new requirements. This division works closely with the Jotun Coatings and Jotun Paints divisions to provide total solutions using wet paint and powder coatings for industry and construction projects.

#### 4. RESEARCH AND DEVELOPMENT

Research and development is a core part of Jotun's business. The group carries out ongoing research and development centrally at its head office in Sandefjord and at regional laboratories outside Norway. The decentralised distribution contributes to local product development. Customer requirements change in line with economic conditions, for instance, which means it is important to carry out research and development in relation to this.

In 2008, NOK 176 million was posted in the consolidated accounts as expenses for research and development. The corresponding figure for 2007 was NOK 153 million.

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

##### Goals and activities

Jotun saw a sharp rise in its activity level in 2008. Most of our factories registered a significant growth in volume. It was necessary to resort extensively to the use of overtime, while extended shift patterns have been adopted or are in the pipeline. Jotun is committed to ensuring that strong growth is handled properly and not at the expense of health, safety and the environment.

For Jotun to have a good basis for development and growth, it is important that the company works systematically in developing expertise and knowledge internally and in interaction with the surrounding environment. The Jotun Operations Academy is a two-week training programme, primarily aimed at technical staff in management positions. This programme covers a large number of topics relating to health, safety and environment. In 2008, 135 people, including 17 company managers, attended this training programme.

The 15 inspections conducted by HSE staff in 2008 show that most of the group's factories, laboratories and storage facilities are in accordance with acceptable HSE standards. Order and tidiness at the facilities are improving steadily. We can see the beneficial effect from the 5S initiative (a method for focusing on efficient workstations and standardised procedures) which has been introduced at several sites. Some facilities still need to be upgraded with more focus on HSE, and plans of action have been formulated for this purpose. The Board of Directors emphasises the importance of continuously focusing on HSE work and measures.

##### Costs

The total costs of HSE activities rose considerably in 2008. They have been showing a strong upward trend over the last five-year period. The significant rise is mainly due to investments and upgraded fire safety measures. HSE-related operating costs rose in 2008 to NOK 28 million. This is primarily due to the increase in waste volumes and measures relating to the working environment and protective equipment.

HSE-related total investments in 2008 were NOK 42.5 million (up from NOK 14.1 million in 2007).

##### Working environment

The group had no accidents resulting in death or serious personal injury in 2008.

Sickness absence during the past five years has shown a slight decrease, peaking at 1.9 per cent in 2007. The sickness absence rate in 2008 was 1.5 per cent. The total sickness absence rate is usually somewhat 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 57 injuries reported resulting in absence in 2008, down from 63 in 2007. The frequency of injuries resulting in an absence of one or more days per one million work hours (H-value) was 4.2 as opposed to 6.1 in 2007. This resulted overall in 1,338 workdays being lost, compared to a total of 1,592 in 2007.

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

##### Jotun A/S

The trend in sickness absence at Jotun A/S during the past five years has shown a slight decrease, peaking at 5.2 per cent in 2005. The sickness absence rate in 2008 was 4.2 per cent. The rate of long-term absence over 16 days within this percentage is 60.4 per cent (the total rate of absence from 9 to 16 days and over 16 days is 75.8 per cent). In the past two years, Jotun A/S has had a sickness absence rate that was lower than the average for the member companies in the Federation of Norwegian Industries.

##### Environment

Air emissions consist of dust from powder coatings production as well as dust and solvents from paint production. The consumption of solvents has been rising over the past five years and there is a clear correlation between production volume and solvent consumption. A total of 82,900 tonnes of solvents were used in 2008 (compared to 70,500 tonnes in 2007).

The total waste volume has increased over the past five years, but the waste volume per tonne produced has fallen. The group generated 16,200 tonnes of waste in 2008, with 8,800 tonnes classified as hazardous waste. This marks an increase from 2007 when 15,700 tonnes of waste was generated, with 5,800 tonnes classified as hazardous waste.

Production accounted for a total of 59,900 tonnes of water-based emission (77,200 tonnes in 2007). Of that amount, 32,100 tonnes were cleaned (45,400 tonnes in 2007). Water-based emissions are on the decline, with a peak of 83,100 tonnes in 2004. Better routines and production planning have produced positive results.

A total of NOK 7.3 million was invested in measures for preventing or reducing negative environmental impact, marking a rise from NOK 2.6 million in 2007. These measures included equipment for reducing waste volume and cleaning process water.

##### Safety

Seven incidents involving fire were registered in 2008. None of the fires caused any injury to staff or damage to equipment. All of the fires were extinguished by Jotun's own staff. Three incidents were relatively serious and could have caused significant

damage. Two of the fires occurred in production equipment, while one occurred in connection with hot forming on a roof. Further specific measures are required to reduce the risk of fire.

### Challenges ahead

Jotun takes all personal injuries, fires and accidental emissions seriously and has a zero tolerance policy on this. Fewer injuries and reduced absence are good economics in themselves and can also contribute to a general quality improvement in all areas achieved through a good, safe working environment.

Jotun will continue to make training activities a priority. All company managers will participate in HSE training in 2009. This specialist area will also be included in Jotun's management development programmes.

There has been a greater focus recently on suppliers and how they deal with HSE issues and social responsibility. Jotun has launched a programme for systematically auditing suppliers.

In 2007 Jotun started working with a maintenance standard. The system will be implemented at Jotun's facilities in 2009. This is a cultural change, setting new requirements for local skills.

The decision has been made to introduce ISO 14001 and OH-SAS 18001 at all Jotun's production facilities. Jotun has great confidence that these standards will raise Jotun's level and focus on health, safety and environmental issues. Implementation is expected to take two years. The task of drawing up new crisis management and recovery plans for all the group's companies has also been initiated.

## 6. DIVERSITY

Respect, understanding and the ability to adapt to local conditions and cultural differences have been key to Jotun's success. Jotun has used a specific strategy to develop strong management teams with different cultural backgrounds in its global network. Two of Jotun's four divisions are managed from Dubai. Great importance is attached to developing cultural understanding via cooperation organised across regions and divisions. More women have important management positions in the group, both in and outside Norway.

Jotun has a reputation and tradition for operating in an appropriate ethical manner, promoting healthy attitudes in all cultures. The group continually works on how to communicate a common framework for ethical attitudes of social responsibility in every part of the business.

One out of eight members of the group management at Jotun A/S is a woman. 15 per cent of those with personnel responsibility are women (unchanged from 2007, 20 per cent in 2006 and 25 per cent in 2004 and 2005). Women also make up 9 per cent

of skilled workers (8.3 per cent in 2007), while the corresponding rate for women among office staff is 31 per cent (unchanged from 2007).

## 7. FUTURE PROSPECTS

There is an unusual uncertainty about future prospects. The rate of growth decreased globally in the course of 2008, with this trend expected to continue in 2009. We expect Jotun to be affected by a weakened economy through a sharp reduction in the planned implementation of construction or shipping projects. This will result in lower growth overall for Jotun as long as the precarious market situation persists.

There is a high level of awareness about these challenges throughout the whole group. A considerable amount of work is being done to prepare the organisation for a demanding 2009. Cost measures have been implemented and investments postponed. Closer monitoring will enable us to introduce further measures as soon as possible, when this proves to be necessary.

Jotun is in a strong financial position and its established borrowing limits will be sufficient for the coming years. Weaker growth will also reduce the need for new loans. The financial crisis is not expected to affect Jotun to a significant degree in 2009. Measures will be taken in the course of the year to further improve liquidity and financial preparedness.

Uncertain currency and commodity markets will also affect Jotun in 2009. Commodity prices have fallen during the last few months, which may have a beneficial impact on results in the short term. A strong Norwegian krone during the first half of 2008 had a negative effect on profits and the balance sheet, with income and assets in other currencies being converted to Norwegian kroner at relatively low values. By the end of 2008, the value of the Norwegian krone had dropped again, which offset part of the effects caused by the conversion to kroner during the first half of the year. Jotun has currency and commodity hedging programmes that are intended to lessen the impact of exchange rate and price fluctuations.

In the current global economic climate it is important to look out for opportunities. The group operates a large part of its business in markets which are still expected to show some growth, even if the rate is far more modest than in recent years. The group's strategy is to promote organic growth within existing and new markets. The focus must continue to be placed on innovation and product development. New market investments will be made. Jotun is selective about the markets it chooses. It invests particularly in emerging markets with high, long-term growth potential. Jotun is a group covering a wide variety of business areas and geographical regions. This makes the group less vulnerable to changes in isolated markets. ■

Sandefjord, Norway, 12 February 2009  
Board of Directors  
Jotun A/S

  
Odd Gleditsch d.y.  
Chairman

  
Einar Abrahamsen

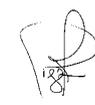
  
Torkild Nordberg

  
Richard Arnesen

  
Dag J. Opedal

  
Nicolai A. Eger

  
Thore Kristiansen

  
Terje Vardenær Arnesen

  
Morten Fon  
President & CEO

## Profit and Loss Account

(NOK thousand)	Note	Jotun A/S		Group	
		2008	2007	2008	2007
<b>OPERATING REVENUES</b>	1,2	2 627 921	2 406 806	10 442 250	8 872 209
Change in inventory of finished goods	4	49 517	4 968	348 089	24 854
Cost of goods sold	4	1 229 796	1 271 583	5 427 487	4 866 001
Payroll expenses	5,8	608 842	503 850	1 699 321	1 337 329
Depreciation	9	56 727	63 602	228 535	226 032
Bad debt	3	791	-460	57 583	22 959
Other operating costs	6	526 856	455 319	1 762 153	1 590 984
<b>Operating profit</b>		<b>155 392</b>	107 944	<b>919 082</b>	804 051
Dividend / group contribution from subsidiaries		219 400	184 893	–	–
Dividend from joint ventures		129 239	107 311	–	–
Interest income		71 547	62 270	35 074	29 773
Other financial income		11 419	9 756	46 987	46 874
Interest costs		-437	-4 129	-58 765	-53 940
Other financial costs	7,22	-211 073	-1 649	-65 688	-59 173
<b>Profit before tax</b>		<b>375 487</b>	466 396	<b>876 690</b>	767 585
Tax expense	16	-76 983	-92 322	-214 658	-214 107
<b>Profit before minority interests</b>		<b>298 504</b>	374 075	<b>662 032</b>	553 478
Minority's share of the profit for the year	17	–	–	-117 446	-76 642
<b>Profit for the year</b>		<b>298 504</b>	374 075	<b>544 586</b>	476 836
<b>APPROPRIATION OF PROFIT FOR THE YEAR</b>					
Allocated to dividend	17	205 200	205 200		
Other equity	17	93 304	168 875		
<b>Total appropriation</b>		<b>298 504</b>	374 075		

# Balance Sheet

ASSETS	Note	Jotun A/S		Group	
		31.12.08	31.12.07	31.12.08	31.12.07
<i>(NOK thousand)</i>					
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Deferred tax assets	16	78 939	43 222	162 390	103 753
Other intangible assets	9	46 687	54 513	85 841	114 509
<b>Total intangible assets</b>		<b>125 626</b>	97 735	<b>248 231</b>	218 262
<b>Tangible assets</b>					
Land	9	14 469	14 469	133 717	108 097
Buildings and plants	9	155 882	156 024	889 645	651 211
Machinery, vehicles & equipment	9	130 314	132 113	725 781	515 048
Plants under construction	9	62 703	32 385	162 824	196 418
<b>Total tangible assets</b>		<b>363 368</b>	334 991	<b>1 911 967</b>	1 470 775
<b>Financial assets</b>					
Shares in subsidiaries	10	1 307 301	1 212 874	–	–
Shares in joint ventures	11	205 583	172 377	–	–
Other shares and interests	12	15 813	16 162	15 813	8 291
Pension funds	8	69 291	66 876	85 243	85 081
Other long-term receivables	19	1 125 747	828 352	53 249	36 493
<b>Total financial assets</b>		<b>2 723 735</b>	2 296 641	<b>154 306</b>	129 865
<b>Total non-current assets</b>		<b>3 212 728</b>	2 729 367	<b>2 314 504</b>	1 818 902
<b>CURRENT ASSETS</b>					
<b>Inventories</b>	4	<b>356 983</b>	283 996	<b>2 068 717</b>	1 368 182
<b>Receivables</b>					
Trade receivables	3,19	207 134	184 761	2 657 534	1 749 900
Other current receivables	19	306 376	175 216	376 264	226 745
<b>Total receivables</b>		<b>513 510</b>	359 977	<b>3 033 798</b>	1 976 645
<b>Bank deposits, cash, etc.</b>		<b>124 136</b>	504 433	<b>515 080</b>	830 557
<b>Total current assets</b>		<b>994 629</b>	1 148 406	<b>5 617 595</b>	4 175 384
<b>Total assets</b>		<b>4 207 358</b>	3 877 773	<b>7 932 098</b>	5 994 287

EQUITY AND LIABILITIES (NOK thousand)	Note	Jotun A/S		Group	
		31.12.08	31.12.07	31.12.08	31.12.07
<b>EQUITY</b>					
<b>Paid in capital</b>					
Share capital	17, 18	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	17	2 731 421	2 638 117	3 620 103	2 839 732
<b>Total retained earnings</b>		<b>2 731 421</b>	2 638 117	<b>3 620 103</b>	2 839 732
Minority interests	17	–	–	297 649	183 239
<b>Total equity</b>		<b>2 834 021</b>	2 740 717	<b>4 020 353</b>	3 125 571
<b>LIABILITIES</b>					
<b>Provisions</b>					
Pension liabilities	8	95 775	82 860	120 781	108 846
Deferred tax liabilities	16	–	–	25 613	16 393
Other provisions for liabilities		–	–	2 440	–
<b>Total provisions</b>		<b>95 775</b>	82 860	<b>148 834</b>	125 240
<b>Other long-term liabilities</b>					
Debt to credit institutions	13	–	–	168 379	61 807
Interest-free long-term debt		–	–	47 252	42 493
<b>Total other long-term liabilities</b>		<b>–</b>	–	<b>215 632</b>	104 300
<b>Current liabilities</b>					
Loans	13,19	247 255	233 671	517 746	394 089
Bank overdrafts	13,21	–	–	386 100	292 736
Trade creditors	19	271 779	217 010	1 277 531	880 511
Tax payable	16	87 432	92 192	199 898	154 037
Public duties payable		105 286	88 189	127 197	113 372
Allocated dividend	17	205 200	205 200	205 200	205 200
Other current liabilities	15,19	360 611	217 935	833 607	599 231
<b>Total current liabilities</b>		<b>1 277 562</b>	1 054 197	<b>3 547 279</b>	2 639 176
<b>Total liabilities</b>		<b>1 373 337</b>	1 137 057	<b>3 911 745</b>	2 868 716
<b>Total equity and liabilities</b>		<b>4 207 358</b>	3 877 773	<b>7 932 098</b>	5 994 287

Sandefjord, Norway, 12 February 2009  
Board of Directors

Jotun A/S

  
Odd Gleditsch d.y.  
Chairman

  
Einar Abrahamson

  
Torkild Nordberg

  
Richard Arnesen

  
Dag J. Opedal

  
Nicolai A. Eger

  
Thore Kristiansen

  
Terje Vardenær Arnesen

  
Morten Fon  
President & CEO

## Cash Flow Statement

	Note	Jotun A/S		Group	
		31.12.08	31.12.07	31.12.08	31.12.07
<i>(NOK thousand)</i>					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit for the year		298 504	374 075	662 032	553 478
Change in deferred tax	16	-35 717	-17 963	-43 350	-16 693
Gains/losses on sale of fixed assets	9	2 577	-9 906	-3 416	-5 144
Depreciation	9	56 727	63 602	228 535	226 032
Write-down of shares in subsidiaries		25 341	–	–	–
Change in goods deliv., trade receiv. and trade creditors	20	-40 591	71 936	-1 211 149	-12 659
Change in borrowing/lending in group account system		-7 328	79 832	–	–
Change in warranty provisions	15	-22 236	33 649	-337	30 068
Change in other accruals	20	77 500	-6 915	147 321	101 617
Translation exchange differences		–	–	310 464	-113 503
<b>Net cash flow from operating activities</b>		<b>354 777</b>	588 310	<b>90 100</b>	763 196
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>					
Payments from sale of fixed assets		1 846	2 251	13 115	9 555
Payments for purchase of fixed assets	9	-81 700	-43 874	-444 745	-290 148
Payments for invest. in subsidiaries and joint ventures		-152 974	-78 902	–	–
Change in other investments and lending		-297 046	21 109	-44 264	227
<b>Net cash flow from investment activities</b>		<b>-529 874</b>	-99 416	<b>-475 894</b>	-280 366
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Payments from new lending		–	–	490 475	160 927
Payment of debt		–	–	-150 187	-143 530
Payment of dividend		-205 200	-171 000	-205 200	-171 000
Change in minority interests	17	–	–	-64 771	-9 068
<b>Net cash flow from financing activities</b>		<b>-205 200</b>	-171 000	<b>70 317</b>	-162 671
<b>Net change in bank deposits, cash, etc.</b>		<b>-380 297</b>	317 894	<b>-315 477</b>	320 159
Bank deposits, cash, etc., 1 Jan.		504 433	186 539	830 557	510 398
<b>Bank deposits, cash, etc., 31 Dec.</b>		<b>124 136</b>	504 433	<b>515 080</b>	830 557
Undrawn credit facilities, 31 Dec.	13	1 225 000	1 275 000	1 225 000	1 275 000

USD and USD-pegged currencies have appreciated significantly in the last quarter of 2008 with respect to NOK. This has resulted in a substantial increase in the group's balance sheet figures and significantly impacted the cash flow statement. The effect relating to operations is rendered as a separate line under translation exchange differences.

The items particularly affected are inventory, trade receivables and trade creditors. However, the working capital turnover ratio has not changed significantly with respect to 2007. Increased working capital resulting from the changes in exchange rates will yield an expectedly higher cash flow in 2009.

# Accounting principles

## 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 Norwegian Accounting Act and Norwegian generally accepted accounting practices as of 31 December 2008. To make the annual accounts easier to read, 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 of historical cost, going concern assumption, congruence, comparability and prudence. Transactions are posted at the value of the payment on the transaction date. Revenues are entered in the profit and loss account when they are earned and costs are matched with earned revenues.

### Use of estimates

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

### Principles for preparing the consolidated accounts

The consolidated accounts show the group's financial position and profit when considering the group of companies as one unit. Uniform accounting principles are applied to all companies in the group. The consolidated accounts include the parent company, 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.

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

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

### Elimination of intercompany transactions

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

### Elimination of shares in subsidiaries

The acquisition method is used as the consolidation principle when eliminating shares in subsidiaries. This entails that the parent company's cost price is eliminated against the companies' equity on the day of purchase. Any surplus values are referred to the assets in question and depreciated correspondingly with those. Any unidentifiable fair value is posted in the consolidated balance sheet as goodwill under intangible assets. Goodwill is depreciated on a straight-line basis over the assumed economic life, usually 10 years for the coating industry.

### Conversion of accounts for foreign subsidiaries and joint ventures

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

Translation differences arising upon consolidation are posted directly against equity.

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

### Treatment of minority interests

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

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

### 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 reality, 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.

### Securing raw material

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. 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 as-

sumed economic life, usually five to ten years for the coating 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 as well as tax-related loss carried forward. The nominal tax rate is used in the calculation.

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

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

### Cash flow statement

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

### Investments in subsidiaries, jointly controlled entities and associated companies

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

## NOTE 1 Sales revenues per division and geographical area

DIVISIONS (NOK thousand)	Jotun Dekorativ	Jotun Coatings	Jotun Paints	Jotun Powder Coatings	Total
Sales revenues 2008	1 652 026	5 240 014	2 385 690	1 038 585	<b>10 316 315</b>
Sales revenues 2007	1 696 511	4 082 919	2 000 668	1 001 377	8 781 475

GEOGRAPHICAL AREAS (NOK thousand)	Europe	Middle East/ Far East	Other	Total
Sales revenues 2008	4 619 486	5 404 013	292 816	<b>10 316 315</b>
Sales revenues 2007	4 445 126	3 828 594	507 755	8 781 475

## NOTE 2 Operating revenues

(NOK thousand)	Jotun A/S		Group	
	2008	2007	2008	2007
Sales revenues	1 429 412	1 453 972	10 316 315	8 781 475
Sales revenues from subsidiaries	837 382	689 473	–	–
Other revenues	107 347	95 207	125 935	90 734
Other revenues from subsidiaries	253 780	168 154	–	–
<b>Total</b>	<b>2 627 921</b>	<b>2 406 806</b>	<b>10 442 250</b>	<b>8 872 209</b>

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

## NOTE 3 Bad debts

(NOK thousand)	Jotun A/S		Group	
	31.12.08	31.12.07	31.12.08	31.12.07
Allowance for bad debts 1 Jan.	2 432	3 332	179 167	191 152
Realised loss / dissolution for the year reduced for previously depreciated receivables	-627	-440	11 182	-34 944
Loss for the year charged to profits	791	-460	57 583	22 959
<b>Allowance for bad debts 31 Dec.</b>	<b>2 596</b>	<b>2 432</b>	<b>247 932</b>	<b>179 167</b>

## NOTE 4 Inventories

(NOK thousand)	Jotun A/S		Group	
	31.12.08	31.12.07	31.12.08	31.12.07
Raw materials	123 922	104 518	918 828	540 913
Finished goods	243 476	193 959	1 244 890	896 801
Write-down for obsolescence	-10 415	-14 481	-95 001	-69 532
<b>Total</b>	<b>356 983</b>	<b>283 996</b>	<b>2 068 717</b>	<b>1 368 182</b>

## NOTE 5 Wages and salaries, number of employees and remunerations

WAGES AND SALARIES AND OTHER SOCIAL COSTS (NOK thousand)	Jotun A/S		Group	
	2008	2007	2008	2007
Wages and salaries incl. bonuses	481 383	403 589	1 326 792	1 068 464
Social benefits	67 593	57 316	138 403	117 528
Pension costs – contribution plans	24 553	20 433	78 082	54 997
Pension costs – benefit plans	27 277	16 194	38 737	26 107
Other benefits	8 036	6 318	117 307	70 233
<b>Total</b>	<b>608 842</b>	<b>503 850</b>	<b>1 699 321</b>	<b>1 337 329</b>
Average number of employees, including shares in joint ventures	870	788	6 164	5 242

## cont. NOTE 5 Wages and salaries, number of employees and remunerations

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS, CORPORATE ASSEMBLY AND PRESIDENT & CEO (NOK)	CEO		Board		Corporate Assembly	
	2008	2007	2008	2007	2008	2007
Wage incl. Bonuses	4 001 053	3 156 504	–	–	–	–
Other remuneration (company car, etc.)	126 379	150 731	1 589 000	1 589 000	182 750	188 750
Pension premiums	58 740	54 525	–	–	–	–

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 8).

The President & CEO also enters into a profit-dependent bonus system for the group management limited upward to 50 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 (NOK thousand)	Jotun A/S		Group	
	2008	2007	2008	2007
Statutory audit	1 153	1 145	7 431	6 505
Other attestation services	–	158	915	465
Tax advising	318	–	3 369	1 801
Other services	713	32	2 636	2 206
<b>Total</b>	<b>2 184</b>	<b>1 335</b>	<b>14 350</b>	<b>10 976</b>

## NOTE 6 Specification of other operating costs

THE ESSENTIAL ITEMS UNDER 'OTHER COSTS' ARE RELATED TO THE FOLLOWING: (NOK thousand)	Jotun A/S		Group	
	2008	2007	2008	2007
Manufacturing costs	87 992	70 582	226 337	218 536
Warehouse costs	34 596	28 405	95 562	87 906
Transportation	58 027	38 932	306 971	241 984
Sales costs	192 774	141 366	652 722	579 841
Technical service	8 825	5 632	35 412	39 720
Warranty costs	19 665	41 196	51 120	67 459
Research and development	85 411	70 039	82 830	68 828
Royalties	24 658	20 675	17 589	9 464
Other operating costs	14 908	38 492	293 609	277 246
<b>Total</b>	<b>526 856</b>	<b>455 319</b>	<b>1 762 153</b>	<b>1 590 984</b>

## NOTE 7 Specification of other financial costs

THE ESSENTIAL ITEMS UNDER "OTHER FINANCIAL COSTS" ARE AS FOLLOWS: (NOK thousand)	Jotun A/S		Group	
	2008	2007	2008	2007
Write off shares in Jotun Iberica S.A.	26 482	–	–	–
Unrealised loss on hedging of metals	142 515	–	–	–
Realised loss on hedging of metals	26 242	–	–	–
Unrealised profit on long-term receivables to subsidiaries	-148 326	50 242	–	–
Realised loss on hedging of long-term receivables to subsidiaries	157 672	-44 040	–	–
Other loss on exchange	6 348	-6 202	41 281	43 259
Other financial costs	140	1 649	24 407	15 914
<b>Total</b>	<b>211 073</b>	<b>1 649</b>	<b>65 688</b>	<b>59 173</b>

Loss on hedging of metals in Jotun A/S is reclassified as cost of goods sold in group statement.

## NOTE 8 Pension costs

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

### Defined contribution plans

Defined contribution plans are schemes whereby the company pays an annual 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 61 years of age and replaced those schemes with defined contribution pension schemes. The company now pays monthly deposits to each employee's deposit insurance

account. The costs associated with this and other pension costs not included in the contribution plans are indicated in Note 5.

### Defined benefit plans

Schemes with net pension funds include 126 employees and 624 pensioners connected with the group pension scheme at Jotun A/S. In addition, 15 employees and 81 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 152 former employees/pensioners in Jotun's English companies. In addition there are pension obligations for 301 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	–
Early retirem. agreements – contractual and implemented	24	3
Senior executive schemes – active	9	–
Senior executive schemes – pensioners	4	–
Contractual pension (AFP) – active	1 006	96
AFP pensioners	51	5
Benefit scheme over operations	10	–

As of 2002, Jotun decided to reduce the period for recognising actuarial gains and losses beyond corridor and plan changes to three years. The company has used an external actuary to carry out the year's pension calculations.

The actual value of pension funds in the Norwegian and English schemes has been calculated as of 31 December 2008. Pension obligations in the Norwegian and English schemes are valued at fair value as of 31 December 2008. Overfunding in the fund-based schemes has been calculated and may be used to finance future pension premiums.

JOTUN A/S (NOK thousand)	2008		2007	
	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 INCLUDING SOCIAL SECURITY</b>				
Defined benefit obligation at the beginning of the period	293 737	122 292	281 961	166 425
Current service cost	2 362	9 086	2 510	12 157
Interest cost on pension obligations	13 090	5 583	11 609	7 143
Actuarial loss / (gain)	20 220	8 444	15 837	-50 043
Social security upon paying pension funds	-780	-203	–	-556
Pension payments	-19 250	-11 661	-18 180	-12 834
<b>Defined benefit obligation at the end of the period *</b>	<b>309 379</b>	<b>133 541</b>	293 737	122 292
<b>CHANGES IN PLAN ASSETS</b>				
Plan assets at the beginning of the period	311 564	2 207	318 824	62 863
Expected return on plan assets	17 521	87	17 036	3 470
Actuarial loss / (gain)	-27 282	-10	-6 116	-64 588
Payments to the scheme	5 530	1 735	–	4 308
Pension payments	-19 250	-3 131	-18 180	-3 846
<b>Plan assets at the end of the period</b>	<b>288 083</b>	<b>888</b>	311 564	2 207
<b>RECONCILIATION OF PENSION ASSETS/(LIABILITY) ENTERED IN THE BALANCE SHEET</b>				
Net pension obligation – overfunded (underfunded)	-21 296	-132 653	17 827	-120 085
Unrecognised actuarial loss / (gain)	90 587	36 878	49 049	37 225
<b>Book value – assets (liability)</b>	<b>69 291</b>	<b>-95 775</b>	66 876	-82 860
<b>THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY</b>				
Current service cost	2 362	9 086	2 510	12 157
Interest cost for the pension obligations	13 090	5 583	11 609	7 143
Expected return on plan assets	-17 521	-87	-17 036	-3 470
Recognised actuarial loss / (gain)	5 964	8 800	–	3 281
<b>Pension cost recognised in the profit and loss account</b>	<b>3 895</b>	<b>23 382</b>	-2 917	19 111

\* Including unsecured schemes

## cont. NOTE 8 Pension costs

GROUP (NOK thousand)	2008		2007	
	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>				
<b>INCL. SOCIAL SECURITY</b>				
Defined benefit obligation at the beginning of the period	325 544	350 062	313 961	439 579
Translation difference at the beginning of the period	–	-12 859	–	-30 023
Current service cost	2 550	19 492	2 748	21 092
Interest cost on pension obligations	14 442	18 194	12 852	19 412
Actuarial loss / (gain)	21 598	-35 989	16 216	-77 641
Social security upon paying in pension funds	-785	-208	–	-561
Pension payments	-21 335	-18 191	-20 233	-21 796
<b>Defined benefit obligations at the end of the period</b>	<b>342 014</b>	<b>320 501</b>	325 544	350 062
<b>CHANGES IN PLAN ASSETS</b>				
Plan assets at the beginning of the period	354 518	201 004	365 674	273 647
Translation difference at the beginning of the period	–	-12 636	–	-23 558
Expected return on plan assets	19 883	12 759	19 505	15 399
Actuarial (loss) / gain	-30 729	-42 935	-8 378	-67 975
Payments to the scheme	3 897	12 671	-2 050	15 528
Pension payments	-21 335	-8 832	-20 233	-12 037
<b>Plan assets at the end of the period</b>	<b>326 234</b>	<b>162 031</b>	354 518	201 004
<b>RECONCILIATION OF PENSION ASSETS (LIABILITY)</b>				
Net pension obligations – overfunded (underfunded)	-15 780	-158 470	28 974	-149 058
Actuarial loss / (gain) not recognised	101 023	37 689	56 107	40 212
<b>Book value – assets (liability)</b>	<b>85 243</b>	<b>-120 781</b>	85 081	-108 846
<b>THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY</b>				
Current service cost	2 550	19 492	2 748	21 092
Interest cost on pension obligations	14 442	18 194	12 852	19 412
Expected return on plan assets	-19 883	-12 759	-19 505	-15 399
Actuarial loss / (gain) entered in the profit and loss account	7 281	9 420	267	4 640
<b>Pension cost recognised in the profit and loss account</b>	<b>4 390</b>	<b>34 347</b>	-3 638	29 745

THE ACTUARIAL ASSUMPTIONS ARE AS FOLLOWS:	2008			2007		
	Norway	England	Indonesia	Norway	England	Indonesia
Discount rate (%)	4.35	6.50	12.00	4.80	5.80	10.00
Expected return (%)	5.55 - 6.30	6.25 - 6.60	10.00	5.75	6.75	10.00
Wage adjustment (%)	4.25 - 4.50	3.40	10.00	4.25 - 4.50	4.00	9.00
Inflation / increase in soc. secur. basic amount (G) (%)	4.25	3.00	10.00	4.25	3.50	9.00
Pension adjustment (%)	2.00 - 4.50	3.40	–	2.0 - 4.25	3.50	–

The calculations are made on the basis of real pension bases, pension and portfolio as of 1 Jan. 2009.

## NOTE 9 Fixed assets and intangible assets

<b>JOTUN A/S</b> (NOK thousand)	Goodwill	Technology	Other intangible assets	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under construction	Total
Cost, 1 Jan.	7 175	96 495	74 245	14 469	441 954	547 498	32 385	1 214 221
Reclassification	–	–	–	–	-8 394	–	–	-8 394
Additions	–	–	3 747	–	14 872	32 752	30 330	81 700
Disposals	–	–	–	–	–	-5 056	-15	-5 071
<b>Cost, 31 Dec.</b>	<b>7 175</b>	<b>96 495</b>	<b>77 992</b>	<b>14 469</b>	<b>448 432</b>	<b>575 194</b>	<b>62 700</b>	<b>1 282 457</b>
Accumulated depreciation 1 Jan.	4 749	96 492	22 161	–	285 930	415 385	–	824 717
Reclassification	–	–	–	–	–	–	–	–
Depreciation for the year	1 435	3	10 135	–	11 630	33 527	-3	56 727
Disposals ordinary depreciation	–	–	–	–	-5 010	-4 032	–	-9 042
<b>Accumulated depreciation, 31 Dec.</b>	<b>6 184</b>	<b>96 495</b>	<b>32 296</b>	<b>–</b>	<b>292 550</b>	<b>444 880</b>	<b>-3</b>	<b>872 402</b>
<b>Book value, 31 Dec.</b>	<b>991</b>	<b>–</b>	<b>45 696</b>	<b>14 469</b>	<b>155 882</b>	<b>130 314</b>	<b>62 703</b>	<b>410 055</b>
<i>Economic life</i>	<i>Up to 10 years</i>	<i>Up to 10 years</i>	<i>Up to 10 years</i>		<i>Up to 25 years</i>	<i>Up to 10 years</i>		
<i>Depreciation plan</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>		<i>Linear</i>	<i>Linear</i>		

<b>GROUP</b> (NOK thousand)	Goodwill	Technology	Other intangible assets	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under construction	Total
Cost, 1 Jan.	401 947	99 541	80 760	108 980	1 250 227	1 755 700	196 355	3 893 510
Reclassification and corrections	-2 094	1	932	791	66 366	107 231	-188 139	-14 912
Additions	267	827	4 978	6 255	98 475	208 433	125 510	444 745
Disposals	-555	–	-888	-97	-4 147	-49 644	-15	-55 346
Conversion differences	-6 217	1 885	1 041	19 119	172 172	212 228	29 041	429 269
<b>Cost, 31 Dec.</b>	<b>393 348</b>	<b>102 254</b>	<b>86 823</b>	<b>135 048</b>	<b>1 583 092</b>	<b>2 233 949</b>	<b>162 751</b>	<b>4 697 266</b>
Accumulated depreciation 1 Jan.	343 625	96 764	27 347	882	599 016	1 240 653	-63	2 308 224
Reclassification and corrections	–	–	–	–	-3 162	3 162	–	–
Depreciation for the year	23 764	1 000	10 428	196	44 745	148 394	8	228 535
Ordinary depreciation disposals	-555	–	-404	–	-4 147	-35 845	–	-40 951
Conversion differences	-7 406	1 162	859	253	56 996	151 804	-18	203 650
<b>Accumulated depreciation, 31 Dec.</b>	<b>359 428</b>	<b>98 926</b>	<b>38 230</b>	<b>1 331</b>	<b>693 447</b>	<b>1 508 168</b>	<b>-73</b>	<b>2 699 458</b>
<b>Book value, 31 Dec.</b>	<b>33 920</b>	<b>3 328</b>	<b>48 593</b>	<b>133 717</b>	<b>889 645</b>	<b>725 781</b>	<b>162 824</b>	<b>1 997 808</b>
<i>Economic life</i>	<i>Up to 10 years</i>	<i>Up to 10 years</i>	<i>Up to 10 years</i>		<i>Up to 25 years</i>	<i>Up to 10 years</i>		
<i>Depreciation plan</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>		<i>Linear</i>	<i>Linear</i>		

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 176.4 million in 2008 (NOK 153.4 million in 2007).

## NOTE 10 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 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	83.30
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	9 103	86 845	9 103	140 001	100.00
Jotun France S.A.	Paris	France	EUR	320	16 000	320	2 108	100.00
Jotun Paints (Europe) Ltd	Flixborough	England	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 (HK) 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	99.10
Jotun Ireland Ltd.	Cork	Ireland	EUR	640	487 409	640	5 500	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 000	44 702	101 022	93.10
Jotun B.V.	Spijkensisse	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	Gothenburg	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	95.50
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	37 719	110	37 719	30 199	100.00
Jotun Brasil Imp. Exp. & Industria de Tintas Lda.	Rio de Janeiro	Brazil	USD	5 222	12 163 200	5 222	36 679	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	U.A.E.	AED	4 000	4 000	1 400	28 061	35.00
Drygolin Værbestandig Oljemaling AS	Sandefjord	Norway	NOK	109	500	109	109	100.00
Interiørmaling Lady AS	Sandefjord	Norway	NOK	120	1 000	120	120	100.00
Jotun Paints OOO	St. Petersburg	Russia	RUB	17 000	17 000	17 000	3 814	100.00
Jotun India Private Ltd.	Pune	India	INR	517 625	28 512 500	517 625	67 755	100.00
Jotun COSCO Marine Coatings (HK) Co. Ltd.	Hong Kong	China	HKD	77 390	2 000	38 695	34 231	50.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	650	65 000	520	2 336	80.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	27 614	2 761 349	27 614	2 506	100.00
Jotun FZE	Dubai	U.A.E.	AED	4 000	4	4 000	6 637	100.00
Shares held by Jotun A/S for third parties							10 344	
<b>Total</b>							<b>1 307 301</b>	

The voting interest corresponds to the share interest.

**SHARES HELD DIRECTLY BY SUBSIDIARIES AND JOINT VENTURES***(NOK thousand)*

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 LLL	Cairo	Egypt	EGP	300	300	270	421	90.00
Jotun Powder Coatings (M) Sdn. Bhd.	Kuala Lumpur	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	30 343 803	121 000	30 343 803	20 048	100.00
Jotun Powder Coatings (India) Priv. Ltd.	Pune	India	INR	68 600	6 860 000	68 600	9 453	100.00
Other holdings							10 854	
<b>Total</b>							<b>361 351</b>	
<b>Jotun Powder Coatings (N) AS</b>								
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	300	300	30	64	10.00
<b>Scanox AS</b>								
Butinox AS	Drammen	Noway	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	2 869	40.00
<b>Jotun B.V.</b>								
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	3 060	16.67
Jotun Hellas Ltd.	Piraeus	Greece	EUR	343	300	9	214	2.60
<b>Jotun Paints (HK) Ltd.</b>								
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	89 387	–	89 387	84 713	100.00
<b>Jotun Paints Inc.</b>								
PRS LLC.	Belle Chasse	USA	USD	1 000	100	1 000	6 965	100.00
<b>Jotun U.A.E. Ltd (L.L.C.)</b>								
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E.	AED	4 000	4 000	1 600	3 034	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	69 496	100.00
<b>Total</b>							<b>531 865</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 11 Shares in joint ventures

### SHARES HELD DIRECTLY BY THE PARENT COMPANY

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun U.A.E. Ltd. (LLC)	Dubai	U.A.E.	AED	4 000	2 000	1 660	108 930	41.50
Chokwang Jotun Ltd.	Kyungnam	South Korea	KRW	11 140 000	557 000	5 570 000	31 953	50.00
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 196	11 385	30.00
Jotun Saudia Co. Ltd.	Dammam	Saudi Arabia	SAR	9 000	9 000	3 600	17 278	40.00
Red Sea Paints Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 500	9 500	3 800	21 995	40.00
Ratinjat Co. Ltd.	Jeddah	Saudi Arabia	SAR	13 000	13 000	5 200	13 248	40.00
Jotun Yemen Paints Ltd.	Aden	Yemen	USD	1 413	20 000	151	1 095	10.70
Shares held by Jotun AS for third parties							-301	
<b>Total</b>							<b>205 583</b>	

### SHARES HELD DIRECTLY BY SUBSIDIARIES AND JOINT VENTURES

(NOK thousand)

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	U.A.E.	AED	3 000	3 000	1 410	66 067	47.00
<b>Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)</b>								
Jotun Powder Coatings 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	1 413	20 000	240	1 776	17.00
<b>Jotun Paints Co. L.L.C.</b>								
Jotun Yemen Paints Ltd.	Aden	Yemen	USD	1 413	20 000	264	1 954	18.70
<b>Total</b>							<b>74 031</b>	

The voting interest corresponds to the share interest.

### JOINT VENTURES - HOLDINGS 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. (LLC)  
 Chokwang Jotun Ltd.  
 Jotun Powder Coatings Saudi Arabia Co. Ltd.  
 Jotun Saudia Co. Ltd.  
 Red Sea Paints Co. Ltd.  
 Ratinjat Co. Ltd.  
 Jotun Yemen Paints Ltd.  
 Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)

### JOTUN GROUP HOLDINGS IN JOINT VENTURES PER MAIN GROUP

(NOK thousand)

	2008	2007
Operating revenues	788 925	704 580
Operating profit	128 292	128 932
Profit for the year	156 574	141 702
Non-current assets	228 528	127 648
Current assets	685 306	448 869
Long-term liabilities	105 882	48 542
Current liabilities	330 387	177 646

## NOTE 12 Other shares and interests

### SHARES HELD DIRECTLY BY THE PARENT COMPANY

(NOK thousand)

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

## NOTE 13 Interest-bearing liabilities

### LONG-TERM AND CURRENT LIABILITIES

(NOK thousand)

	Jotun A/S		Group	
	31.12.08	31.12.07	31.12.08	31.12.07
Long-term liabilities	–	–	168 379	61 807
Short-term loans	247 255	233 671	517 746	394 089
Bank overdraft	–	–	386 100	292 736
<b>Total</b>	<b>247 255</b>	<b>233 671</b>	<b>1 072 225</b>	<b>748 632</b>

### DEBT SECURED WITH PLEDGED ASSETS ETC. ENTERED IN THE BALANCE SHEET

(NOK thousand)

	Group	
	31.12.08	31.12.07
Secured with pledged assets, etc. long-term	109 315	37 767
Secured with pledged assets, etc., short-term	74 292	62 375
Other long-term liabilities	–	4 158
<b>Total</b>	<b>183 607</b>	<b>104 300</b>

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

(NOK thousand)

	Group	
	31.12.08	31.12.07
Plots, buildings, etc.	40 640	28 573
Machinery and facilities	106 878	51 983
Stock of goods	147 851	77 292
Trade receivables	53 360	22 867
<b>Total</b>	<b>348 729</b>	<b>180 715</b>

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

### INFORMATION ON LOANS TO THE GROUP FROM CREDIT INSTITUTIONS:

(NOK thousand)

Currency	Average interest %	Loan amount in currency	Loan amount in NOK
NOK	–	–	–
USD	2.20	8 623	60 065
EURO	5.50	188	1 826
Other currency	–	–	106 488
<b>Total other long-term liabilities</b>			<b>168 379</b>

## cont. NOTE 13 Interest-bearing liabilities

### REPAYMENT PROFILE

Year	2009	2010	2011	2012	2013	Thereafter	Total
<b>Amount</b>	25 690	21 881	17 520	11 962	11 947	79 380	168 379

### DRAWING FACILITIES

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

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 facility contains requirements for minimum equity ratio (25%) and maximum net interest-bearing debt with regard to EBITDA (3.75). Jotun was well within those requirements at the end of the year. No draws were made on the facilities as of 31 Dec. 2008, but NOK 200 million was drawn in January 2009.

#### Jotun A/S

31.12.08	31.12.07
<b>1 225 000</b>	1 275 000

The drawing facilities above include an unused, committed line to Jotun A/S of NOK 25 million in the company's group-account system. Jotun A/S is the main company in the Jotun Group's group-account system and is responsible for exposure with regard to the bank. The drawing rights in the group as a whole are mainly short-term, uncommitted credits not included in the liquidity reserves.

## NOTE 14 Guarantees

### OTHER GUARANTEE LIABILITIES NOT ENTERED IN THE ACCOUNT (NOK thousand)

	Jotun A/S		Group	
	31.12.08	31.12.07	31.12.08	31.12.07
Discounted promissory notes	–	–	92 470	–
Sureties for employees	–	–	4 236	2 122
Guarantees for tax withholdings	30 000	26 000	30 000	26 000
Letter of comfort	1 312 303	873 311	1 312 303	873 311
Guarantees for subsidiaries	157 231	128 103	157 231	128 103
Sureties for customers, etc. and guarantees for Jotun A/S	8 400	8 400	81 805	66 900
<b>Total</b>	<b>1 507 934</b>	1 035 814	<b>1 678 045</b>	1 096 436

## NOTE 15 Other current liabilities

### PROVISIONS FOR LIABILITIES INCLUDED IN OTHER CURRENT LIABILITIES (NOK thousand)

	Jotun A/S		Group	
	31.12.08	31.12.07	31.12.08	31.12.07
Warranty provisions	54 628	76 864	140 957	141 294
Other provisions	46 804	53 541	110 530	106 787
Other current liabilities	259 179	87 530	582 120	351 150
<b>Total</b>	<b>360 611</b>	217 935	<b>833 607</b>	599 231

The increase in current liabilities at Jotun A/S essentially concerns unrealised loss on hedges for group purposes on raw materials.

### WARRANTY PROVISIONS (NOK thousand)

	Jotun A/S		Group	
	2008	2007	2008	2007
Provisions for loss, 1 Jan.	76 864	43 215	141 294	111 226
Realised claims/utilised during the year	-41 901	-7 547	-51 457	-37 390
Losses recognised for the year	19 665	41 196	51 120	67 459
<b>Provisions for loss, 31 Dec.</b>	<b>54 628</b>	76 864	<b>140 957</b>	141 294

## NOTE 16 Tax

	Jotun A/S		Group	
	2008	2007	2008	2007
<i>(NOK thousand)</i>				
<b>TAX PAYABLE ON PROFIT FOR THE YEAR</b>				
Profit before tax	375 487	466 396	–	–
Permanent differences	-154 965	-190 921	–	–
Change in temporary differences	127 560	64 152	–	–
<b>Taxable income</b>	<b>348 082</b>	<b>339 627</b>	–	–
<b>Tax payable on profit for the year (28%)</b>	<b>97 463</b>	<b>95 096</b>	–	–
<b>THE TAX EXPENSE FOR THE YEAR CONSISTS OF:</b>				
Tax payable on profit for the year	97 463	95 096	258 008	233 008
Tax abroad, no credit deduction	15 054	10 606	–	–
Gross change deferred tax	-35 717	-17 963	-49 417	-16 693
Translation differences	–	–	6 067	-2 208
Correction previous year	183	4 583	–	–
<b>Tax expense on ordinary profit</b>	<b>76 983</b>	<b>92 322</b>	<b>214 658</b>	<b>214 107</b>
Norwegian share of taxes	28 435	54 666	28 435	54 666
Foreign share of taxes	48 548	37 656	186 223	159 441
	<b>31.12.08</b>	<b>31.12.07</b>	<b>31.12.08</b>	<b>31.12.07</b>
<b>TAX PAYABLE CONSISTS OF:</b>				
Tax payable on profit for the year	97 463	95 096	258 008	233 008
Due tax previous year / pre-paid	24 192	19 110	-23 888	-56 958
Withholding taxes receivable	-34 223	-22 014	-34 223	-22 014
<b>Total tax payable</b>	<b>87 432</b>	<b>92 192</b>	<b>199 898</b>	<b>154 037</b>
<b>SPECIFICATION OF BASIS FOR DEFERRED TAX</b>				
Non-current assets	23 780	46 144	210 764	138 913
Current assets	5 028	-2 285	28 207	26 315
Liabilities	-310 732	-198 223	-610 806	-392 364
Losses carried forward	–	–	-70 561	-63 986
<b>Total</b>	<b>-281 924</b>	<b>-154 364</b>	<b>-442 396</b>	<b>-291 122</b>
<b>Deferred tax liability (-)</b>	<b>–</b>	<b>–</b>	<b>-25 613</b>	<b>-16 393</b>
<b>Deferred tax asset</b>	<b>78 939</b>	<b>43 222</b>	<b>162 390</b>	<b>103 753</b>

## cont. NOTE 16 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	105 136	28	245 473	28
Effect of credit deduction and corrections previous year	15 237	4	23 727	3
Taxes on dividends, royalty and interest	–	–	10 248	1
Effect of permanent differences	-43 390	-12	-45 308	-5
Effect of goodwill depreciation and other eliminations	–	–	6 250	1
Deviations in tax rates and other items	–	–	-25 875	-3
<b>Tax cost on ordinary profit</b>	<b>76 983</b>	<b>21</b>	<b>214 515</b>	<b>24</b>

The effective tax rate in the group is lower than the nominal tax rate. This is due mainly to amortisation of goodwill in the group, taxation of dividends from group companies, deviating tax rates in the various countries, as deferred tax benefits in some companies not entered in the balance sheet as well as non tax deductible expenses.

## NOTE 17 Equity

### JOTUN A/S

(NOK thousand)

	Share capital	Other equity	Profit for the year	Total
<b>Equity, 1 Jan. 2007</b>	102 600	2 469 241	–	<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>
Profit for the year	–	–	298 504	298 504
Allocated dividend	–	–	-205 200	-205 200
Appropriations	–	93 304	-93 304	–
<b>Equity, 31 Dec. 2008</b>	<b>102 600</b>	<b>2 731 421</b>	<b>–</b>	<b>2 834 021</b>

### DISTRIBUTABLE RESERVE

	31.12.08	31.12.07
The company's distributable reserve	2 413 285	2 352 939

### CONSOLIDATED ACCOUNTS

(NOK thousand)

	Share capital	Other equity	Profit for the year	Minority interests	Total
<b>Equity, 1 Jan. 2007</b>	102 600	2 763 668	–	120 518	<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. 2008</b>	<b>102 600</b>	<b>2 839 732</b>	<b>–</b>	<b>183 239</b>	<b>3 125 571</b>
Profit for the year	–	–	544 586	117 446	662 032
Disposal associated companies	–	-19 824	–	–	-19 824
Allocated/paid-out dividend	–	–	-205 200	-64 771	-269 971
Appropriations	–	339 386	-339 386	–	–
Minority's share of share capital changes	–	-35 400	–	35 400	–
Translation differences*	–	496 209	–	26 335	522 544
<b>Equity, 31 Dec. 2008</b>	<b>102 600</b>	<b>3 620 103</b>	<b>–</b>	<b>297 649</b>	<b>4 020 353</b>

\* Of which the effect of translated profit result is NOK 154.4 million.

## NOTE 18 Share capital and shareholder information Jotun A/S

### THE SHARE CAPITAL IN JOTUN A/S AS OF 31 DEC. 2008 CONSISTS OF THE FOLLOWING SHARE CLASSES:

(NOK thousand)

	Quantity	Face value	On balance sheet
A-shares	114 000	300	34 200
B-shares	228 000	300	68 400
<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. 2008 WAS 523. THE LARGEST SHAREHOLDERS WERE:

Shareholders	A-shares	B-shares	Total	Share interest in %	Voting interest in %
Lilleborg AS	41 981	103 446	<b>145 427</b>	42.50	38.20
Odd Gleditsch AS	11 416	36 009	<b>47 425</b>	13.90	11.00
Mattisberget AS	25 038	86	<b>25 124</b>	7.30	18.30
Leo Invest AS	2 986	8 184	<b>11 170</b>	3.30	2.80
Abrafam Holding AS	3 364	4 315	<b>7 679</b>	2.20	2.80
Odd Gleditsch Fargehandel AS	–	6 750	<b>6 750</b>	2.00	0.50
ACG AS	–	5 548	<b>5 548</b>	1.60	0.40
Elanel AS	3 009	2 353	<b>5 362</b>	1.60	2.40
Bjørn Ekdahl	1 872	3 431	<b>5 303</b>	1.60	1.60
Taco Invest AS	–	5 234	<b>5 234</b>	1.50	0.40
Odd Gleditsch Jr.	4 879	143	<b>5 022</b>	1.50	3.60
Live Invest AS	4 051	547	<b>4 598</b>	1.30	3.00
Kofreni AS	131	4 094	<b>4 225</b>	1.20	0.40
Bjørn Ole Gleditsch	26	3 679	<b>3 705</b>	1.10	0.30
Pina AS	–	3 443	<b>3 443</b>	1.00	0.30
Conrad Wilhelm Eger	1 171	2 155	<b>3 326</b>	1.00	1.00
Jill Beate Gleditsch	–	3 172	<b>3 172</b>	0.90	0.20
Odd Gleditsch d.y.	27	3 143	<b>3 170</b>	0.90	0.20
Anne Cecilie Gleditsch	5	3 161	<b>3 166</b>	0.90	0.20
<b>Total 20 largest</b>	<b>99 956</b>	<b>198 893</b>	<b>298 849</b>	87.40	87.60
<b>Total others</b>	14 044	29 107	43 151	12.60	12.40
<b>Total no. of shares</b>	<b>114 000</b>	<b>228 000</b>	<b>342 000</b>	100.00	100.00

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

Name	Office	A-shares	B-shares	Total shares
Odd Gleditsch d.y.	Chairman of the Board	27	8 430	<b>8 457</b>
Einar Abrahamsen	Board member	3 364	4 317	<b>7 681</b>
Richard Arnesen	Board member	1 862	3 272	<b>5 134</b>
Nicolai A. Eger	Board member	1 110	5 183	<b>6 293</b>
Terje V. Arnesen	Board member	–	1	<b>1</b>
Olav Christensen	Chairman Corp. Assembly	3 009	2 355	<b>5 364</b>
Bjørn Ole Gleditsch	Corp. Assembly member	26	10 429	<b>10 455</b>
Thomas Gleditsch	Corp. Assembly member	27	5 551	<b>5 578</b>
Sven Nicolai Eger Eppeland	Corp. Assembly member	84	550	<b>634</b>
Nils Petter Ekdahl	Corp. Assembly member	1 872	940	<b>2 812</b>
Birger Amundsen	Corp. Assembly member	–	2	<b>2</b>
Morten Fon	President & CEO	8	20	<b>28</b>

There are no options for share acquisitions.

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

(NOK thousand)	Subsidiaries		Joint ventures	
	31.12.08	31.12.07	31.12.08	31.12.07
<b>FINANCIAL ASSETS</b>				
Other long-term receivables	1 088 948	823 791	34 314	2 046
<b>Total financial assets</b>	<b>1 088 948</b>	<b>823 791</b>	<b>34 314</b>	<b>2 046</b>
<b>RECEIVABLES</b>				
Trade receivables	172 771	158 481	19 833	14 743
Other current receivables	194 553	112 940	40 703	30 425
<b>Total financial assets and receivables</b>	<b>1 456 272</b>	<b>1 095 212</b>	<b>94 850</b>	<b>47 214</b>
<b>CURRENT LIABILITIES</b>				
Loans	–	233 671	–	–
Trade creditors	81 947	41 267	13 684	12 196
Other current liabilities	39 865	18 833	71 251	58 091
<b>Total liabilities</b>	<b>121 812</b>	<b>293 771</b>	<b>84 935</b>	<b>70 287</b>

## NOTE 20 Specification – cash flow statement

(NOK thousand)	Jotun A/S		Group	
	31.12.08	31.12.07	31.12.08	31.12.07
<b>CHANGE IN INVENTORY, CUSTOMERS AND TRADE CREDITORS</b>				
Inventory	-72 987	-11 385	-700 535	-8 395
Trade receivables	-22 373	73 586	-907 634	-55 444
Trade creditors	54 769	9 735	397 020	51 180
<b>Total inventory, customers and trade creditors</b>	<b>-40 591</b>	<b>71 936</b>	<b>-1 211 149</b>	<b>-12 659</b>
<b>CHANGE IN OTHER ACCRUALS</b>				
Other current receivables	-110 248	-12 117	-149 519	8 371
Tax payable	-4 761	-7 939	45 861	20 097
Public duties payable	17 097	7 104	13 825	5 400
Other current liabilities	34 197	-25 191	237 154	67 750
Other provisions	141 215	31 228	–	–
<b>Total other accruals</b>	<b>77 500</b>	<b>-6 915</b>	<b>147 321</b>	<b>101 617</b>

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

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

There are ongoing law suits and arbitration cases in the US. Jotun Paints Inc. is facing damages action brought by customers claiming product faults and faulty technology which Jotun acquired from the Valspar Corporation. The outcome of the cases are expected by 2009 and 2010.

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 the cleaning up of the bottom of the Sandefjord fjord and removing waste disposals at Vera in Norway.

## NOTE 22 Financial Instruments and risk management

### POLICY FOR FINANCIAL SECURING OF 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 CASH FLOWS IN FOREIGN CURRENCY JOTUN A/S (NOK million)

	Value at end of year	Unrealised gain/loss(-)
Currency futures sold currency	627.0	-92.7
Currency futures purchased currency	182.2	15.9
Sales options USD/NOK	94.8	2.1
Purchase options EUR/NOK	118.5	7.4
<b>Total</b>		<b>-67.3</b>

### MANAGEMENT AND CONTROL OF FINANCIAL 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. 2008 Jotun A/S has both forward contracts and options. The total hedging portfolio is shown in the table above.

The table shows the total hedging of cash flows for Jotun A/S. Total unrealised losses on the hedges for Jotun A/S were NOK 67.3 million at the end of the year. The losses will be realised through the first eight months of 2009.

The basis for securing cash flows is forecasts for expected revenues and expenses in foreign currency. The forecasts are updated every 4 months or at major events that significantly impact the cash flows.

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 2008, NOK 8.7 million was posted as realised losses on cash flow hedges in Jotun A/S, of which a loss of NOK 10.7 million linked to dividend hedges and a profit of NOK 2.2 million for cash flow hedges related to 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.

#### 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.

#### 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.

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

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

Jotun A/S has as of 31 Dec. 2008 loan hedges (currency swaps) with an equivalent value of NOK 833.7 million of total loans of NOK 920.4 million. Realised and unrealised loss/gain on hedges is taken to financial profit. Correspondingly, realised and unrealised currency gains on lending are taken to financial profit. For 2008 the company posted a currency gain of NOK 148.3 million on loans and a net currency loss on hedges of NOK 157.7 million, with a loss of NOK 9.2 million as the net result.

#### Securing against interest risk

The group's policy is to have floating interest rates. The parent company has an external interest rate hedge at 31 Dec. 2008 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

Jotun A/S has made financial price hedges for zinc and copper prices based on estimated demand relating to signed contracts for the sale of paint products. Hedges on the price of raw materials at the end of the year totalled NOK 263 million, based on agreed raw materials prices and USD exchange rate at 31 Dec. 2008.

The raw materials hedges at Jotun A/S have their counter effect in actual raw materials purchases in Jotun's subsidiaries and associated companies. Realised losses on hedges have their counter effect in lower raw materials prices in the companies, and a gain on hedges will have as a counter effect increased raw materials prices in the companies. This creates predictability in the profits.

The table shows the hedges (calculated in NOK million at agreed prices), average hedging prices and unrealised losses:

SECURED (NOK million)	2009	2010	2011	Total
Copper secured	118	53	44	215
Zinc secured	48			48
<b>Total secured</b>	<b>166</b>	<b>53</b>	<b>44</b>	<b>263</b>

AVERAGE PRICE USD/ton	2009	2010	2011	Price end of year
Copper secured price	7 861	6 861	6 921	3 002
Zinc secured price	1 722			1 161

UNREALISED LOSS (NOK million)	2009	2010	2011	Total
Copper	74	29	24	128
Zinc	16			16
<b>Total</b>	<b>90</b>	<b>29</b>	<b>24</b>	<b>143</b>

In Jotun's consolidated accounts, loss/gain on hedging transactions is entered in the profit and loss account as they are realised, in pace with the realised higher/lower costs in the companies.

In the accounts for Jotun A/S, also unrealised loss/gain on hedging transactions is posted (eliminated in the consolidated accounts).

In 2008 a NOK 26.2 million loss on raw materials hedging transactions was realised. This loss is posted as an operating cost in the consolidated accounts. In the accounts for Jotun A/S, it is posted as a financial loss. At the end of the year the hedging instruments had a value reduction of NOK 142.5 million. The unrealised loss is posted as a financial cost in Jotun A/S along with what was realised in 2008. In the consolidated accounts, the unrealised is not included.

To the Annual Shareholders' Meeting of  
Jotun AS

### Auditor's report for 2008

We have audited the annual financial statements of Jotun AS as of 31 December 2008, showing a profit of NOK 298 504 000 for the Parent Company and a profit of NOK 544 586 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company and the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. 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 2008, 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, 12. February 2009

ERNST & YOUNG AS

Eirik Tandrevold

State Authorised Public Accountant (Norway)

(sign.)

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

Sales Office  
 Production  
 P  
 Jotun Powder Coatings  
 Jotun Paints  
 Jotun Coatings  
 Jotun Dekorativ

COUNTRY	COMPANY	SHARE HOLDING %	
Australia	 Jotun Australia Pty. Ltd., Victoria	100	P
Brazil	 Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	
Bulgaria	 Jotun Powder Coatings Bulgaria Ltd., Sofia	100	
China	 Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang	100	P
	Jotun COSCO Marine Coatings (GZ) Co. Ltd., Guangzhou	50	P
	Jotun COSCO Marine Coatings (HK) Co. Ltd., Hong Kong	50	
	Jotun Paints (H.K.) Ltd., Hong Kong	100	
Czech Republic	 Jotun Powder Coatings (CZ) a.s., Usti nad Labem	100	P
Denmark	 Jotun Danmark A/S, Kolding	100	
Egypt	 El-Mohandes Jotun S.A.E., Cairo	70	P
Finland	 Nor-Maali OY, Lahti	33	P
France	 Jotun France S.A.S., Paris	100	
Germany	 Jotun (Deutschland) GmbH, Hamburg	100	
Greece	 Jotun Hellas Ltd. Piraeus	100	
India	 Jotun India Pvt. Ltd., Pune	100	P
	Jotun Powder Coatings (India) Private Ltd., Pune	100	P
Indonesia	 P.T. Jotun Indonesia, Jakarta	99	P
	P.T. Jotun Powder Coatings Indonesia, Jakarta	100	P
Ireland	 Jotun (Ireland) Ltd., Cork	100	
Italy	 Jotun Italia S.p.A., Trieste	100	P
Libya	 Jotun Libya J.S.Co., Tripoli	80	
Malaysia	 Jotun (Malaysia) Sdn. Bhd., Shah Alam	93	P
	Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	81	P
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

COUNTRY	COMPANY	SHARE HOLDING %	
Oman	 Jotun Paints Co. L.L.C., Muscat	62	P
Pakistan	 Jotun Pakistan (Pvt.) Lda., Karachi	100	
	Jotun Powder Coatings Pakistan (Pvt.) Lda., Lahore	59	P
Poland	 Jotun Polska Sp.zo.o., Gdynia	100	
Russian Federation	 Jotun Paints OOO, St. Petersburg	100	
Saudi Arabia	 Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	49	P
	Jotun Saudia Co. Ltd., Jeddah	40	P
	Red Sea Paints Co. Ltd., Jeddah	40	P
Singapore	 Jotun (Singapore) Pte. Ltd., Singapore	100	P
South Africa	 Jotun Paint South Africa (Pty) Ltd., Cape Town	100	P
South Korea	 Chokwang Jotun Ltd., Kyungnam	50	P
Spain	 Jotun 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
	Jotun F.Z.E., Jebel Ali Free Zone	100	
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, Lebanon, Lithuania, Malta, Mauritius, Monaco, Montenegro, Morocco, Namibia, Netherland Antilles, Nigeria, Panama, Peru, Philippines, Portugal, Qatar, Romania, Slovak Republic, Slovenia, Sri Lanka, Switzerland, Syria, Trinidad, Tunisia, Ukraine, Uruguay and Venezuela.

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



[www.jotun.com](http://www.jotun.com)