

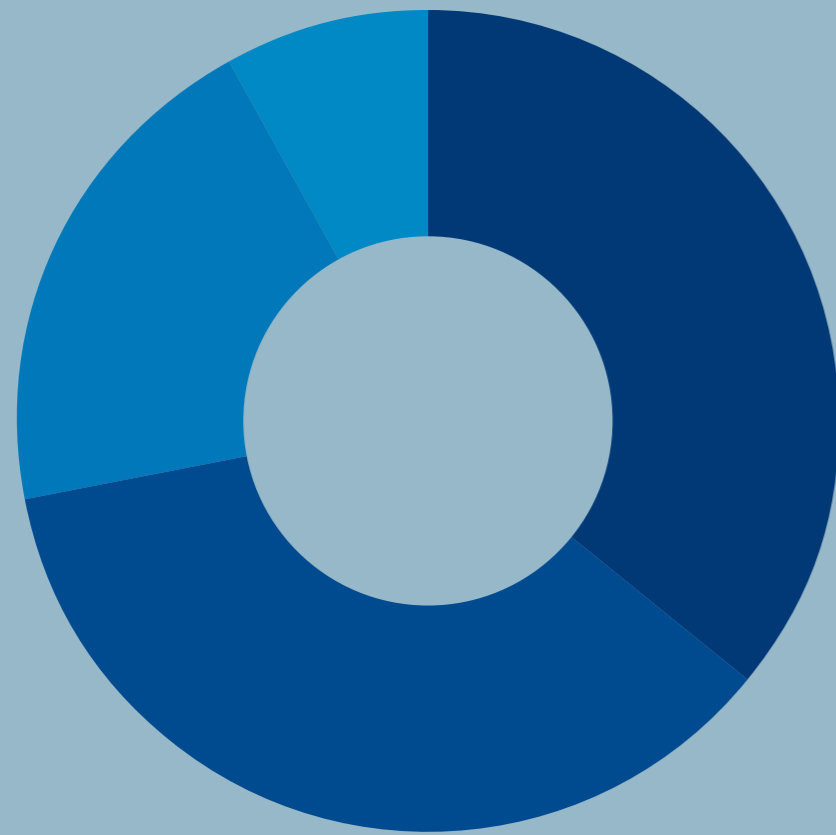


JOTUN

Jotun Protects Property



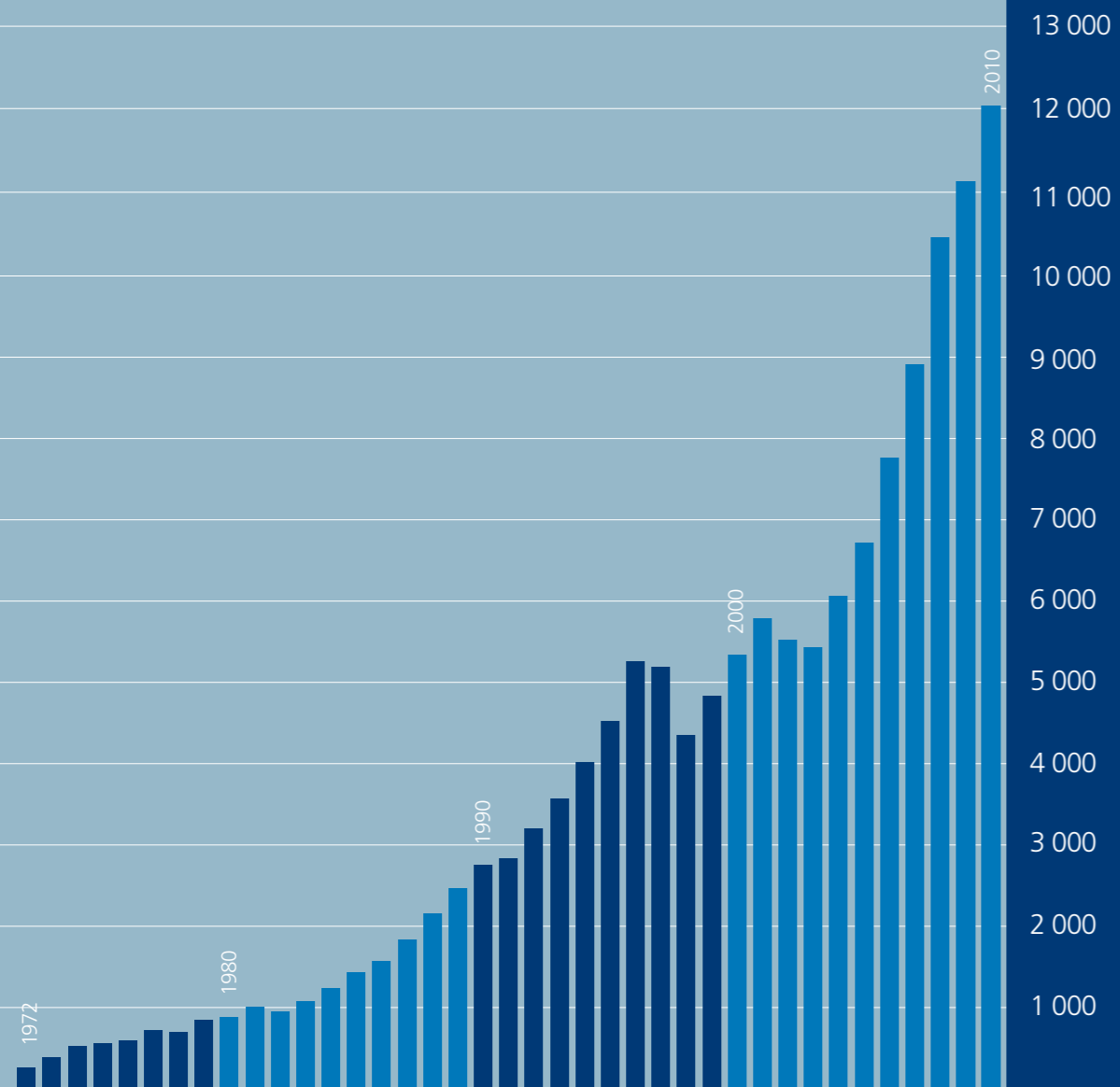
ANNUAL REPORT 2010



BUSINESS SEGMENTS

- 36 % Decorative Paints
- 35 % Marine Coatings
- 20 % Protective Coatings
- 9 % Powder Coatings

SALES (NOK mill)



GROUP KEY FIGURES

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

	2010	2009	2008	2007	2006
SALES					
Operating revenues	1987	1786	1 870	1 514	1 249
Operating revenues outside Norway in %	84	82	80	78	76
PROFIT/LOSS					
Operating profit	222	184	165	137	104
Profit before tax expense	216	174	157	131	94
Net cash flow from operations	103	236	4	118	72
PROFITABILITY					
Return on capital employed, in %	1) 26.4	24.4	21.4	22.2	18.4
Operating margin, in %	2) 11.2	10.3	8.8	9.1	8.3
Return on equity, in %	3) 21.0	19.5	16.5	18.1	13.0
YEAR-END FINANCIAL POSITION					
Total assets	1 487	1 265	1 108	901	760
Investments in intangible and fixed assets	103	63	80	49	45
Equity (including minority interests)	813	701	720	533	482
Equity/assets ratio, in %	54.5	55.4	50.7	52.1	53.2
Average number of employees in group, including shares in joint ventures	6 865	6 632	6 164	5 241	4 754
Average number of employees in group, including 100 per cent in joint ventures	7 819	7 329	6 851	5 886	5 331

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

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Global sustainable growth

Jotun's performance in 2010 exceeded expectations, supporting the company's long term growth trend. This rapid expansion has been driven by the company's strong presence in high growth markets and willingness to make significant long-term investments in capacity, personnel and product development to meet demand. At the same time, Jotun continues to establish the Jotun brand in new and emerging markets as part of the company's organic growth strategy.

However, it should be noted that at Jotun the concept of sustainable growth is not confined to year-end results. As the company continues to add more personnel, build new factories and invest in new markets, Jotun's impact on the environment and the communities in which it is active has increased. To ensure that its growth remains consistent with the company's values, Jotun has stepped up its commitment to operate an economically, socially and environmentally sustainable business.

While Jotun's positive results in 2010 are cause for renewed confidence, the company's continued success creates challenges ahead. Jotun must take a more structured approach to managing its rapid growth, to be bold in its efforts to enter new markets and work to continuously improve its sustainable performance. In the past decade, Jotun has evolved from a Norwegian company with operations abroad to a truly international organisation. By pursuing global sustainable growth in a responsible way, Jotun can make a real difference as a global player in the coatings industry.



Jotun is a global leader in paints and coatings with 70 companies and 38 production facilities on all continents. In addition, Jotun has agents, branch offices and distributors in more than 80 countries.

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

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

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

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

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

Long a symbol of Oslo's skyline, the Holmenkollen ski jump was completely rebuilt in time to host the 2011 FIS Nordic World Ski Championships in Norway in February/March. The new elegant steel and concrete structure is painted with coatings from Jotun.



Jotun Group

At the end of 2009, the Jotun Group lowered expectations for 2010 based on anticipated declines in sales resulting from the global economic downturn. However, volume increases in all segments and strong performance in many high-growth markets helped support positive results for the year.

Over the last eight years, Jotun has enjoyed remarkable growth, consistent with positive global economic trends and the company's presence in high growth markets. The global financial downturn, which took hold in 2009, challenged the durability of Jotun's business model, resulting in low volumes in some segments and regions. However, an improving global economy helped Jotun return to double-digit volume growth in 2010.

Jotun's ability to sustain consistent growth through challenging economic conditions has been enabled by the company's organic growth strategy and its regional and segment diversity. This approach has proven effective, but the company recognises that there are risks to pursuing this strategy. Indeed, today's rapid business cycle rewards companies that move quickly to develop new products and enter new markets and seize opportunities in dynamic industrial segments.

While Jotun remains committed to organic growth, the company has taken bold steps to accelerate the implementation of this strategy to ensure long-term sustainable development. This approach has required that Jotun makes significant investments in new products, equipment, and factories, and reduce the time it takes to identify and establish operations in promising new markets. Jotun has adopted a decentralised business model, to pursue regional growth opportunities.

To support this rapid expansion, Jotun continues to invest in higher capacity, ambitious recruitment programmes, competence

development and common IT systems. At the same time, Jotun will continue to invest in all areas to improve its performance when it comes to quality, health, safety, and environment, consistent with the company's high standards. Combined, the scale of these commitments – representing the company's most ambitious investment programme in its 84-year history – demonstrate Jotun's commitment to long-term growth.

Jotun's positive results in 2010 have their roots in actions taken by previous generations of Jotun personnel. The objective today is not only to ensure that Jotun continues to record strong results next year, but also to lay the foundation for sustainable growth for decades to come.

Jotun Dekorativ

Jotun Dekorativ is responsible for the sale of interior and exterior decorative paints to both the consumer and professional markets in Norway, Sweden and Denmark.

To manage sharp declines in both consumer spending and the project market in Scandinavia last year, Jotun moved quickly to implement an ambitious investment and reorganisation plan to create a leaner, more efficient business. Last year, the division announced the closures of three older factories and plans to invest in a new, state-of-the-art 150,000 square meter facility in Sandefjord. Measures were taken to improve delivery service and reduce warehousing costs. These steps helped Jotun Dekorativ to lower costs and record improved sales by the end of 2010.

Scandinavia is recognised as a mature market, characterised by fierce competition among a broad range of local and multinational coatings suppliers. In addition, the success of building supply store chains, many of which market Jotun paints alongside their own private labels, has created challenges for Jotun. To manage these competitive issues, Jotun has developed innovative paints solutions that cannot easily



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

“Product innovation and controlling costs remain critical to Jotun's success in the mature markets of Scandinavia.”

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

Highlights 2010

Jotun Group

- Another record year for Jotun in terms of revenues and profit
- Ten per cent growth in volumes
- Rising cost of major raw materials
- Strong financial platform for accelerated organic growth ahead

Jotun Dekorativ

- Continued shift towards premium products for both interior and exterior categories

- Sweden delivering record high sales, volume, and EBITA
- Lady Pure Color successfully launched in Scandinavia

Jotun Paints

- Continued growth in the Decorative segment
- UAE affected by construction slowdown in Dubai
- Launched Lady Effects and added 215 shops in the Middle East region
- Supplied coatings to the world's tallest building, Burj Khalifa

Jotun Coatings

- Growth in sales, mainly in China and South Korea
- Launched the Hull Performance Solutions Concept and SeaLion Repulse
- Established fire laboratory in Dubai. State-of-the-art furnace installed
- Supplied coatings to the iconic building: Canton Tower, Guangzhou

Jotun Powder Coatings

- All time high EBITA
- Growth in all production units
- Launched Cool Shades Collection and Era-Coat MDF

“While Jotun continues to pursue an organic growth strategy, the company has taken steps to accelerate business development to reduce the time it takes to identify and establish operations in promising new markets and segments.”

Morten Fon, President and CEO, Jotun Group



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.

be reproduced and supported them with strong marketing campaigns.

In 2010, Jotun recorded improved sales on a number of unique Jotun products, including Lady Easy Clean, a washable interior paint (launched 2007), Sens, a low Volatile Organic Compound (VOC) paint (launched 2008), and Lady Pure Color, a scratch resistant, designer matte-finish interior product line which was successfully introduced to the market in August, 2010. Typically, it takes about three years to develop and launch a product and up to two years to firmly establish the product in the marketplace. To reduce the time between concept and launch, Jotun’s research and development, sales and marketing teams are working to streamline this process.

2010 sales of Jotun exterior paints showed significant improvement over last year. In Norway, Optimal, a water borne wood protection paint continues to perform well. In Sweden and Denmark, sales of the new Demidekk Ultimate exceeded expectations. Drygolin Extreme, a leading wood stain brand in Norway, continues to perform well, with sales improving over last year. Jotun Dekorativ also provides

“The pace of Jotun Paints’ long-term growth will be determined by how quickly we seize emerging opportunities in existing and new markets.”

Erik R Aaberg, Group Executive Vice President, Jotun Paints

interior and exterior paints to the professional market, which faces sluggish economic growth in Scandinavia. While sales showed a slight improvement in 2010, volumes declined from levels recorded in 2009.

Jotun Dekorativ plays a critical role managing the development of new Multicolor concepts and innovative decorative paint solutions. Following the consolidation of the Multicolor activities in 2009, the company has had success with upgrading and delivery of the state-of-the-art Multicolor S-line, which tints more rapidly, saving time. Jotun Dekorativ is responsible for the research and development of new products.

Like many mature markets, growth opportunities in Scandinavia are limited by regional economic conditions and intense competition. However, Jotun’s improved results in 2010 reflect the company’s focus on cost efficiencies and product innovation. With a robust investment programme in place, the division will be in a strong position when market conditions improve.

Jotun Paints is responsible for Jotun’s activities in the Decorative, Marine and Protective segments in some 20 countries spread over the Middle East and South East Asia. Results for the division in 2010 were impacted by a broad range of global and regional market forces on industry, consumer spending and investment in commercial real estate, housing and infrastructure.

Jotun Paints

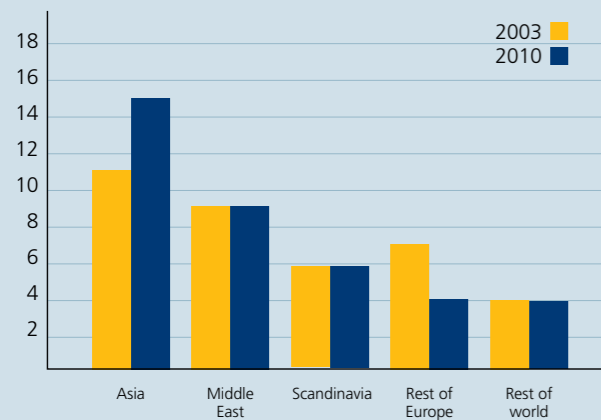
While unable to match last year’s exceptionally strong performance, Jotun Paints’ results in 2010 extended the division’s positive growth trend that has endured for seven years. Overall, external volumes grew, but sales were flat. Good growth and results in the Decorative segment in most markets helped offset declines in the Protective coatings segment. The Marine segment business in the division remained stable.

Jotun Paints is responsible for Jotun’s activities in the Decorative, Marine and Protective segments in some 20 countries spread over the Middle East and South East Asia. Results for the division in 2010 were impacted by a broad range of global and regional market forces on industry, consumer spending and investment in commercial real estate, housing and infrastructure.

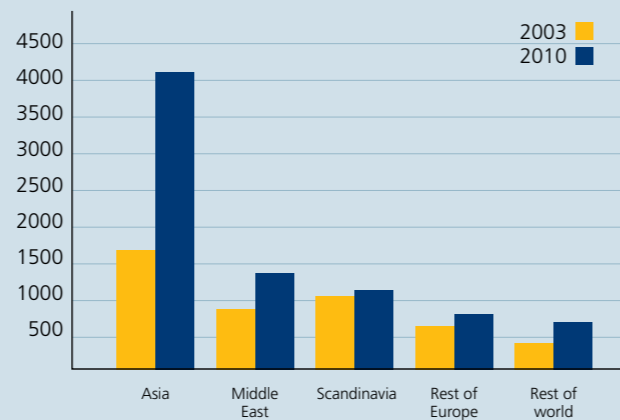
In 2010, Jotun Paints celebrated its 35-year anniversary on the Arabian Peninsula, where the company enjoys high brand recognition and a strong market share in all segments. Despite a slow-down in the project market in Dubai, Jotun’s strong

Jotun’s development

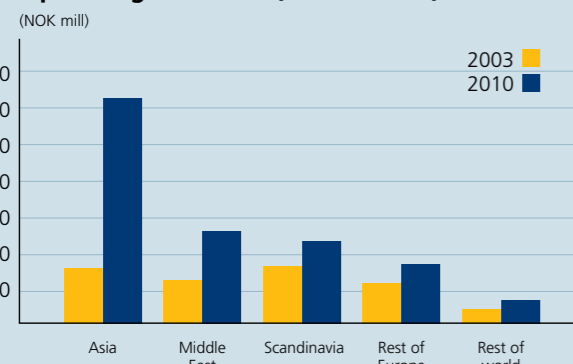
Production facilities



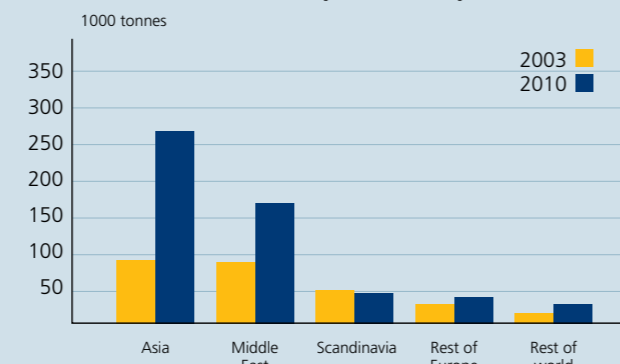
Full time employees



Operating revenues (100 % basis)



Production volume (litres/kilos)

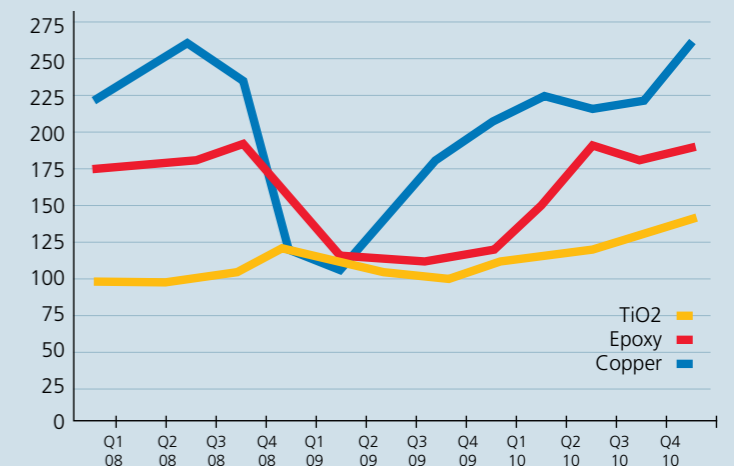


Raw materials

Between 50 and 60 per cent of Jotun’s purchasing costs are related to raw materials. Shortages of copper and zinc, which are important components in Jotun’s marine coatings, are expected to persist. The rising cost of epoxies, which are linked to the availability of petrochemicals like naphtha, propylene, Benzene and Bisphenol, remain a concern, but the market is expected to stabilise in 2011. Titanium dioxide, which makes paint opaque and is used in a broad range of coatings, represents a more serious, long-term threat. To manage these issues, Jotun works closely with selected suppliers to get priority service and the very best terms available in the market. Jotun is also focused on researching different innovative coatings formulations, which may help reduce the company’s reliance on high priced raw materials in the future.

Raw material trend

Jotun’s main raw materials



“Despite concerns related to our activities in the Marine coatings segment over the next few years, the division performed well in 2010 and will continue to invest resources in new market opportunities.”

Esbjen Hersve, Group Executive Vice President, Jotun Coatings

position in the other Middle East countries is expected to support Jotun’s continued growth in this dynamic region. Large-scale projects in the Middle East, where Jotun opened the region’s largest factory for water borne paints in Saudi Arabia last year, suggest a return to more robust regional growth in the years ahead. To win these projects, Jotun Paints must continue to develop paints and coatings solutions to match local project specifications, invest in the capacity to deliver large volumes and recruit skilled personnel to coordinate multinational sales efforts, project management and technical support.

In South East Asia, Jotun Paints saw declines in the project market, but generally better results in the dealer market. Growth in Malaysia and Thailand has been slow. By contrast, the division recorded remarkable growth in Vietnam and Indonesia.

The Paints division has had success in the launch of a broad range of new products, including Majestic EcoHealth, Lady Effects and Jotashield Extreme. Looking ahead, Jotun Paints continues to pursue an ambitious growth strategy by adding capacity and pursuing opportunities in new markets. Sales companies have been established in Morocco and Algeria and the company is actively pursuing growth opportunities in the Levant and South East Asia. The division is constructing new factories in Malaysia and Libya, and is working to improve capacity in Indonesia and Vietnam.

Jotun Paints contributes significantly to group earnings, with a major part of its profits coming from the sale of decorative paints to the project and retail markets. Because the decorative market is less sensitive to macro-economic trends than the protective and marine segments, Jotun Paints continues to stimulate predictable growth by strengthening dealer networks with in-shop tinting systems (Multicolor Centres). This process is time- and capital

intensive, but remains the bedrock of Jotun Paints’ enduring success.

Jotun Coatings

Jotun Coatings’ results for 2010 exceeded expectations, but declining newbuilding orders are likely to impact the division’s earnings in the Marine segment over the next two- to three-year period. Despite a slower market for protective coatings in the beginning of the year, sales picked up in the third and fourth quarter. Overall, the division recorded positive results supporting the long-term growth trend.

The sale of marine coatings makes up almost 70 per cent of Jotun Coatings’ business, making the division highly sensitive to adverse development in the maritime industry. While signs of improvement in the newbuilding market are beginning to emerge, the declines in orders over the next few years will create a fiercely competitive market for marine coatings.

Despite these challenges, Jotun supplied coatings to a record number of vessels in 2010. While some of these orders were for more cost-effective Jotun products, sales of the division’s premium silyl acrylate SeaQuantum range remained stable. Jotun’s close relationships with shipyards in Japan, Korea and China remain strong, and the company continues to work closely with its Chinese partner COSCO.

Jotun will continue to compete for newbuilding orders, but as the industry continues to cycle through tonnage over-supply issues, the company will increase its focus on the maintenance and dry dock businesses. While many yards and owners have become increasingly focused on costs, the long-term performance of Jotun premium marine coatings, formulated to extend periods between dry dockings and help reduce fuel costs, represent an attractive alternative to low-cost paints. In 2010, Jotun completed a two-year study documenting the impact on coatings and fuel costs – an industry first. This project

serves as the basis for a new marine coating concept – Jotun Hull Performance Solutions – which was launched in 2010.

In the Protective segment, Jotun Coatings’ strong position in emerging markets and Asia helped the division record growth in both volume and sales value. However, weaker markets in Europe, the US and parts of the Middle East, resulted in growth rates slightly below expectations. Based on a number of new high profile contracts secured in 2010, the division anticipates more robust growth next year.

In response to industry demand for more specialised products, Jotun has continued to organise its activities in the Protective segment by industry. This focus on different industry segments requires specialised product innovation and recruiting personnel with experience in these emerging industries. As always, Jotun Coatings relies on the competence of Team No. 1, Jotun’s technical advisors, to attract new business and retain existing customers.

Jotun Coatings also cooperates with Jotun Paints in the sale of decorative paints in selected markets. Generally, sales and volume have improved, although the division activities in China have struggled. Jotun’s ambitious investments in both Turkey and India have resulted in positive growth in 2010.

Looking forward, Jotun Coatings will continue to invest in existing and emerging markets. Areas of special focus include Spain, South Africa and the US, where Jotun has struggled in the past, and Brazil, Russia, India and China, all of which represent significant growth opportunities. While Jotun Coatings recognises that future earnings are likely to be impacted by declines in the marine segment, the division will continue to act boldly in pursuit of long-term growth opportunities.

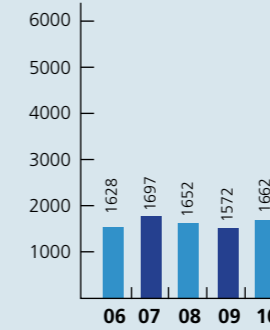
JOTUN DEKORATIV

Employees per 31.12.10: 617

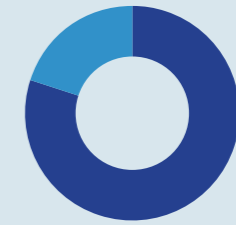
Production facilities:
Norway (5)

Sales

Mill NOK



Segments



Exterior: 80 %
Interior: 20 %

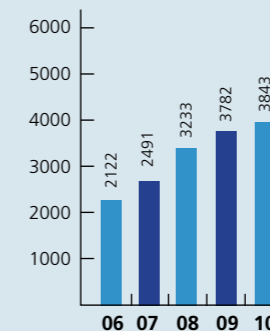
JOTUN PAINTS

Employees per 31.12.10: 2748

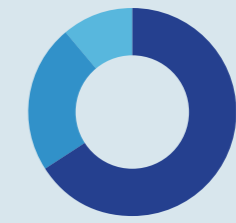
Production facilities:
Egypt
Indonesia
Malaysia
Oman
Saudi Arabia (2)
Thailand
United Arab Emirates (2)
Vietnam
Yemen

Sales

Mill NOK



Segments



Decorative: 66 %
Protective: 23 %
Marine: 11 %

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

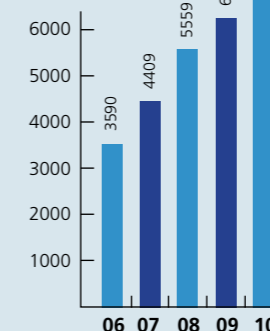
JOTUN COATINGS

Employees per 31.12.10: 3360

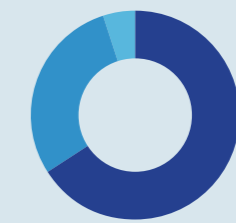
Production facilities:
Australia
China (2)
Finland
India
Singapore
South Africa
South Korea
Spain
Turkey
United Kingdom
USA

Sales

Mill NOK



Segments



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

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

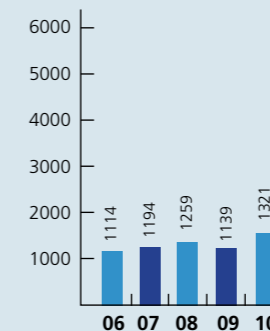
JOTUN POWDER COATINGS

Employees per 31.12.10: 923

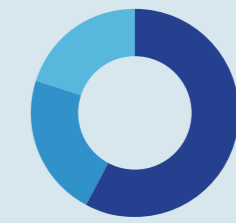
Production facilities:
Czech Republic
India
Indonesia
Malaysia
Norway
Pakistan
Saudi Arabia
Thailand
Turkey
United Arab Emirates

Sales

Mill NOK



Segments



Industrial: 58 %
Architectural: 22 %
Functional: 20 %

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

“To continue to grow, Jotun must improve its ability to identify and align products and services more closely with the specific needs of the industries in which we operate.”

Martin Chew, Group Executive Vice President, Jotun Powder Coatings

Jotun Powder Coatings

Jotun Powder Coatings' volumes improved in the second half of the year, resulting in double-digit growth for the division in 2010, despite the rising costs of raw materials. Jotun is active in three primary powder coatings segments: Architectural, Functional and Industrial. All segments performed well in 2010, but activities in the architectural market slowed in the second half of the year. Overall, growth in Jotun Powder Coatings was supported by the division's focus on segmentation, improvements in working capital and product innovation.

58 per cent of the division's earnings are derived from the sale of industrial powder coatings to manufacturers of a broad range of consumer products. While Jotun continues to perform well in this vital segment, the company launched a programme to identify and align products and services more closely with specific industries and customer needs.

Activities in the Architectural segment, which make up about 22 per cent of the division's earnings, performed well in all regions. Because this segment is tied to the construction of residential, commercial and monumental real estate, sales were impacted in some regions due to suspended or cancelled projects. Sales in the UAE slowed, but these losses were largely offset by activities in other Gulf markets. Sales in Turkey, Russia and Czech Republic recovered faster than in the Nordic region, while results in South East Asia and India exceeded expectations.

Jotun also strengthened its premium architectural brand with the introduction of a new collection of heat-reflective powder coatings, The Cool Shades Collection. This is formulated to reduce the temperature of aluminum building components exposed to the sun, thereby contributing to lowering energy consumption and cooling costs. Sales of the division's Super Durable premium architectural line, ColourBeats,

which offers a broader range of colours and stylings, were also positive.

The Functional segment, which generates about 20 per cent of the division's sales, performed in line with expectations. Sales of Jotun's Thermosetting Fusion Bond Epoxy (FBE) coatings for pipelines, valves and rebar corrosion resistance are linked to developments in the energy and infrastructure industries, in different regions.

Looking ahead, Jotun Powder Coatings will continue to invest in recruitment and competence development to support a more segment-focused approach. At the same time, the division has launched initiatives in South East Asia and Europe to optimise supply chain management. While some projects in the Functional, Industrial and Architectural segments involve multinational stakeholders, success in the powder coatings industry is determined by the quality of local production, sales and service. The skill of Jotun's regional sales and service teams, supported by ten production facilities throughout the world, remains critical to future success.

Jotun at China's 2010 World Expo

Between May 1 and October 31, about 73 million visitors participated in the 2010 China World Expo in Shanghai, setting a new record for world expositions. The event took place on a five kilometre space on the banks of Shanghai's Huangpu River and included the participation of 246 countries and organisations from around the world.

Jotun was the preferred supplier of paints to the Expo, supplying protective coatings and decorative paints to several pavilions and projects including the Norway Pavilion, China Pavilion, Macao Pavilion, Shanghai Corporate Pavilion and the China Railway Pavilion.

On September 25, the company hosted a concert bringing together artists from China and Norway for an evening of cross-cultural entertainment - Coloured by Culture. Jotun invited more than 1 000 international and Chinese customers to the event and held a rally for Jotun's 1 400 Chinese employees, representing the largest gathering of Jotun personnel in the history of the company.



Jotun's strong relationship with owners and shipyards, such as Yangzijiang shipyard in China, helped the company coat a record number of newbuildings in 2010.



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A flexible approach to different markets

In 2010, Jotun empowered regional managers to adapt to local economic conditions. This process resulted in different strategies in mature and high growth markets that helped the company post strong results for the year.

As a global company, Jotun is active in markets that behave in different ways. Mature markets are characterised by entrenched competition, high labour costs, relatively stable market demand and a tougher regulatory environment. While there are exceptions, most mature markets have been more sensitive to the global financial downturn than emerging or high growth markets, creating more challenging conditions for coatings suppliers.

Mature markets

Europe, which remains an important market for Jotun, continues to grapple with slow growth, impacting consumer spending and investment in new projects. In response to these challenges, Jotun was forced to trim staff and announced the closure of two factories in Norway in 2009. (A new high capacity factory will be constructed in Sandefjord.) In the Eurozone, the company continues to focus on cross-border cooperation, LEAN initiatives and improving supply chain efficiencies to improve profitability and service level.

Jotun supplies nine of its European markets from its factory in Flixborough in the UK, which manufactures paint for the Marine and Protective segments. With an ambitious target to achieve 15 per cent annual growth in the Eurozone, Jotun is working to leverage economies of scale and develop profitable regional export markets. The greatest growth potential is seen to be in Russia, specifically, and in the Protective Coatings segment in general, where Jotun's position in Europe is not yet as strong as within Marine. The company continues to recruit and train local personnel and evaluate promising new markets, but with few signs of a robust economic recovery in sight, the company

is primarily focused on cost efficiencies, which will place Jotun in a stronger position when conditions improve.

High growth markets

By contrast, Jotun's challenges in more dynamic markets, such as China, India and select countries in the Middle East, are related to managing rapid growth.

In China, which emerged as the world's second largest economy in 2010, Jotun has grown from about 130 people in the year 2000 to about 1 400 today. Many of these relatively new employees have been recruited out of regional technical schools, so that the average age of Jotun workforce in China is 27. With such a dynamic and young workforce, effective technical training and competence development is critical to ensure the company can retain its quality brand.

Today, Jotun has two high capacity factories (with two more under construction) in China to manage increased demand in key urban centres. The company will continue to pursue ambitious regional recruiting programmes to facilitate growth and expand its capacity to deliver on large projects.

Managing growth

Various group functions are working to develop common tools to support regional managers. For example, the company is currently in the process of rolling out a new Enterprise Resource planning (ERP) system to help manage costs, and continues to invest in more advanced distance and e-learning software to enable more effective competence development. However, the company's greatest asset remains its personnel who are united by Jotun's core values: Loyalty, Care, Respect and Boldness.

"To succeed in mature markets, Jotun must continue to focus on controlling costs and improving cross-border efficiencies."

Stein Petter Lunde, Divisional Vice President, Jotun Paints Europe

"Jotun's primary challenge in high growth markets is to ensure we have enough qualified personnel and product capacity to serve rapidly increasing opportunities."

Bjørn Naglestad, General Manager, Jotun Coatings Zhangjiagang (China)



Maintaining the Delta Works Project

Following the devastating floods of 1953, The Dutch Public Works Department (Rijkswaterstaat) embarked on a long-term engineering project to close the main tidal estuaries and inlets in the south western part of the Netherlands, while allowing traffic to flow freely to the ports of Rotterdam and Antwerp. Known as the Delta Works Project, this system of dykes, levies and sluices acts as storm surge barriers and improves freshwater management. After an exhaustive review of coatings suppliers, the Dutch project team selected Jotun's Jotamastic 87 Aluminium, Hardtop HB and Hardtop AS. While completed in 1997, Jotun continues to work with the Delta Project Team in support of their critical efforts to fight corrosion through continual maintenance.

Sustainable growth, sustainable development

Jotun's long-term growth trend has seen the company evolve into an international leader in the coatings industry. But with this success comes the responsibility to take a more active role in ensuring that the company and its suppliers adhere to Jotun's commitment to workplace safety, environment and quality.

In 2010, Jotun continued work on a project to achieve ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and OHSAS 18001 (Occupational Health and Safety) certification for many of the companies in the group. While obtaining these certifications represents a tremendous internal achievement, Jotun's focus on continuous improvement has been expanded to include 400 of Jotun's external suppliers, all over the world.

Supplier audits

In 2008, Jotun initiated a pilot audit programme in Asia. The company contracted a regional specialist tasked with training Jotun personnel while conducting 10 audits. Since then, Jotun has refined and amended the tools and audit requirements, and expanded the programme with a particular focus on suppliers in China, Indonesia, Vietnam, India and Malaysia. In 2010, Jotun assumed responsibility for most of the audits in Asia and increased the scope of the project to include the Middle East and Europe. The programme is managed by Jotun's Group Purchasing Department and is now fully underway in all regions.

Typically, Jotun personnel will visit a supplier and verify that systems are consistent with Jotun's standards. Inspections cover a broad range of issues, including fire safety, the condition of personal protection gear and equipment, how chemicals are stored and identified, cleanliness of the facilities and working hours and workplace conditions, among other issues. While the primary focus is on safety and the environment, auditors also verify quality

standards and assess management competence and their commitment to making improvements.

High standards

At present, the company has identified four categories of companies: Those that operate consistent with Jotun's standards; those that have minor, easily fixed issues; those that have more serious issues but are willing to change; and those that have serious issues but are unwilling to make the appropriate steps to improve their performance. While Jotun will provide underperforming suppliers the opportunity to improve, company policy prevents Jotun from doing business with companies that fail to meet Jotun's standards.

This policy has resulted in the termination of some supplier contracts, but it should be noted that Jotun works closely with suppliers to help them improve conditions. This cooperative spirit has helped Jotun get closer to its suppliers, who generally welcome suggestions on how to improve. Indeed, in some cases, suppliers have reported that changes made in their facilities as a result of the audits have improved efficiency, quality, and lowered time lost to injury or sickness, improving their business performance.

Applying Jotun's values

Jotun, which is subject to audits from its own customers, has invested significant resources to ensure its own facilities comply with standards that meet or exceed existing certification requirements, giving the organisation valuable experience to pass on to suppliers. And while conducting supplier audits is a time- and capital-intensive exercise, Jotun remains committed to helping suppliers build a culture of safety, improved environmental performance and quality, consistent with Jotun's values.

"While Jotun's policy is not to do business with companies that have facilities which do not meet our standards, we are committed to giving suppliers the opportunity to change so we can continue to work with them."

John Cato Juvik, Group Purchasing Manger, Indirect Materials.



Quality, safety and the environment

Jotun's focus on quality, safety, and environmental performance has resulted in strong internal systems in the Group's many companies around the world. However, Jotun's rapid global expansion has resulted in some inconsistencies from factory to factory. To achieve common, independently certified standards throughout the company, Jotun worked to achieve ISO 9001/14001 and OHSAS 18001 certification for all companies within the group. With few exceptions, this process was completed in 2010. Achieving certification is not only consistent with Jotun's long-held focus on quality, safety and the environment, but helps attract and retain customers.

“By streamlining our innovation process, we can deliver better products to the market faster.”

Bent W. Haflan, Group Vice President, Jotun R&D



Lady Pure Color

Developed under the guidance of Jotun's leading Colour Manager, Lady Pure Color is available in three coordinated colour schemes: Pure Harmony, Pure Nature, and Pure City -- all carefully chosen both to reflect current trends towards more natural colour schemes and appeal to today's sophisticated consumer. The muted, sensual colours and non-reflective matte finish create a sense of understated luxury that compliment corresponding trends in other areas of contemporary design, from clothing to furniture.



Managing innovation

Jotun has built a reputation for being a market leader in the development of innovative coatings solutions. But in an industry characterised by rapid change, Jotun continues to refine and adapt its innovation process to meet emerging demand.

Jotun's strength in the development of new products has been built on the company's technical competence and sensitivity to shifts in market demand. And with a network of nine R&D laboratories around the world (including three labs exclusively devoted to Powder Coatings), Jotun has been successful in developing new products or tailoring existing products to meet both global and regional preferences. Today, increased demand for healthier, more sustainable coatings solutions has encouraged a fresh wave of innovation.

The art of innovation

Many functions and regions are involved in innovation. Jotun personnel representing different business segments, marketing, R&D, sales and supply chain management meet regularly to evaluate new concepts, products in the development cycle, new products ready for the market and those already launched. These Innovation Boards evaluate a broad range of issues, ranging from potential market demand, production costs, logistics, sales strategies, and what impact, if any, the introduction of a new product will have on existing products. All new coating products are subject to intense scrutiny from concept to launch, passing through evaluation "gates" to ensure the product is safe, reliable, and performs consistent with Jotun's claims.

Healthier, sustainable paints

In response to increased market demand for healthier, more environmentally sustainable products, Jotun has developed a number of innovative paint solutions in the past two years. In 2008, Jotun launched Sens, a paint designed to reduce symptoms associated with allergies, and in 2010, Majestic EcoHealth, a low-VOC

water borne paint using more sustainable raw materials. In addition, the company introduced a number of heat-reflective architectural coatings (Jotashield Extreme and the powder coating line, Cool Shades) and continues to refine its premium silyl acrylic antifouling marine coating, Sea-Quantum, proven to help shipowners reduce fuel costs and corresponding carbon emissions.

Jotun has applied same focus on health and environmental sustainability to other luxury, high performance brands as well. In 2010, the company launched Lady Effects in the Middle East, and in Scandinavia, Lady Pure Color, a premium, scratch-resistant matte-finish interior paint. While not marketed specifically as healthy or environmentally sensitive brands, these products are nevertheless formulated to be consistent with consumer demand for more sustainable paints.

Emotion and technology

It should be noted that developing decorative interior paints is as much an art as it is a science. For example, while the technical properties of Lady Pure Color are vital to its scratch-resistant finish and low chemical emissions, Jotun understands that in the decorative segment, consumer choices are often driven more by complex emotional associations than what is printed on the label. By contrast, products in the Protective or Marine segment, which may have a genuine impact on a company's bottom line, require a different set of priorities.

Understanding how consumers and companies in different parts of the world make purchasing choices lies at the heart of Jotun's R&D efforts, which combine a blend of market intelligence, experience and technical competence. By bringing together Jotun personnel with different skills and knowledge, Jotun's Innovation Boards have helped the company stay competitive in a rapidly changing market.

Accelerated organic growth

Jotun's remarkable growth in the past decade has been built on the company's success in entering high growth markets at an early stage. While the implementation of this organic growth strategy has been successful, the pace of today's business cycle requires bolder action.

In 1962, under the leadership of Odd Gleditsch Jr., Jotun opened a factory in Libya, the company's first factory outside of Norway. At the time, the country was anticipating industrial development following the discovery of significant oil reserves. While beset by delays at first, the factory eventually operated at full capacity. This venture represented Jotun's first serious internationalisation effort and its success encouraged the company to expand into other new markets. Today, Jotun has become one of the industry's most international coatings suppliers, with 70 companies and 38 production facilities on all continents.

Rapid business cycle

Thanks in large part to Jotun's early entry into high-growth markets, the company has sustained year-on-year double-digit growth for the past eight years. However, Jotun operates in an increasingly competitive world, characterised by rapid business cycles that favour companies willing to act quickly to expand. Indeed, Jotun's leading decorative segment market share in the United Arab Emirates is due to the fact that the company has been active in the region since 1974. At the same time, the company's later entry into the high-growth markets of China and India may help explain its relatively more modest success in this segment.

To ensure the company continues to expand at a faster pace in new markets, the company has implemented a bolder approach. In the past, it might have taken up to ten years between the time Jotun first began to market decorative paints in a new market and the decision to invest in

the construction of a factory. Today, the company aims to reduce this time dramatically.

Accelerated expansion

Two projects illustrate this process in action. Working closely with Jotun's Business Development Department, Jotun Paints division identified strong market potential in North Africa and assigned a team to recruit personnel, compete for new contracts and establish the company's dealer network. In spite of early delays, two new Jotun sales companies have been established in Morocco and Algeria, with plans for further expansion in the region. Experienced Jotun personnel are also evaluating market potential in Lebanon, Jordan and Syria, where Jotun has been active supplying paints through a distributor since the late 1990s.

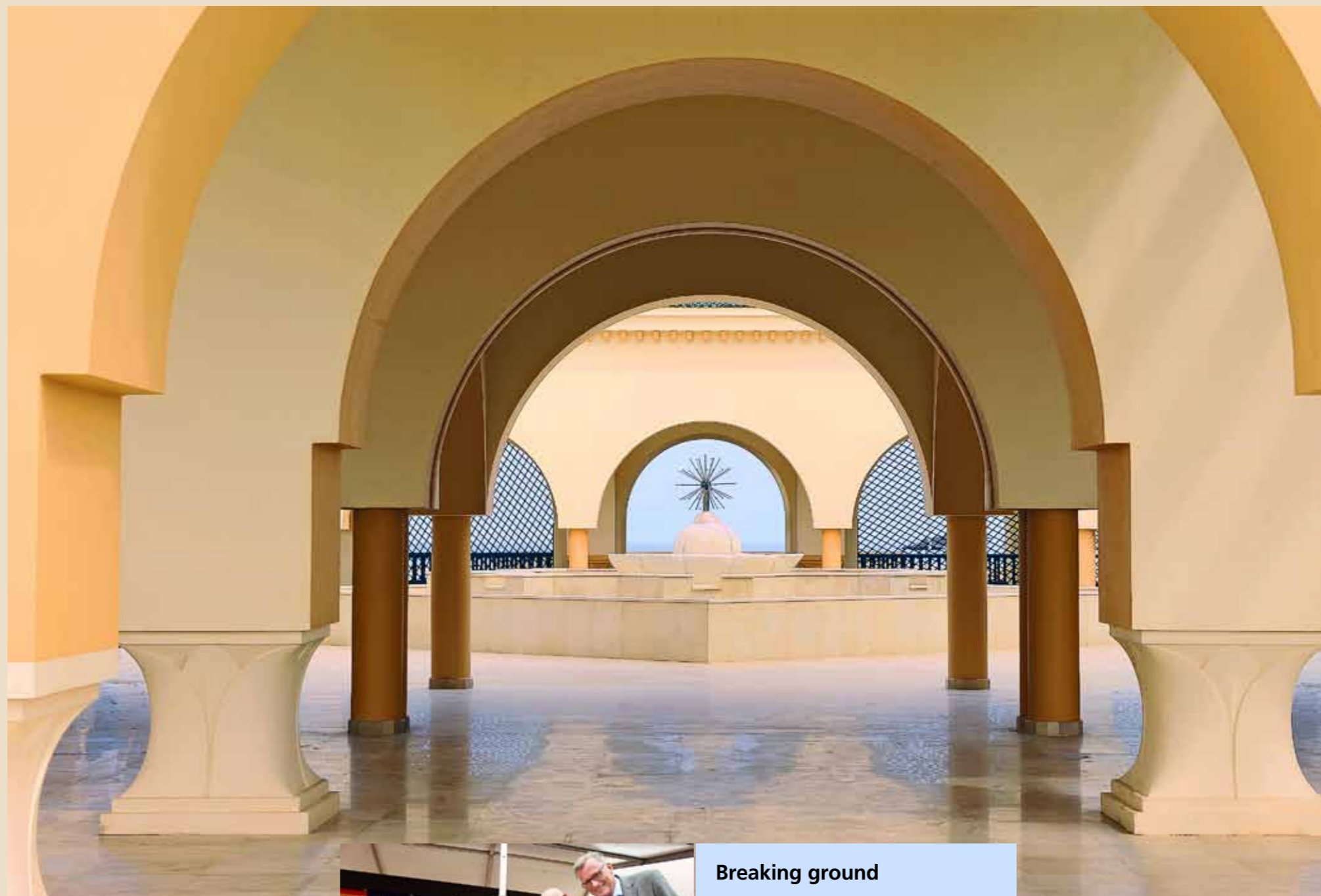
Developing markets

While Jotun's expansion in North Africa and the Levant are still in their early stages, the company is also strengthening and modernising facilities in existing markets, such as China, USA, Norway and Malaysia. In addition, Jotun has ambitions to build factories in other high growth countries where Jotun has limited capacity to meet rising demand, such as Russia and Brazil, among others. Jotun has the capital resources to support this rapid growth, but is working to develop the standardised tools, competence and local personnel to implement this strategy at a faster pace.

The foundation of Jotun's global success today can be traced back to the bold, far-sighted vision of Odd Gleditsch Jr. Due to challenging business conditions the Libya factory was closed in 1985, however, in 2010, construction of a new Jotun paint factory began just outside Tripoli. The factory is expected to be completed in 2012.

"The most critical challenge Jotun faces in achieving our accelerated organic growth strategy is not related to capital resources but on our ability to recruit and train quality personnel."

Svein Stolpestad, Group Vice President, Business Development Department



Breaking ground

On June 10 2010, Jotun representatives and local partners gathered outside of Tripoli in Libya for a groundbreaking ceremony to mark the construction of a new factory. The modern facility will serve Libya's growing economy, which has been fuelled by increased private and public investment on energy, utilities, transportation and infrastructure.

Understanding shifts in consumer tastes lies at the heart of Jotun's success in the decorative segment.



“Today’s consumer is looking for a decorative paint which can not only beautify the home, but reduce health risks and minimise environmental impacts.”

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

Performance, sustainability and functionality

Consumer demand for healthier, more sustainable and functional exterior and interior decorative paints has led to a wave of innovations that represent the future of the decorative paints industry.

Valued at approximately USD 40 billion, the decorative paint market represents about half of the total paints and coatings market worldwide. Sales in Europe and the US, which are considered mature markets, make up about a third of the global total of decorative paint sales, but due to the effects of the financial downturn, volumes in these markets declined in 2010. By contrast, sales in high growth markets, such as in China and India, and some countries in South East Asia and the Middle East, saw modest growth.

Mixed markets

Demand for decorative paint is driven by different factors: New construction, which includes residential and commercial real estate projects and some infrastructure; maintenance of existing structures; and the do-it-yourself or buy-it-yourself retail markets. While the project market is sensitive to both global and national economic conditions, which have a direct impact on investment in large-scale developments, the consumer market tends to generate more stable results over time. For this reason, companies that have successfully established a strong retail network in both mature and high growth markets are better equipped to offset volume declines in the project market.

Over the past five years, rising concerns about the environment and the introduction of corresponding strict global and national laws regulating the use of harmful chemicals, has led to increased investment in the development and marketing of new kinds of water borne paints. While the sale of these specialised paints represents only a small fraction of the global market at present, they represent a clear indication of the future of the paint industry.

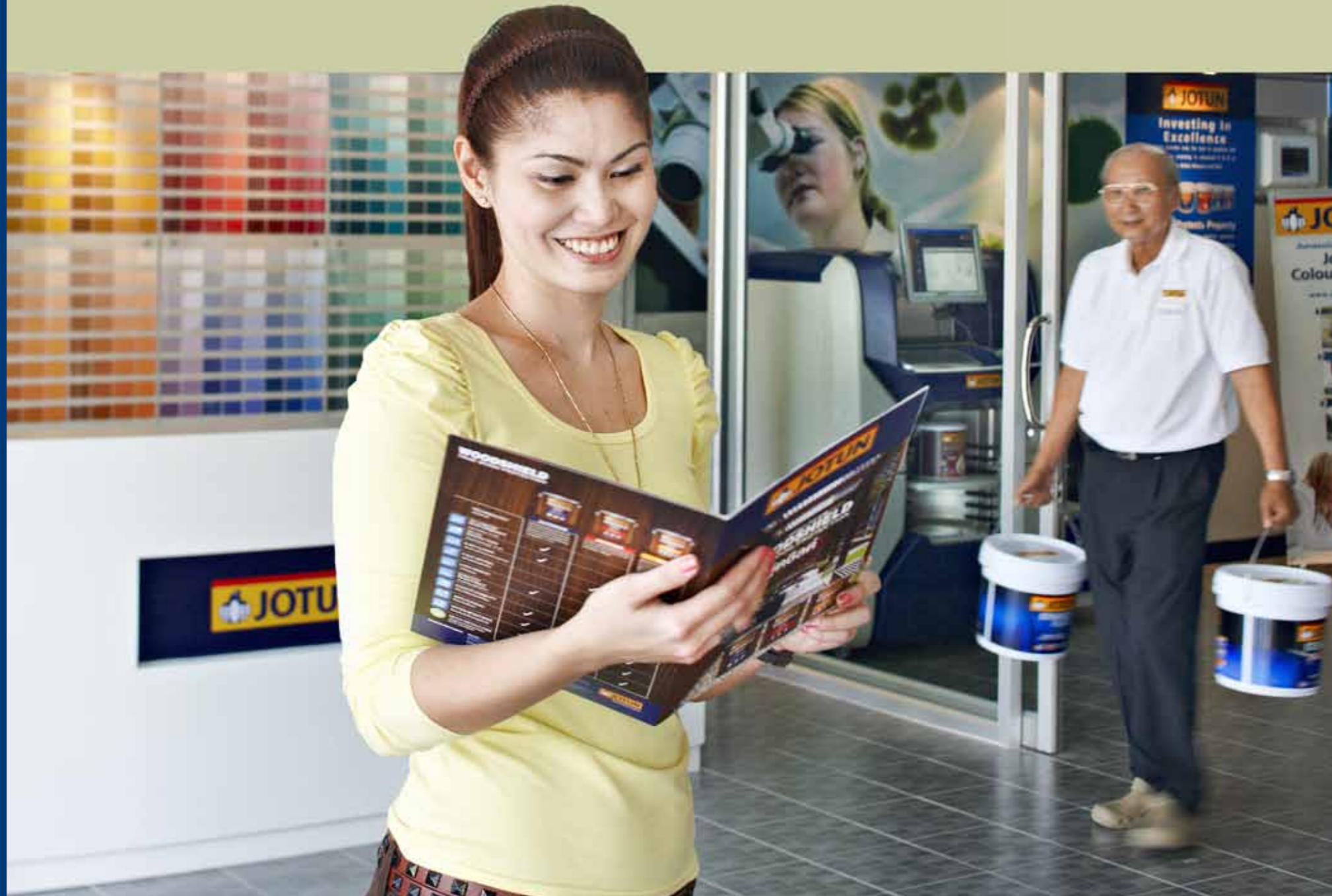
A greener future

As a pioneer in the paints and coatings industry, Jotun has developed a number of products to serve this growing market. Following up on the company’s successful Jotashield Thermo range, the company launched in Asia Jotashield Extreme, a heat-reflective exterior paint with cool pigments. The reflective colours in Jotashield Extreme have a lower heat absorption rate, helping to lower energy costs and reducing carbon emissions associated with cooling buildings, especially in urban centres where temperatures can be up to 16°C degrees higher than in the countryside.

Healthier paints

At the same time, consumers have become more sensitive to health issues associated with allergies and respiratory illnesses. In 2009, Jotun launched Sens, an odourless and solvent-free paint developed in cooperation with Norway’s Asthma and Allergy Association (NAAF), in Scandinavia. 2010 also saw the launch of Majestic EcoHealth in South East Asia, an anti-bacterial interior paint range formulated with reduced VOCs, and free from harmful chemicals such as alkylphenol ethoxylate (APEO), formaldehyde and heavy metals.

Naturally, Jotun continues to develop innovative new paints to appeal to homeowners seeking something unique. In 2010, the company launched Lady Pure Color in Norway – a stylish, scratch resistant matte finish paint, and in the Middle East, launched Lady Effects, a high quality water borne interior paint available in a variety of smooth, pearlescent finishes. These products are both consistent with the trend towards low VOC formulations. Jotun expects this trend to strengthen, and will continue to invest in healthier and more sustainable paint solutions.



Regional brand customisation

Developing the right products and the right marketing approach in different regions is critical to Jotun’s success in the Decorative segment. In response to increased demand for healthier paints in Scandinavia, Jotun developed Sens for consumers sensitive to chemical allergens. In South East Asia, Jotun launched Majestic Eco-Health to appeal to a consumer trend towards sustainability, while in the Middle East, Jotun launched Lady Effects, developed to match local tastes for more dynamic and exciting finishes.



Strength through diversity

Jotun's regional, segment and product diversity has enabled the company to post positive growth in the protective coatings segment in 2010, despite challenging economic conditions in some regions.

The protective coatings industry provides anti-corrosion protection and passive fire protection coatings solutions to a broad range of industries. While multinational companies working with a global network of stakeholders generate some projects related to these industries, local businesses, municipal governments and regional authorities are responsible for most of these developments. As a result, regional suppliers serve roughly two-thirds of this USD six billion global market while four multinational coatings companies, including Jotun, dominate the remaining third.

Because the application of protective coatings often represents the last step in any construction project, the industry is considered "late cyclical" – one that responds more slowly to economic change. The global financial slowdown, which emerged late in 2008, resulted in delays and cancellations on projects in some regions, reducing 2010 volumes. In addition, the rising cost of raw materials remained an issue for all protective coatings suppliers in 2010. However, by focusing on regional and segment diversity, Jotun has been successful in maintaining a positive growth trend in this segment.

Regional diversity

At present, Jotun markets protective coatings in more than 40 countries in six regions, including the Americas, Middle East, South East Asia, Europe and Norway, South East Europe and North East Asia. This exposure to diverse markets has helped Jotun sustain a positive growth trends over time. Between 2003 and 2009, Jotun recorded a remarkable annualised sales growth rate of 18 per cent in protective coatings. This growth trend slowed in the first half of 2010, due in part to stalled

construction activity in Europe and the Middle East, especially in UAE, where Jotun has a leading market share. However, sales growth in emerging markets helped Jotun retain double-digit growth for the year. Indeed, in the BRIC countries (Brazil, Russia, India, China) and South Korea, Jotun recorded strong results in 2010 that helped offset slower growth in other regions.

Identifying sub-segments

Jotun develops protective coatings for a broad range of industry segments, including Offshore, the Hydrocarbon Processing Industry (HPI), Energy and Infrastructure. Within these segments, Jotun has identified sub-segments and has actively developed concepts with focus on products and solutions to more effectively serve these markets. Jotun will continue to invest in new product development in the offshore segment where the company enjoys a large global market share, but sees greater growth potential in Infrastructure, HPI and Energy. For example, in response to rising demand for cleaner energy, Jotun is actively developing products specifically for windmills and has plans to develop concepts to serve additional infrastructure developments, such as waste and water supply and ports and harbours.

Promising growth potential

Looking ahead, Jotun is confident that continued strength in high-growth economies, combined with encouraging signs of increased activity in more mature markets will support positive growth in 2011 and beyond. The company's focus on innovations, concept development, a more targeted approach to international specifications management places Jotun in a strong position to compete in new and existing markets over the long term.



Canton Tower

Completed in time for the 2010 Asian Games, the Canton Tower is the tallest in the world, soaring 600 meters above the Pearl River and acting as a powerful symbol of the confident city of Guangzhou. In addition to serving as a platform for a 150-meter TV antenna, this elegant steel tower includes a restaurant, an observation deck, a rooftop carousel and is illuminated at night by 7 000 LED light fixtures built into the structure. Working closely with architects from the London-based firm Arup and IBA in the Netherlands and regional contractors GMC Guangzhou and SCG Shanghai, Jotun provided the anti-corrosive primer Penguard Express and Hardtop AS, a durable combination to protect the tower against the toughest atmospheric conditions.



"In addition to continuing to strengthen our regional diversity, Jotun seeks to grow its protective coatings business by developing the products, competencies and market knowledge in new industry segments."

Gene Town, Divisional Vice President, Protective Coatings

Building customer loyalty

Jotun Marine Coatings delivered paints to a record number of newbuildings in 2010, strengthening the company's strong global market share. However, as the maritime industry continues to cycle through a difficult period, the company expects a more challenging business climate over the next few years.

Despite clear signs of recovery in some segments and regions, the global shipping industry continues to experience slow growth, due in part to weak economic activity in the US and the Eurozone. Freight rates have recovered from historic lows recorded in 2009, but have not rebounded to sustainable levels. While some segments, such as offshore and cruise and ferry, are performing relatively well, containerships, bulkers, tankers and LNG carriers continue to suffer from a tonnage over-supply. Sales of marine coatings to the yachting market improved in 2010, but growth remains sluggish.

Challenging market

This mixed picture has been exacerbated by rising fuel costs and increased environmental legislation, which has encouraged many owners to focus on fuel saving and implementing cost-effective ways to comply with new emissions regulations. For coating suppliers, the price, and in some cases availability of raw materials (such as zinc, copper and titanium dioxide) have resulted in higher production costs, and corresponding price increases for marine coatings.

These challenging markets have also impacted shipyards. Those unable to generate new business or win government subsidies have closed, while others reported reduced activity in 2010 and shrinking order books. In response, surviving yards have put intense price pressure on suppliers to meet declining budgets. However, as more owners seek to extend the life cycle of their existing tonnage, there have been signs of an increase in dry dock and maintenance activity in some areas.

Building loyalty

In 2010, Marine Coatings recorded an overall decline in sales and EBIT from last year, but the segment continues to perform well in China, Korea and Japan, where the shipbuilding industry remains relatively strong. In response to an expected decline in newbuilding orders globally over the next three years, Jotun is working to build customer loyalty among existing customers. Many vessels built and coated move Jotun now in more confident times will soon be due for scheduled dry docking. Jotun has identified a number of key customers and is working to build strong relationships with these owners to ensure Jotun remains the preferred coatings supplier when vessels are recoated.

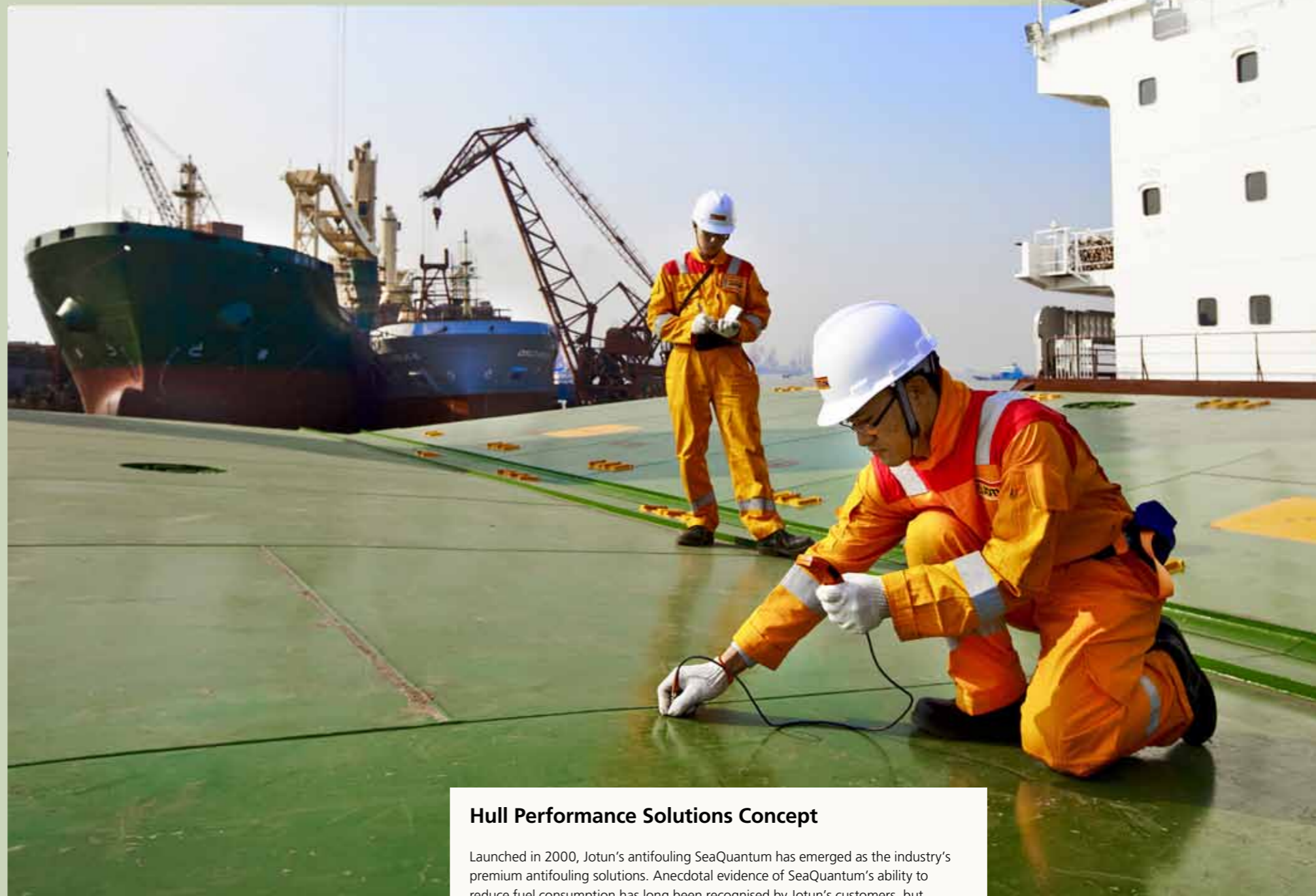
Product innovation and a good assortment to appeal to different customer needs remain critical for Jotun to compete in the new market reality. In 2010, Jotun launched SeaLion Repulse, a fouling-release coating (FRC) based on Jotun's proprietary Nanorepellent Technology™, which provides a non-stick, chemically inert silicone surface with high fouling release properties. In addition, Jotun completed a research project to verify the impact of its silyl acrylate antifouling coating SeaQuantum product range on fuels costs. This work has resulted in the launch of the Jotun Hull Performance Solutions concept (see fact box), an innovative approach to marine coatings.

Improving efficiency

As the industry continues to struggle over the next few years, competition between marine coatings suppliers is expected to increase significantly. In addition, tighter budgets and shipyards and dry dock facilities may be an advantage for low-cost suppliers. To improve profitability, Jotun has taken steps to improve the efficiency of its seastock locations. By leveraging the quality products, a highly skilled workforce, and a more coordinated approach to service and sales efforts with key customers, Jotun is in a strong position to defend its leading market position in this segment.

"As the maritime industry cycles through a difficult period, Jotun will continue to invest in product innovation and strengthening relationships with key customers to build loyalty."

Geir Bøe, Divisional Vice President,
Jotun Marine Coatings



Hull Performance Solutions Concept

Launched in 2000, Jotun's antifouling SeaQuantum has emerged as the industry's premium antifouling solutions. Anecdotal evidence of SeaQuantum's ability to reduce fuel consumption has long been recognised by Jotun's customers, but no measurable data was available to support these claims. However, following a three-year study, Jotun has developed the analysis method to prove SeaQuantum's ability to dramatically lower fuel costs over time. Based on these results, Jotun has launched the Hull Performance Solutions (HPS) Concept. Working in partnership with selected customers, Jotun will provide the latest generation silyl methacrylate antifouling technology, SeaQuantum 200x, priority service and the tools to measure and prove SeaQuantum's fuel saving properties. The HPS also includes a fuel performance guarantee – a first in the marine coatings industry.

Creating value through specialisation

While often measured in metric tonnes, success in the powder coatings segment has become increasingly driven by innovation in response to increased customer demand for more specialised, environmentally friendly products.

The powder coatings industry offers coating solutions for three primary segments: Industrial, which includes a broad range of consumer goods such as domestic appliances, home and office furniture and fixtures, automotive components and heavy duty agricultural and construction equipment; Architectural, which includes window frames, door frames and louvers for residential or commercial buildings; and Functional, which includes pipelines and valves, often used by the oil and gas industry and in waste and water treatment facilities, and concrete re-enforcement bars, used in construction.

A return to growth

The Industrial segment, which represents the largest segment of the powder market by far, is highly sensitive to spending on consumer goods. The global financial downturn, which took hold in 2009, resulted in sharp declines in volume demand, especially in the automotive industry. However, markets strengthened significantly in 2010, creating new opportunities for global producers, like Jotun, with a network of production facilities in high growth countries.

The Architectural segment was also impacted by the financial slowdown, especially in parts of Europe and the Middle East, where some high profile construction projects were delayed or cancelled. As these economies recovered, many projects were restarted, which produced increased demand for powder coatings.

Activities in the Functional segment, which represents the smallest share of the industry, were driven in large part by state-owned energy infrastructure projects and also recovered in 2010.

Product specialisation

The industry has been shaped by an increased demand for more specialised products tailored to meet the demands of different industries and applications. However, as global businesses continue to evolve in response to rising energy costs and more strict environmental regulations, new products have helped support the growth in the powder coatings industry.

To meet this demand, Jotun has launched a number of highly specialised products over the past few years. In the Architectural segment, the company has launched The Cool Shades Collection, a coatings solution specifically designed to help reduce the surface temperature of exterior aluminium building components and Colour-Beats, a new Super Durable coating solution available in a stylish range of colours. In the Industrial segment, the company has launched Era-Coat MDF, a coating optimised for heat sensitive substrates that offers sustainable benefits and enables total freedom of design compared to other MDF finishing solutions.

Focus on quality

Looking forward, Jotun is working to develop more specialised products for the Industrial segment to complement its existing products. In addition, Jotun is working to align its business more closely with its individual industry segments and identify and pursue key global customers to secure larger contracts. While powder coatings are regarded by some as a commodity, Jotun's approach to quality, innovation and segmentation will help the company differentiate itself from the competition. By focusing on meeting the demands of a changing industry, Jotun expects to capture greater market share in key regions over the next five years.

"We are confident that developing more specialised products will help Jotun make the case for quality powder coatings solutions that add genuine value."

Martin Chew, Group Vice President, Jotun Powder Coatings

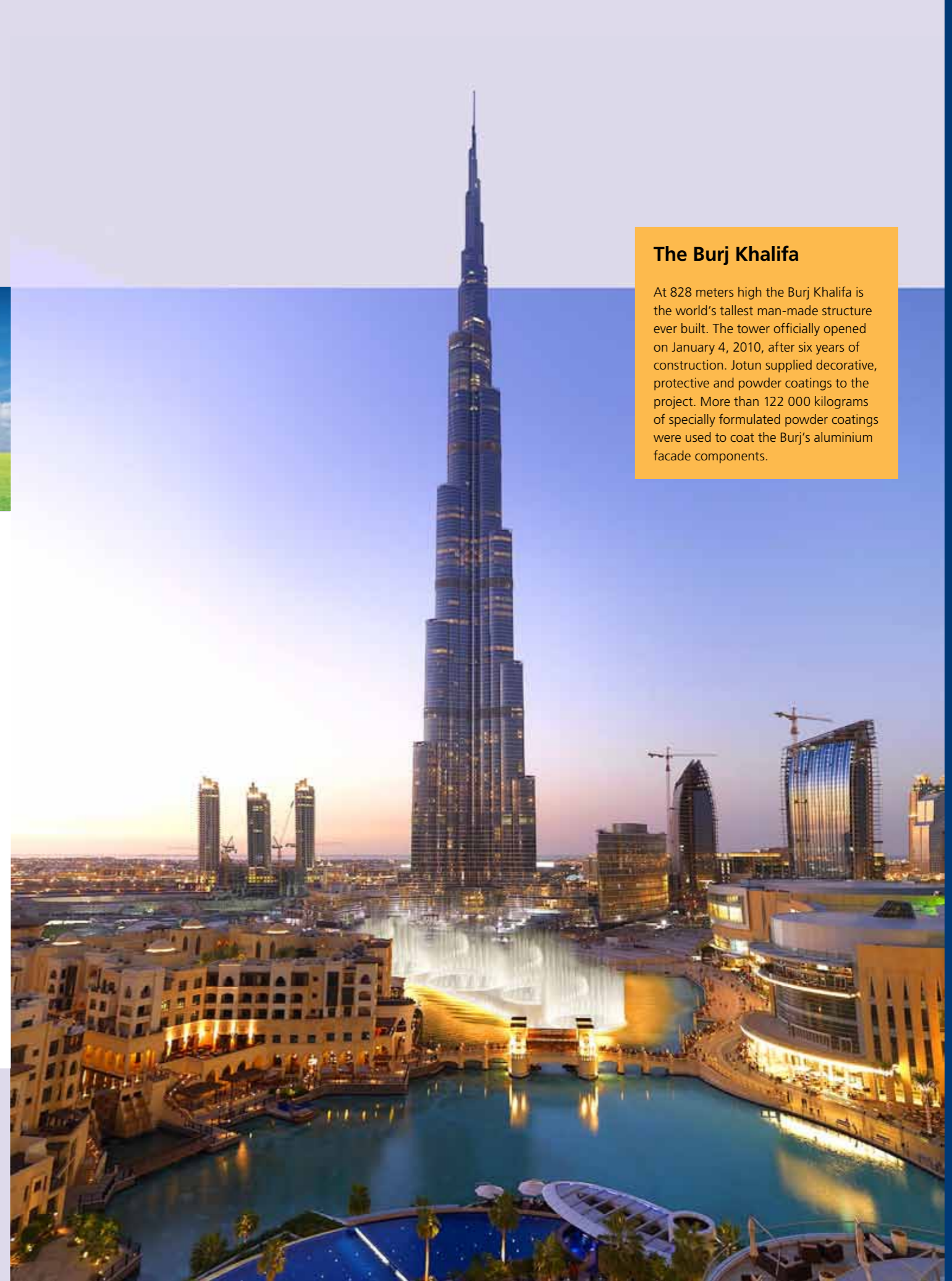


The Cool Shades Collection

In response to an increase in demand for sustainable architecture, Jotun Powder Coatings created the Jotun Cool Shades Collection. This innovative range of heat reflective powder coatings reduces the temperature of aluminium building components exposed to sunlight, thus contributing to lower overall energy consumption. In warm climates, architects tend to avoid using conventional dark coatings, which absorb over 90 per cent of solar heat radiation. However, similar dark colours in the Cool Shades Collection absorb less than 75 per cent while the lightest shades in the collection absorb less than 25 per cent, providing the architect more choices. The Cool Shades Collection is available in a broad range of colours in both the polyester powder coatings Corro-Coat PE-SDF Super Durable range, and in the standard architectural grade, Corro-Coat PE-F Facade.

The Burj Khalifa

At 828 meters high the Burj Khalifa is the world's tallest man-made structure ever built. The tower officially opened on January 4, 2010, after six years of construction. Jotun supplied decorative, protective and powder coatings to the project. More than 122 000 kilograms of specially formulated powder coatings were used to coat the Burj's aluminium facade components.



Whether it's maximum mileage, more colours and effects, or new product applications, Jotun Powder Coatings offers the perfect products for customers' specific needs.



The challenges ahead

Jotun's results in 2010 exceeded expectations, but challenges related to market uncertainties combined with the strain of managing rapid expansion in high growth markets, will test the company in the years ahead.

Last year, Jotun anticipated declines in global demand for coatings and took a cautious approach to recruiting and investing in new markets and factories. However, by the middle of 2010, it became clear that while some mature markets would continue to struggle, demand in high growth markets was recovering rapidly. To manage these changes, Jotun acted quickly to minimise risk and align regional growth strategies more closely with local economic conditions.

While this approach was successful, Jotun still has reason to be cautious. The

Marine segment is likely to be impacted by declines in newbuilding orders over the next few years. The rising costs of raw material prices continues to have a significant bottom line impact. As a multinational company, Jotun is exposed to both political and macro-economic risks. Structural threats to the global financial system persist and political unrest, notably in North Africa and the Middle East, may slow future growth.

2010 also saw a notable shift in capital flows towards high growth countries such as Brazil, Russia, India and especially China, which by some measures became the world's second largest economy in 2010. This shift represents a significant opportunity but also a challenge for Jotun. The company must expand to meet the demands of high growth regions and move more quickly to enter promising new markets. In Europe, which remains an important market for

"The large scale of Jotun's current investment in personnel, capacity and new markets will help the company grow, guided by our commitment to sustainable growth."

Odd Gleditsch d.y., Chairman of the Board

Jotun, the company must focus on improving efficiency and managing costs.

At the same time, the company is committed to sustainable development and has renewed its focus on health, safety, quality and environmental performance. As a chemicals company, Jotun recognises it has a special obligation to limit the potential negative impacts of its products on individuals and the environment. For this reason, Jotun continues to develop more sustainable paints and coatings.

It should be noted that Jotun's combined 2010 investments in capacity, personnel, new markets and R&D have never been equalled in the company's 80-year history. Jotun enjoys the luxury of a healthy balance sheet to fund these investments. However, the challenge is to implement these changes while maintaining the company's focus on sustainable development.



Directors' report

1. MAIN ACTIVITIES

By the end of 2010, Jotun's business activities included development, production, marketing and sales of a range of paint systems and products for surface treatment and protection. The Jotun Group is organised into four divisions:

Jotun Dekorativ: Decorative paints, stains and varnishes for the professional and DIY markets in Norway, Sweden, Denmark and Iceland, as well as 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 in the same regions.

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

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

Jotun has a worldwide network and is represented on every continent by subsidiaries and joint ventures. The group comprises 70 companies in 39 countries, including 38 production facilities. In addition, Jotun has agents, sales offices and distributors in a number of countries. The parent company, Jotun A/S, has its head office in Sandefjord, Norway.

2. REVIEW OF THE ANNUAL ACCOUNTS

In accordance with Section 4-5 of the Norwegian Financial Reporting Act, the Board of Directors finds that conditions are present for a going concern and the accounts for 2010 are rendered on this assumption.

Profits

The group's total operating income was NOK 12 003 million in 2010 compared with NOK 11 219 million in 2009. The majority of the group's business areas showed satisfactory development throughout the year.

The group achieved a consolidated profit after tax but before minority interests of NOK 922 million compared to NOK 786 million in 2009.

The parent company, Jotun A/S, achieved a profit after tax of NOK 749 million, compared to NOK 327 million in 2009. The improvement is in part attributable to increased dividend from subsidiaries subsequent to good results in these entities, partly due to increased activity in the Norwegian market.

Despite the crisis in the global economy Jotun delivered good results in 2010. Jotun's performance is related to restored growth in many important markets as well as Jotun's timely action to limit the adverse effects of the crisis. In addition, a significant part of Jotun's activities take place in "late cyclical" markets, such as in the marine market, where the impact of negative market developments materialises with delayed effect. Moreover, increases in raw material prices the last six months of the year had an adverse impact on the result.

On 1 January 2011, the contractual pension scheme (AFP) changed from an early retirement pension to a life-long pension benefit. The Norwegian Accounting Standards Board recommends that the businesses do not recognise the liability relating to the new AFP pension in the balance sheet. The Jotun accounts are prepared in accordance with this recommendation by the Norwegian Accounting Standards Board. This is despite Jotun's Board and management disagreeing in principle with the accounting solution, which has improved the profit for the year by NOK 40 million. Further details of this arrangement are given in Note 7 on pension costs.

Financial position, capital structure and risk

The Jotun Group had a net positive cash position of NOK 318 million at year end 2010 compared to a net positive cash position of NOK 362 million as of 31 December 2009.

The group's equity ratio was 54.7 per cent

at the end of the year as opposed to 55.4 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-term and long-term credit lines totalling NOK 1 435 million as of 31 December 2010.

In its regular business operations Jotun is exposed to risks relating to credit, interest rates, commodity prices and currency exchange rates and has established procedures for currency and commodity hedging as well as customer credit rating. The group hedges its currency risk connected to the USD, USD-related currencies and the EUR through forward contracts, options and foreign currency loans. Jotun's procedures and measures in this respect are considered satisfactory in relation to the group's exposure to risk.

3. THE MARKET

Jotun Dekorativ

The division's profit has increased significantly compared to 2009. Sales volume declined somewhat in Norway compared to the previous year while the sales value increased. Cost cuts due to restructuring and improved margins as a result of a strong NOK have contributed to the improved performance.

It is satisfying to see that the brands within the exterior segment, Optimal in Norway and Demidekk Ultimate in Sweden and Denmark, have sold well. The interior sales have increased since last year, largely as a result of the Sens product and the successful launch of Lady Pure Color. Jotun's position in Norway is being increasingly challenged by the private label brands, and the pressure from building supply store chains is growing in relation to prices and margins.

The division has satisfactory growth in Sweden, both in terms of sales volume and value, while Jotun Denmark continues to have lower sales than in 2009. However, an improvement is expected in Denmark as a result of the five newly opened paint shops, as well as a successful launch of

Demidekk Ultimate.

The construction of a new factory in Sandefjord is underway and production is scheduled to start in the first half of 2012.

Jotun Coatings

This division has experienced growth in both sales volume and sales value with the greatest growth achieved in China and South Korea. Increased commodity prices have, however, had a highly negative effect on the margins for the division. The commodity prices are expected to continue to rise, and measures aimed at improving profitability have been implemented.

In the Marine segment freight rates for container vessels remain low as a result of a major surplus capacity. Likewise, there is general caution in the shipping market and a high sensitivity to costs. However, there have been a positive development in the contracting of newbuildings in 2010, even though the number of newbuildings is, and will continue to be, considerably lower than in the years preceding the global financial downturn.

Growth in the Protective segment continues despite lower sales than expected.

It is satisfying to note increased activity in new markets and the majority of countries in Asia. A number of postponements and delays in the start-up of new construction projects have been experienced in the Middle East as a result of the recession. Nevertheless, the trend in this market is showing an improvement.

The development of products and production solutions is a priority area for the division. For example, the Division has high expectations for the Jotun Hull Performance Solutions, an innovative marine coatings concept that was launched in late 2010.

Jotun Paints

The division continues to demonstrate good growth and increased sales within the Decorative segment. However, the results are somewhat lower than in 2009, mainly due to lower sales in the Protective segment as well as cost increases. Cost increases are the result of a conscious focus on making sales resources and sales companies in various markets better equipped for the future. Investments have

also been made to increase distribution through a number of businesses with Multicolor tinting machines. This has led to good results both in South East Asia and the Middle East.

The increase in sales has been particularly satisfying in Vietnam, Indonesia and Oman, while project sales in more mature markets such as Dubai and Malaysia have fallen as a result of lower levels of economic activity. Jotun has gained a firm foothold in new markets such as Libya and Pakistan.

At the start of the year, the division launched the Majestic EcoHealth product in Malaysia. The product is selling well and is now being successfully launched in other countries in the region. The launch of Jotashield Extreme, with so called "cool pigments", will enable a strengthening of the sustainable product line in both South East Asia and the Middle East.

Jotun Powder Coatings

2010 was a positive year for the Powder Coatings division. All units in the division have shown increased sales and improved results. With satisfactory cost and working capital levels, the division is now experiencing healthy profitability.

The markets in the Czech Republic and Turkey, which are both important markets for the division have now recovered from the financial crisis. The division's units in these countries are showing a corresponding growth. The market in Norway is still lagging behind, but effective improvement measures aimed at increasing sales have been initiated. In the Middle East, strong growth can be seen in Saudi Arabia and India, while sales are stable in the UAE. Sales in South East Asia have also picked up since the cyclical downturn.

On the product side, a new product series called the Cool Shades Collection has been launched. The product holds heat-reflecting properties, which contributes to a more sustainable product portfolio.

4. RESEARCH AND DEVELOPMENT

Jotun has an active research and development function centrally located in Sandefjord, and in regional laboratories. This decentralisation is important for ensuring more effective product development with proximity to the markets.

As a result of new and more stringent environmental legislation, many of the R&D resources are employed in developing new technology and more sustainable products and solutions to various markets.

5. HEALTH, SAFETY AND ENVIRONMENT (HSE)

Goals and activities

Developing expertise and knowledge are key parameters for Jotun achieving long-term and healthy growth. The Jotun Operations Academy is a two-week internal training programme, primarily aimed at technical staff in management positions. This programme covers a large number of elements relating to health, safety and the environment. In 2010, 38 people attended

this training programme.

In 2010, the training of all HSE coordinators was undertaken on a regional basis, where the emphasis was on the risks involved in working at heights and practical training in conducting safety rounds.

All of Jotun's production companies shall be certified in accordance with ISO 14001 and OHSAS 18001. At the end of 2010, 33 companies have been certified.

The maintenance level in most of its factories needs to be improved and a maintenance programme has been introduced. Training of personnel and the introduction of a standard with greater focus on preventive maintenance are the key elements of this programme.

Group HSE carried out nine HSE audits of Jotun's production facilities in 2010. The results from these audits indicate that some of the group's factories need upgrades and that the focus on HSE needs to be further increased.

Working environment

No accidents leading to death or fatal injury occurred in the group in 2010. There



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

were 85 injuries reported resulting in lost-time-due-to-injury (LTI) absences in 2010 compared with 78 in 2009. The number of injuries resulting in an absence of one or more days per one million working hours (H1-value) was 5.5 compared with 5.6 in 2009. The H1-value for Jotun A/S was 0.6 compared with 4.6 in 2009.

Absence due to sickness for the group in 2010 was 1.6 per cent; the same as in 2009. Absence due to sickness in Jotun A/S was 5.1 per cent in 2010 compared with 4.9 per cent in 2009. This increase is due in part to the rising number of employees on long-term sick leave among the skilled workers in the factories.

Environment

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

The group generated 16 600 tonnes of waste in 2010, with 10 500 tonnes classified as hazardous waste. Corresponding figures for 2009 were 15 400 tonnes of waste, of which 7 700 tonnes were hazardous waste. The volume of waste generated relative to the volume produced was 2.5 per cent in 2010; the same as in 2009.

There were no serious emissions to sea or land in 2010.

Safety

14 incidents involving fire or the early stages of fire were registered in 2010 (nine in 2009), three of which could potentially have resulted in a bigger fire. None of the fires in 2010 resulted in injuries, and only minor damage was caused to equipment. All of the fires were extinguished by Jotun's own staff.

The Board emphasises that fire incidents are unacceptable and that there is a need for strengthened focus on this.

Challenges ahead

Jotun takes a very serious view of all HSE deviations, and has a vision of zero tolerance in relation to serious incidents. Fewer injuries mean improved quality in

all areas through a satisfactory and safe working environment. Jotun continues to communicate the importance of HSE throughout the organisation to ensure a safe and healthy working environment for all employees.

6. CORPORATE RESPONSIBILITY (CR)

Jotun is a responsible company whose CR policies and programmes are included in all business processes and in relation to all stakeholders. A separate function has been established for CR in the group, which makes work and measures more structured and targeted. Within this field the focus is on ethical business management with sustainable solutions, a presence as a responsible contributor to society, and internal processes in place to ensure a responsible and satisfactory value platform in all parts of the value chain.

7. DIVERSITY

Jotun works continuously on developing and understanding cultures across geographic regions. Comprehensive internal development programmes are aimed at ensuring that networks are developed and made effective. These programmes also ensure respect for diversity in relation to culture, religion, gender and age.

Two of the nine members of the group management who report to the President & CEO are female. Of those with personnel responsibility, 18.7 per cent are women (15.5 per cent in 2009 and 15 per cent in 2008). Women also make up 10 per cent of skilled workers (9.5 per cent in 2009), while the corresponding percentage for women among office staff is 33 per cent (32 per cent in 2009).

8. FUTURE PROSPECTS

The effect of the crisis in the global economy has so far been less serious than expected for Jotun at a consolidated level. This is partly due to the group's ability to

take precautionary measures, restructure quickly and direct resources towards markets and segments that continue to show growth and profitability. Jotun's presence in many countries and markets with varying rates of growth and variations in economic cycles is one of Jotun's strengths. A robust liquidity and equity situation enables the group to invest in growth markets, whilst simultaneously exercising caution and carrying out consolidation in other markets.

Jotun's strategic goals for organic growth are firmly established, and the company plans to expand in Eastern Europe and North Africa, in addition to further growth in established markets in the Middle East and Asia. The growth strategy requires significant investments in order to ensure production capacity. New factory projects have been initiated in Norway, Libya, China, the USA, Malaysia and Brazil, and expansion plans have been drawn up for Indonesia, Pakistan and Vietnam.

Jotun operates in regions, such as in the Middle East, which may be impacted by political unrest. The company has been active in these regions for a number of years and is prepared to accept short or medium term restructuring of the business if such unrest affect normal operations. Jotun is present in many geographical areas and has managed such events in the past. The company's experience in this regard will help Jotun minimise potential risks.

The global economy seems to be stabilising, even though there is still insecurity related to the growth in the project market in parts of the Middle East and in the marine market. Jotun has a large share of contracts for the supply of paint to newbuildings that are of long-term nature. However, there continues to be uncertainty within this segment, and lower earnings and profitability are expected for the next couple of years. In spite of this, growth is expected in most markets, albeit with lower margins, mainly due to price pressure as a result of high prices in crucial and central metals.

Profit and Loss Account

(NOK thousand)	Note	2010	2009
OPERATING REVENUES	1,2,10	12 002 743	11 218 703
Change in inventory of finished goods	4	-213 056	342 203
Cost of goods sold		6 687 445	5 584 646
Payroll expenses	5,7	1 806 707	1 754 280
Depreciation	8,9	297 584	261 916
Bad debt	3	7 980	82 003
Other operating costs	6	2 073 244	2 036 189
Operating profit		1 342 840	1 157 466
Interest income		18 345	19 248
Other financial income		57 913	58 230
Interest costs		-45 386	-65 752
Other financial costs		-69 947	-73 109
Profit before tax		1 303 766	1 096 084
Tax expense	15	-382 250	-310 448
Profit before minority interests		921 517	785 636
Minority's share of the profit for the year	16	-155 954	-181 381
Profit for the year		765 563	604 255

Sandefjord, Norway, 17 February 2011
Board of Directors, Jotun A/S

Odd Gleditsch d.y.
Chairman

Nicolai A. Eger

Einar Abrahamsen

Richard Arnesen

Birger Amundsen

Torkild Nordberg

Dag J. Opedal

Terje V. Arnesen

Morten Fon
President & CEO


Balance Sheet


ASSETS	Note	31.12.10	31.12.09
<i>(NOK thousand)</i>			
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	15	117 595	143 062
Other intangible assets	9	43 581	74 336
Total intangible assets		161 177	217 398
Fixed assets			
Land	8	166 116	140 880
Buildings and plants	8	923 450	856 925
Machinery, vehicles & equipment	8	666 959	669 947
Plants under construction	8	377 567	117 947
Total fixed assets		2 134 093	1 785 698
Financial assets			
Shares and interests	11	15 939	15 813
Pension funds	7	72 625	73 757
Other long-term receivables		102 248	113 353
Total financial assets		190 813	202 923
Total non-current assets		2 486 082	2 206 019
CURRENT ASSETS			
Inventories			
	4	1 888 790	1 436 959
Receivables			
Trade receivables	3	2 646 299	2 316 789
Other current receivables	18	670 605	311 940
Total receivables		3 316 904	2 628 729
Cash and cash equivalents			
		966 612	1 019 958
Total current assets		6 172 305	5 085 646
Total assets		8 658 387	7 291 664


Balance Sheet

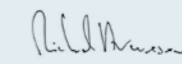
EQUITY AND LIABILITIES	Note	31.12.10	31.12.09
<i>(NOK thousand)</i>			
EQUITY			
Paid in capital			
Share capital	16,17	102 600	102 600
Total paid in capital		102 600	102 600
Retained earnings			
Other equity	16	4 253 870	3 597 913
Total retained earnings		4 253 870	3 597 913
Minority interests			
	16	376 166	340 472
Total equity		4 732 636	4 040 985
LIABILITIES			
Provisions			
Pension liabilities	7	148 984	174 519
Deferred tax liabilities	15	24 639	20 772
Other provisions for liabilities	14	55 563	55 790
Total provisions		229 186	251 081
Other long-term liabilities			
Debt to credit institutions	12	191 923	237 079
Interest-free long-term debt		21 886	23 408
Total other long-term liabilities		213 809	260 487
Current liabilities			
Debt to credit institutions	12	681 621	421 013
Trade creditors		1 281 990	998 326
Tax payable	15	205 940	187 630
Public duties payable		120 702	137 944
Allocated dividend	16	256 500	225 720
Other current liabilities	14	936 003	768 478
Total current liabilities		3 482 756	2 739 111
Total liabilities		3 925 751	3 250 679
Total equity and liabilities		8 658 387	7 291 664

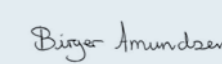
Sandefjord, Norway, 17 February 2011
Board of Directors
Jotun A/S



Odd Gleditsch d.y.
Chairman


Nicolai A. Eger


Einar Abrahamsen


Richard Arnesen


Birger Amundsen


Torkild Nordberg


Dag J. Opedal


Terje V. Arnesen


Morten Fon
President & CEO

Cash Flow Statement

(NOK thousand)	Note	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before minority interests		921 517	785 638
Change in deferred tax	15	30 629	11 558
Gains/losses on sale of fixed assets	8	3 963	971
Depreciation	8	297 584	261 916
Change in inventories, trade receivables and trade creditors	18	-470 091	268 348
Change in warranty provisions	14	-64 785	39 494
Change in other provisions	18	-99 313	113 205
Net cash flow from operating activities		619 506	1 481 130
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from sale of fixed assets		21 851	11 502
Payments for purchase of fixed assets	8,9	-597 756	-361 983
Change in other investments and lending		12 592	35 556
Net cash flow from investment activities		-563 313	-314 925
CASH FLOW FROM FINANCING ACTIVITIES			
Payments from new borrowing		393 313	134 892
Payment of debt		-153 346	-443 611
Payment of dividend		-225 720	-205 200
Payment of dividend to minorities	16	-99 963	-74 674
Net cash flow from financing activities		-85 716	-588 593
Net change in cash and cash equivalents		-29 523	577 612
Conversion differences, cash and cash equivalents		-23 822	-72 735
Cash and cash equivalents, 1 Jan.		1 019 958	515 080
Cash and cash equivalents, 31 Dec.		966 612	1 019 958
Undrawn credit facilities, 31 Dec.	12	1 435 000	1 225 000

Accounting principles

Basic accounting principles – assessment and classification

The Jotun consolidated accounts consist of the profit and loss account, balance sheet, cash flow statement and note information and are rendered in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles as of 31 December 2010. To make the annual accounts easier to read, some of the items in the accounts are summarised. Further specification is done in the notes. The notes are thus an integral part of the annual accounts.

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

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

Use of estimates

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

Principles for preparing the consolidated accounts

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

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

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

Elimination of shares in subsidiaries

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

Conversion of accounts for foreign subsidiaries, joint ventures and associated companies

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

Translation differences arising upon consolidation are posted directly against equity.

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

Treatment of minority interests

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

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

Sales revenues

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

Valuation and classification of balance sheet items

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

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 when evaluating the company.

Government grants

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

Hedge accounting on financial instruments

The group makes use of derivatives in order to reduce the effects of fluctuations in currency and raw material prices.

Hedging of cash flows

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

Hedging fair value

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

Hedging of net investments

Net investments in companies abroad and hedging of these, if any, are considered as a part of the net investment, and changes in value are entered directly against equity as translation differences. Hedging instruments that do not meet the requirements of effective hedging are entered at their net realisable value against the profit and loss account.

Shares, bonds and other securities

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

Intangible assets

Intangible assets, research and development consist of identifiable intangible assets and goodwill. Expenses linked to market investments and research and development are charged against the profit and loss account on a continual basis.

Fixed assets / depreciation

Fixed assets are recognised 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 capitalised as assets. Interest relating to facilities under construction is capitalised and included in 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

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

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

Deferred tax and tax expense

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

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

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

Cash flow statement

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

NOTE 1

Sales revenues per division and geographical area

DIVISIONS	2010	2009
<i>(NOK thousand)</i>		
Jotun Dekorativ	1 661 919	1 573 448
Jotun Coatings	6 126 375	5 717 778
Jotun Paints	2 941 149	2 910 994
Jotun Powder Coatings	1 118 019	928 328
Total	11 847 461	11 130 548
GEOGRAPHICAL AREAS		
<i>(NOK thousand)</i>		
Europe	4 387 442	4 254 852
Middle East/ Far East	7 061 535	6 546 414
Other	398 484	329 282
Total	11 847 461	11 130 548

NOTE 2

Operating revenues

	2010	2009
<i>(NOK thousand)</i>		
Sales revenues	11 847 461	11 130 548
Other revenues	155 282	88 155
Total	12 002 743	11 218 703

Other revenues include those from the sale of Multicolor machines, rent, licence revenues, compensations and profit on the sale of fixed assets. The increase from last year is due to restructuring of revenues from the sale of Multicolor machines.

NOTE 3

Bad debts

	2010	2009
<i>(NOK thousand)</i>		
Realised loss	46 969	42 075
Received on previously depreciated receivables	-23 727	-14 302
Change in provision	-15 262	54 230
Net bad debts	7 980	82 003
Allowance for bad debts 31 Dec.	236 951	252 213

The change in the group's provisions is affected by conversion differences.

NOTE 4

Inventories

	31.12.10	31.12.09
<i>(NOK thousand)</i>		
Raw materials	834 389	631 920
Finished goods	1 115 744	902 688
Write-down for obsolescence	-61 342	-97 649
Total	1 888 791	1 436 959

NOTE 5

Payroll expenses, number of employees and remunerations

WAGES AND OTHER SOCIAL COSTS	2010	2009
<i>(NOK thousand)</i>		
Wages incl. bonuses	1 445 977	1 374 346
Social costs	147 575	139 731
Pension costs – contribution plans	87 494	72 170
Pension costs – benefit plans (see note 7)	13 869	67 448
Other benefits	111 792	100 585
Total	1 806 707	1 754 280
Average number of employees, including shares in joint ventures and associated companies.	6 867	6 632

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

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

REMUNERATION OF EXTERNAL AUDITOR

	2010	2009
<i>(NOK thousand)</i>		
Statutory audit	8 299	7 806
Other attestation services	378	886
Tax advising	1 930	2 526
Other services	2 153	1 902
Total	12 760	13 120

NOTE 6

Other operating costs

THE ESSENTIAL ITEMS UNDER 'OTHER OPERATING COSTS' DO NOT INCLUDE WAGES

	2010	2009
<i>(NOK thousand)</i>		
Manufacturing costs	268 952	255 746
Warehouse costs	108 939	105 642
Transportation	345 973	294 675
Sales costs	830 069	756 046
Technical service	76 042	70 749
Warranty costs (see note 14)	-17 537	90 078
Research and development	91 431	80 608
Royalties	20 530	16 028
Restructuring	9 400	33 100
Other operating costs	339 445	333 516
Total	2 073 244	2 036 189

NOTE 7

Pension obligations and pension costs

Defined contribution plans

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

Defined benefit plans

Schemes with net pension funds relates to the Norwegian companies. In the group schemes in Norway, a future pension benefit of up to 60 per cent of final salary as single limited upward to 12 times the social security basic amount (G). The schemes are coordinated with social security benefits. At the turn of the year 2010/2011 there remain four age groups with active members still earning pension entitlements. Included in schemes involving net pension obligations are obligations in Norway for implemented pensionings based on the contractual-pension scheme ("AFP") and end financing of the old AFP scheme, other pension obligations financed over operations, which include agreed and implemented early retirement, unfunded old-age pensions, early retirement schemes for Jotun's senior executives and remaining obligations with the discontinued defined benefit scheme for employees with a pension beyond 12 times the social security basic amount (G).

As of the turn of the year 2010/2011, AFP has been changed from being an early retirement scheme to being a lifelong pension benefit. The remaining obligation at the turn of the year amounts to NOK 19.2 million in total of the obligations to repay 25 per cent of the payments to Jotun's AFP pensioners and NOK 7 000 per employee, which is regarded as Jotun's share of the end financing of the old AFP for the period 2011-

2015. Previously allocated obligations relating to the old AFP scheme are thus to be re-allocated. The net effect resulting from these changes amounts to NOK 40 million. In accordance with the recommendation as of 31 December 2010 from the Norwegian Accounting Standards Board on accounting according to NRS6, pension costs relating to the new AFP pension scheme have not been charged against profits.

Also included are pension obligations in the group schemes in England. These schemes are now closed for new members. Contribution pension schemes are established for new employees. The benefit schemes for the other employees are expected to be closed to all employees in the course of 2011. From that time on, the pension schemes in England will be contribution pension schemes. However, it will take many years to phase out the obligations included in the pension schemes to be closed in the course of 2011.

Schemes based on the terminal-wage principle for the employees in South Korea, Indonesia, Thailand, Oman and the United Arab Emirates are also included in the pension obligations.

Other severance schemes

Obligations indicated under "Other severance schemes" (see below) comprise mainly statutory obligations to employees in its companies elsewhere in the world. The obligations fall due for payment when employees leave a Jotun company. The size of the obligations depend on how many years the employees have worked in the company, among other things. Also included are Jotun's operating pension schemes in the Norwegian companies regarding a pension base exceeding 12 times the basic amount (G).

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

	2010	2009
SCHEMES WITH NET PENSION FUNDS - NORWAY		
Defined benefit scheme - active	99	121
Defined benefit scheme - pensioners	680	686
SCHEMES WITH NET PENSION OBLIGATIONS		
Pension scheme benefit England - active	123	128
Pension scheme benefit England - pensioners	163	163
Severance obligations in South Korea	229	277
Severance obligations in Indonesia	385	367
Severance obligations in Thailand	289	290
Severance obligations in the United Arab Emirates	696	688
Severance obligations in Oman	120	110
NORWAY		
Old-age pensioners in unfunded schemes	10	7
Early-retirement-pension agreements - agreed and implemented	54	59
Senior-executive schemes - active	7	9
Senior-executive schemes - pensioners	5	5
Contractual pension (AFP) - active	-	1 067
Contractual pension (AFP) - pensioners	86	87
Benefit scheme financed over operations	7	9

Effective as of 2002, Jotun decided to reduce the period for recognising actuarial gains and losses beyond corridor and plan changes to three years. Except for the United Arab Emirates and Oman, the company has used an external actuary to do the pension calculations for the year. The fair value of the pension funds at 31 December 2010 has been estimated. The pension obligations are valued at fair value as of 31 December 2010. The overfunding in the fund-based schemes in Norway has been assessed and can be used to finance future pension premiums.

Cont. NOTE 7

Pension obligations and pension costs

JOTUN GROUP	2010		2009	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
<i>(NOK thousand)</i>				
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY				
Pension obligation at the beginning of the period	310 447	393 850	342 014	345 470
Conversion difference at the beginning of the period	-	-5 143	-	-14 365
Pension earnings for the year	1 496	29 571	2 192	32 799
Interest cost on pension obligations	12 526	16 335	13 485	17 440
Re-allocated obligation due to new contractual-pension scheme (AFP)	-	-58 411	-	-
Actuarial loss / (gain)	6 928	15 689	-25 141	37 015
Social security upon paying pension funds	-976	-613	-983	-341
Pension payments	-21 000	-32 823	-21 120	-24 168
Pension obligations at the end of the period *	309 421	358 455	310 447	393 850
CHANGES IN PLAN ASSETS				
Plan assets at the beginning of the period	328 156	189 614	326 234	175 872
Conversion difference at the beginning of the period	-	-4 817	-	-12 748
Expected return on plan assets	17 966	11 014	20 086	10 218
Actuarial (loss) / gain	-468	11 959	-3 327	11 582
Payments in / (out)	6 311	19 751	6 283	16 303
Pension payments	-21 000	-14 249	-21 120	-11 613
Plan assets at the end of the period	330 965	213 272	328 156	189 614
RECONCILIATION OF PENSION LIABILITIES/ASSETS ENTERED IN THE BALANCE SHEET				
Net pension obligation - overfunded (underfunded)	21 544	-145 183	17 709	-204 236
Unrecognised actuarial loss / (gain)	51 081	28 411	56 048	54 332
Total pension assets (liabilities)	72 625	-116 772	73 757	-149 904
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY				
Pension earnings for the year	1 496	29 571	2 192	32 799
Interest cost for the pension obligations	12 526	16 335	13 485	17 440
Expected return on plan assets	-17 966	-11 014	-20 086	-10 218
Net ingoings as a result of new contractual pension (AFP)	-	-40 004	-	-
Recognised actuarial loss / (gain)	12 364	10 561	23 161	8 675
Pension cost recognised in the profit and loss account	8 420	5 449	18 752	48 696

* - including unsecured schemes

THE ACTUARIAL ASSUMPTIONS FOR THE MAJOR CALCULATIONS ARE AS FOLLOWS:

	2010		2009	
	Norway	England	Norway	England
Discount rate in %	4.00	5.50	4.40	5.70
Expected return in %	5.40	6.40	4.85-5.60	6.40
Wage adjustment in %	3.75-4.00	3.20	4.00-4.25	3.40
Inflation / increase in social security basic amount (G), in %	3.75	3.20	4.00	3.40
Pension adjustment in %	1.20-4.00	3.20	1.50-4.25	3.50
	South Korea	Indonesia	South Korea	Indonesia
Discount rate in %	4.80	9.00	5.70	10.00
Expected return in %	4.60	8.00	6.00	10.00
Wage adjustment in %	6.00	9.00	8.00	9.00
Inflation / increase in social security basic amount (G), in %	-	9.00	-	10.00

cont. NOTE 7

Pension obligations and pension costs

PENSION OBLIGATIONS IN THE BALANCE SHEET	2010		2009	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
(NOK thousand)				
Benefit schemes and other unsecured schemes (see page 49)	72 625	-116 772	73 757	-149 904
Other severance schemes	-	-32 211	-	-24 615
Plan assets (liabilities) entered in the balance sheet	72 625	-148 983	73 757	-174 519

NOTE 8

Fixed assets

(NOK thousand)	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under construction	Total
Cost 1 Jan.	142 407	1 567 061	2 166 318	117 935	3 993 720
Reclassification and corrections	884	-2 112	24 288	-15 904	7 156
Additions	22 838	128 763	161 397	275 037	588 035
Disposals	-4 834	-7 107	-57 796	-1 207	-70 944
Conversion differences	7 070	29 213	45 112	1 639	83 035
Cost 31 Dec.	168 366	1 715 818	2 339 318	377 500	4 601 002
Accumulated depreciation 1 Jan.	1 527	710 136	1 496 372	-12	2 208 023
Reclassification and corrections	-	1 509	-1 485	-24	-
Depreciation for the year	610	77 502	189 662	-34	267 740
Disposals ordinary depreciation	-	-4 368	-40 813	-1	-45 182
Conversion differences	113	7 589	28 623	4	36 329
Accumulated depreciation 31 Dec.	2 250	792 367	1 672 359	-67	2 466 909
Book value 31 Dec.	166 116	923 450	666 959	377 567	2 134 093

Economic life	Up to 33 years	Up to 10 years
Depreciation plan	Linear	Linear

NOTE 9

Intangible assets

(NOK thousand)	Goodwill	Technology	Other intang. assets	Total
Cost 1 Jan.	395 096	100 910	96 423	592 429
Reclassification and corrections	-2 316	-1 729	-10 620	-14 664
Additions	-	-	9 721	9 721
Disposals	-	-	-	-
Conversion differences	-103	3 700	488	4 085
Cost 31 Dec.	392 677	102 882	96 012	591 572
Accumulated depreciation 1 Jan.	370 668	98 470	48 954	518 091
Reclassification and corrections	-	-	-	-
Depreciation for the year	22 118	-	7 727	29 844
Disposals, ordinary depreciation	-	-	-	-
Conversion differences	-109	88	442	421
Accumulated depreciation 31 Dec.	392 677	98 558	56 756	547 991
Book value at 31 Dec.	-	4 323	39 257	43 581

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

Goodwill at acquisition is depreciated over an economic life calculated at ten years for the coatings industry. The group charges all R&D expenses against income on a continuous basis. This primarily concerns the development of more eco-friendly products. Development costs are deemed necessary for the group to maintain its competitiveness. R&D expenses, including wages and social costs, totalled NOK 195.3 million in 2010 (2009: NOK 187.4 million).

NOTE 10

Shares in joint ventures and associated companies

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

Jotun U.A.E. Ltd. (L.L.C.)
 Chokwang Jotun Ltd. (Joint Venture)
 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.)

SHARE PER MAIN GROUP

(NOK thousand)	2010	2009
Operating revenues	1 337 385	1 380 081
Operating profit	219 139	274 249
Profit for the year	285 244	319 778
Fixed assets	260 510	277 153
Current assets	710 877	639 568
Long-term liabilities	106 455	132 367
Current liabilities	313 214	206 239

NOTE 11

Shares and interests

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(NOK thousand)	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Nor-Maali OY	Lahti	Finland	EUR	8	10 000	3	8 180	33.4
Cathelco Ltd., England	Chesterfield	England	GBP	1 333	1 333	133	7 565	10.0
Sundry other companies							194	
Total							15 939	

NOTE 12

Interest-bearing liabilities

LONG-TERM AND CURRENT LIABILITIES

(NOK thousand)	31.12.10	31.12.09
Long-term loans	191 923	237 079
Short-term loans	427 313	254 218
Bank overdraft	254 308	166 795
Total	873 544	658 092

BOOKED LIABILITIES SECURED WITH PLEDGED ASSETS, ETC.

(NOK thousand)	31.12.10	31.12.09
Secured with pledged assets, etc. - long term	78 028	102 088
Secured with pledged assets, etc. - short term	29 372	3 020
Total	107 399	105 108

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

(NOK thousand)	31.12.10	31.12.09
Land, buildings, etc.	34 834	35 582
Machinery and plants	115 389	115 032
Stock of goods	156 972	116 359
Trade receivables	108 107	88 571
Total	415 302	355 544

In most cases the parent company has provided a letter of comfort (LoC) and in some cases guarantee to subsidiaries that borrow locally. Assets are not posted as security for the debts.

REPAYMENT PROFILE

(NOK thousand)	2011	2012	2013	2014	2015	Thereafter	Total
Amount	103 161	29 904	14 675	11 977	18 296	13 909	191 923

LONG-TERM DEBTS

Currency	Aver. interest %	Loan amount in currency	Loan amount in NOK
NOK	-	-	-
USD	1.4	11 712	68 348
EURO	-	-	-
Other currency	5.4		123 575
Total			191 923

DRAWING FACILITIES

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

31.12.10	31.12.09
1 435 000	1 225 000

The requirement for a liquidity reserve for the group rests with the parent company, which on its part may finance, in whole or in part, subsidiaries, joint ventures and associated companies through internal loans. At the end of the year, Jotun A/S had drawing facilities totalling NOK 1 435 billion. NOK 600 million of these facilities expires in 2012, NOK 410 million in 2013 and NOK 400 million in 2014. The drawing facilities include an undrawn, committed line of credit to Jotun A/S of NOK 25 million in the company's group account system. 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 in 2010. Jotun A/S is the parent company in the company's group account system and is responsible for exposure with regard to the bank. No draws were made on the facilities as at 31 December 2010.

NOTE 13

Guarantees, etc.

OTHER GUARANTEE LIABILITIES NOT ENTERED IN THE ACCOUNTS		
<i>(NOK thousand)</i>	31.12.10	31.12.09
Discounted promissory notes	11 841	21 696
Securities for employees	2 625	2 583
Guarantees for tax withholdings	34 000	32 000
Letter of comfort	1 190 774	1 088 745
Warranties	23 220	25 715
Securities for customers, etc. and other guarantees	71 123	67 980
Total	1 333 585	1 238 719

NOTE 14

Other current liabilities

PROVISIONS INCLUDED IN OTHER CURRENT LIABILITIES			OTHER LONG-TERM PROVISION		
<i>(NOK thousand)</i>	31.12.10	31.12.09	<i>(NOK thousand)</i>	31.12.10	31.12.09
Warranty provisions	108 611	169 421	Other provisions for liabilities	55 563	55 790
Other provisions	71 641	51 083			
WARRANTY PROVISIONS					
<i>(NOK thousand)</i>	2010	2009			
Provisions for loss 1 Jan.	169 421	140 957			
Change in provisions	-60 810	28 464			
Provisions for loss 31 Dec.	108 611	169 421			
Change in provisions	-60 810	28 464			
Actual warranty costs	43 273	61 614			
Recognised warranty costs	-17 537	90 078			

In 2009 Jotun A/S made provisions for warranty cases against its US operations. As the parties have settled, previous liabilities have been reversed in 2010.

NOTE 15

Tax

TAX EXPENSE IN THE PROFIT AND LOSS ACCOUNT		
<i>(NOK thousand)</i>	2010	2009
Tax payable on profit for the year	351 621	298 890
Gross change in deferred tax	29 334	14 487
Conversion differences	1 295	-2 929
Tax expense on ordinary profit	382 250	310 448
Norwegian share of taxes	113 557	37 647
Foreign share of taxes	268 693	272 801
Total	382 250	310 448
TAX PAYABLE IN THE BALANCE SHEET	31.12.10	31.12.09
Tax payable on the profit for the year	351 621	298 890
Due tax previous years	24 637	46 866
Prepaid tax	-135 751	-118 151
Withholding taxes receivable	-34 568	-39 975
Total tax payable	205 940	187 631

cont. NOTE 15

Tax

SPECIFICATION OF BASIS FOR DEFERRED TAX	31.12.10	31.12.09
Non-current assets	240 652	82 753
Current assets	298 287	-153 655
Liabilities	-727 462	-484 186
Losses carried forward	-92 179	67 801
Total	-280 701	-487 287
Deferred tax liabilities	-24 639	-20 772
Deferred tax asset	117 595	143 062

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

<i>(NOK thousand)</i>	Amount	%
Tax calculated as average nominal tax rate on profit before tax	365 055	28
Effect of credit deduction and corrections previous year	-15 671	-1
Taxes on dividends, royalty and interest	54 584	4
Effect of permanent differences	-16 720	-1
Effect of goodwill depreciation and other eliminations	6 193	-
Deviations in tax rates and other items	-11 191	-1
Tax cost on ordinary profit	382 250	29

NOTE 16

Equity

	Share capital	Other equity	Year's profit	Minority interests	Conv. diff.	Total
Equity 01 Jan. 2009	102 600	2 659 273	-	297 649	960 830	4 020 353
Profit for the year	-	-	604 255	181 381	-	785 636
Allocated/paid dividend	-	-	-225 720	-74 674	-	-300 394
Appropriation	-	378 535	-378 535	-	-	-
Conversion differences	-	-	-	-63 884	-400 726	-464 610
Equity 31 Dec. 2009	102 600	3 037 809	-	340 472	560 104	4 040 985
Profit for the year	-	-	765 563	155 954	-	921 517
Allocated/paid dividend	-	-	-256 500	-99 963	-	-356 463
Appropriation	-	509 063	-509 063	-	-	-
Other changes	-	-	-	-21 652	-	-21 652
Hedging transactions credited/charged to equity	-	23 801	-	-	-	23 801
Conversion differences	-	-	-	1 356	123 093	124 448
Equity 31 Dec. 2010	102 600	3 570 673	-	376 167	683 197	4 732 636

NOTE 17

Share capital and shareholders' information

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

NOTE 18

Specification – cash flow statement

CHANGE IN INVENTORY, TRADE RECEIVABLES AND TRADE CREDITORS		
<i>(NOK thousand)</i>	2010	2009
Inventory	-451 831	631 758
Trade receivables	-329 510	340 722
Trade creditors	283 665	-279 205
Conversion difference	27 585	-424 927
Total change inventory, trade receivables and trade creditors	-470 091	268 348
CHANGE IN OTHER PROVISIONS		
<i>(NOK thousand)</i>	2010	2009
Other current receivables*	-334 865	64 325
Tax payable	18 310	-12 268
Public duties payable	-17 242	10 746
Other current liabilities	234 483	34 015
Other provisions	-	16 387
Total change other provisions	-99 313	113 205

* Other current receivables contain liquid assets payable within three months at NOK 225 138

NOTE 19

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. 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.

A number of factories have been inspected regarding environmental conditions in the ground, and actions have either been taken by own initiatives or implemented on the order of local authorities.

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

NOTE 20

Financial instruments and risk management

Policy for financial hedging**Hedging net investments in foreign operations**

The group's policy is to secure parts if its net investment in foreign operations against fluctuations in exchange rates. Net investment is defined as invested share capital in companies that are either wholly or partially owned as well as long term internal loans to these. The level of the securing is estimated from what is defined as the most liquid part of the net investment, i.e. the part that is expected to be taken home to the holding company when it comes to dividends and royalties the next 16 months.

Hedging cash flows in foreign currency

The group's policy is that each company should secure expected cash flows against fluctuations in exchange rates. The risk the next eight months shall 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.

<i>(NOK thousand)</i>	Nominal value 31.12.10	Unrealised gains/-loss	Change in fair value	Realised gains/-loss	Total profit for the year
USD	267 221	8 688	8 688	6 889	15 577
Other currencies	74 167	675	675	-836	-162
Total group	341 388	9 363	9 363	6 052	15 415

cont. NOTE 20

Financial instruments and risk management

Hedges at a total of NOK 341 million have been made by the end of 2010. The group uses hedge accounting for hedging its net investments abroad. Changes in unrealised value of the hedges are credited to equity. Realised results are credited to other financial income/costs.

Hedging cash flows in foreign currency

The group has operational foreign exchange income and costs (product sale, purchases, licence income and revenues from group service fees) which is hedged according to the group's policy.

The group operates in a joint hedging programme in Jotun A/S (companies in Norway, Sweden, Denmark and the UK), as well as by individual companies hedging locally.

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

VOLUMES AT YEAR'S END	Nominal value 31.12.10	Unrealised gains/-loss	Change in fair value	Realised gains/-loss	Total profit for the year
<i>(NOK thousand)</i>					
Joint hedging programme					
USD income	59 382	4 866	4 866	4 391	9 257
Other foreign currency income	70 126	191	191	-1 066	-875
Total	129 509	5 057	5 057	3 325	8 382
EUR expenses	422 436	-16 357	-16 357	-13 251	-29 608
Other foreign currency costs	91 931	-4 310	-4 310	-5 181	-9 491
Total	514 366	-20 667	-20 667	-18 432	-39 099
Total hedging programme	643 875	-15 610	-15 610	-15 107	-30 717
USDKRW hedging in Korea	36 204	585	585	646	1 231
Total	680 079	-15 025	-15 025	-14 461	-29 486

The table shows joint hedging of the group's cash flows. Total hedging was at NOK 680 million at the end of 2010. Total unrealised loss of hedges was at NOK 15 million at the end of the year. This is mainly linked to Jotun A/S (see note Jotun A/S). The hedges mature within the first eight months of 2011.

The group's documentation of the hedge relationships for foreign currency cash flows does not cover the requirements for hedge accounting. The instruments are therefore credited as real value over profit/loss. Realised effects are credited to operating profit, while changes in unrealised value of the hedges are credited to the net financial items.

Hedging against price risk on raw materials copper and zinc

The group has made financial price hedges for zinc and copper prices based on estimated demand relating to signed contracts for the sale of paint products. Hedges on the price of raw materials are made at Jotun A/S and the two joint companies Jotun Cosco in China and Jotun Chokwang in South Korea. The table below shows that the hedges at the end of the year comprised a total of NOK 182.1 million, based on agreed raw material prices and USD exchange rate at 31 December 2010.

HEDGES ON RAW MATERIAL PRICES	Nominal value 31.12.10	Unrealised gains/-loss	Change in fair value	Realised gains/-loss	Total profit for the year
<i>(NOK thousand)</i>					
Hedging of copper	149 212	19 637	18 857	4 235	23 092
Hedging of zinc	32 868	3 518	-4 256	2 254	-2 002
Total	182 080	23 155	14 601	6 489	21 090

The raw material hedges have their counter effect in actual raw material purchases. Realised losses on hedges have their counter effect in lower raw material prices in the companies.

Forward contracts are used as hedging instruments. Most hedging instruments mature in the course of 2011, with a minority maturing in 2012.

The group's documentation of the hedge relationships for price risks in future raw material purchases, does not cover the requirements for hedge accounting. The instruments are therefore credited as real value over profit/loss. Realised effects are credited to operating profit, while changes in unrealised value of the hedges are credited to the net financial items.

Market value

Market value information is gathered from:

- Foreign currency transactions in Jotun A/S and the joint hedging programme: Information from Reuters 31 December 2010 and estimates generated by Jotun's financial system CRM.
- Hedging of raw materials in Jotun A/S: Information from London Metal Exchange, official fixing.
- Other hedges: Information for local hedges in China and Korea is gathered from local banks.

Profit and Loss Account

(NOK thousand)	Note	2010	2009
OPERATING REVENUES	1	2 545 758	2 399 150
Change in inventory of finished goods	3	-10 994	33 506
Cost of goods sold	3	1 178 999	1 161 503
Payroll expenses	4	636 110	634 800
Depreciation	8,9	71 295	57 929
Bad debts	2	-24	961
Other operating costs	5	449 161	600 738
Operating profit		221 212	-90 287
Dividend / group contribution from subsidiaries		445 182	251 924
Dividend from joint ventures and associated companies		204 577	120 091
Interest income		43 717	46 201
Other financial income	6	32 642	127 467
Interest costs		-3 524	-9 988
Other financial costs	6,22	-22 500	-8 742
Profit before tax		921 306	436 666
Tax expense	16	-171 958	-109 359
Profit for the year		749 348	327 307
APPROPRIATION OF PROFIT FOR THE YEAR			
Allocated to dividend	17	256 500	225 720
Other equity	17	492 848	101 587
Total appropriation		749 348	327 307


Balance Sheet


	Note	31.12.10	31.12.09
ASSETS			
<i>(NOK thousand)</i>			
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	16	42 652	58 147
Other intangible assets	9	38 835	40 231
Total intangible assets		81 487	98 378
Fixed assets			
Land	8	14 469	14 469
Buildings and plants	8	150 158	151 222
Machinery, vehicles and equipment	8	110 068	119 406
Plants under construction	8	180 710	79 471
Total fixed assets		455 405	364 568
Financial assets			
Shares in subsidiaries	10	1 593 508	1 451 491
Shares in joint ventures and associated companies	11	193 750	205 583
Other shares and interests	12	15 812	15 813
Pension funds	7	60 653	60 636
Other long-term receivables	19	1 273 764	1 052 497
Total financial assets		3 137 487	2 786 020
Total non-current assets		3 674 379	3 248 966
CURRENT ASSETS			
Inventories	3	332 219	293 063
Receivables			
Trade receivables	2,19	228 792	163 673
Other current receivables	19	235 716	236 549
Total receivables		464 508	400 222
Cash and cash equivalents			
Total current assets		1 252 926	1 125 173
Total assets		4 927 305	4 374 139


Balance Sheet

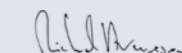
	Note	31.12.10	31.12.09
EQUITY AND LIABILITIES			
<i>(NOK thousand)</i>			
EQUITY			
Paid in capital			
Share capital	17,18	102 600	102 600
Total paid in capital		102 600	102 600
Retained earnings			
Other equity	17	3 325 856	2 833 008
Total retained earnings		3 325 856	2 833 008
Total equity		3 428 456	2 935 608
LIABILITIES			
Provisions			
Pension liabilities	7	98 993	122 308
Other provisions	15	49 770	48 488
Total provisions		148 763	170 796
Current liabilities			
Trade creditors	19	269 408	229 892
Tax payable	16	113 225	53 480
Public duties payable		99 770	109 484
Allocated dividend	17	256 500	225 720
Other current liabilities	15,19	611 183	649 160
Total current liabilities		1 350 086	1 267 735
Total liabilities		1 498 849	1 438 531
Total equity and liabilities		4 927 305	4 374 139

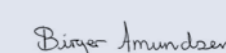
Sandefjord, Norway, 17 February 2011
Board of Directors
Jotun A/S



Odd Gleditsch d.y.
Chairman


Nicolai A. Eger


Einar Abrahamsen


Richard Arnesen


Birger Amundsen


Torkild Nordberg


Dag J. Opedal


Terje V. Arnesen


Morten Fon
President & CEO

Cash Flow Statement

(NOK thousand)	Note	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		749 348	327 307
Change in deferred tax	16	15 495	20 792
Gains on sale of fixed assets	8,9	-1 292	-1 876
Depreciation	8,9	71 295	57 929
Loss on liquidation of shares in joint venture		3 845	-
Change in inventories, trade receiv. and trade creditors	20	-64 760	65 494
Change in other provisions	20	96 702	31 893
Net cash flow from operating activities		870 633	501 539
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments from sale of fixed assets		3 235	3 898
Payments for purchase of fixed assets	8,9	-162 679	-54 695
Payments for invest. in subsidiaries, joint ventures and associated companies		-120 780	-144 190
Change in other investments and loans		-221 267	347 309
Net cash flow from investment activities		-501 491	152 322
CASH FLOW FROM FINANCING ACTIVITIES			
Change in borrowing/lending in group account system		-119 111	106 316
Payment of debt		-	-247 225
Payment of dividend		-225 720	-205 200
Net cash flow from financing activities		-344 831	-346 109
Net change in cash and cash equivalents		24 311	307 752
Cash and cash equivalents, 1 Jan.		431 888	124 136
Cash and cash equivalents, 31 Dec.		456 199	431 888
Undrawn credit facilities, 31 Dec.	13	1 435 000	1 225 000

Accounting principles

Basic accounting principles – assessment and classification

Jotun A/S consist of the profit and loss account, balance sheet, cash flow statement and note information and are rendered in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles as of 31 December 2010. To make the annual accounts easier to read, some of the items in the accounts are summarised. Further specification is done in the notes. The notes are thus an integral part of the annual accounts.

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

Use of estimates

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

Sales revenues

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

Valuation and classification of balance sheet items

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

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

Government grants

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

Hedge accounting of financial instruments

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

Hedging of cash flows

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

Hedging of fair value

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

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

Shares, bonds and other securities

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

Intangible assets

Intangible assets, research and development consist of identifiable intangible assets and goodwill. Expenses linked to market investments and research and development are charged against profit and loss on a continual basis.

Fixed assets / depreciation

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

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

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

Inventories

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

Lease agreements

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

Currency

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

Trade receivables

Receivables are posted at nominal value less expected loss.

Contingent liabilities

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

Pension obligations and pension costs

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

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

Deferred tax and tax expense

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

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

Cash flow statement

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

Investments in subsidiaries, jointly controlled entities and associated companies

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

NOTE 1

Operating revenues

(NOK thousand)	2010	2009
Sales revenues	1 374 883	1 340 582
Sales revenues from subsidiaries	763 591	746 061
Other revenues	122 806	72 433
Other revenues from subsidiaries	284 478	240 074
Total	2 545 758	2 399 150

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

NOTE 2

Bad debts

(NOK thousand)	31.12.10	31.12.09
Realised loss	1 837	1 761
Received on previously depreciated receivables	-65	-
Change in provision	-1 796	-800
Net loss for the year charged to profits	-24	961
Allowance for bad debts 31 Dec.	-	1 796

NOTE 3

Inventories

(NOK thousand)	31.12.10	31.12.09
Raw materials	117 877	92 219
Finished goods	220 964	209 970
Write-down for obsolescence	-6 622	-9 126
Total	332 219	293 063

NOTE 4

Payroll expenses

(NOK thousand)	2010	2009
WAGES AND OTHER SOCIAL COSTS		
Wages incl. bonuses	525 248	477 590
Social benefits	75 759	73 118
Pension costs – contribution plans	26 687	27 679
Pension costs – benefit plans (see note 7)	-1 761	46 903
Other benefits	10 177	9 510
Total	636 110	634 800
Average number of employees	874	907

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

(NOK thousand)	2010	2009
PRESIDENT & CEO		
Wage incl. bonuses	4 379 213	4 377 352
Other remuneration (company car, etc.)	183 684	183 556
Pension premiums	605 804	445 353
BOARD OF DIRECTORS	1 858 400	1 729 002
CORPORATE ASSEMBLY	182 650	206 750

cont. NOTE 4

Payroll expenses

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

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

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

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

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

REMUNERATION OF EXTERNAL AUDITOR

(NOK thousand)	2010	2009
Statutory audit	1 325	1 271
Tax services	77	314
Other services	510	350
Total	1 912	1 935

NOTE 5

Other operating costs

ESSENTIAL ITEMS UNDER 'OTHER OPERATING COSTS'

(NOK thousand)	2010	2009
Manufacturing costs	76 321	71 195
Warehouse costs	17 776	22 738
Transportation	54 031	48 575
Sales costs	181 128	170 946
Technical service	10 690	10 885
Warranty costs (see note 15)	-37 579	49 216
Research and development	96 487	80 608
Royalties	27 361	23 747
Restructuring	9 400	33 100
Other	13 546	89 728
Total	449 161	600 738

Jotun A/S has made provisions for lawsuits against its US operations. As the parties have settled, previous provisions have been reversed for 2010. This is the main reason for this year's negative warranty costs.

NOTE 6

Specification of other financial income

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

(NOK thousand)	2010	2009
Change in unrealised gain on hedging of metals	8 063	151 068
Realised loss on hedging of metals	6 649	-41 865
Loss on exchange on receivables, subsidiaries	-	-111 385
Realised profit on hedging of long-term receivables, subsidiaries	112	115 162
Unrealised profit long-term receivables, subsidiaries	10 840	-
Dividend from others	2 012	2 063
Other revenues	4 966	-
Other currency gains	-	12 424
Total	32 642	127 467

NOTE 7

Pension obligations and pension cost

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

Contribution plans are schemes whereby the companies pay an annual contribution to the employees' pension accounts where the returns on the pension funds will affect the size of the pension. Jotun closed the salary-based scheme 1 January 2005 in the Norwegian companies for employees under 57 years of age and replaced those schemes with defined contribution schemes. The company now pays monthly deposits to each employee's deposit insurance account. Costs associated with this and other contribution plans are indicated in Note 4.

Defined benefit plans

In the group schemes, a future pension benefit of up to 60 per cent of final salary as single limited upward to 12 times the social security basic amount (G). The schemes are coordinated with social security benefits. At the turn of the year 2010/2011 there remain four age groups with active members still earning pension entitlements.

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

As of the turn of the year 2010/2011, AFP has been changed from being an early retirement scheme to being a lifelong pension benefit. The remaining obligation at the turn of the year amounts to NOK 17 million in total of the obligations to repay 25 per cent of the payments to Jotun's AFP pensioners and NOK 7 000 per employee, which is regarded as Jotun's share of the end financing of the old AFP for the period 2011-2015. Previously allocated obligations relating to the old AFP scheme are thus to be re-allocated. The net effect resulting from these changes amounts to NOK 35,6 million. In accordance with the recommendation as of 31 December 2010 from the Norwegian Accounting Standards Board on accounting according to NRS6, pension costs relating to the new AFP pension scheme have not been charged against profits.

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

	2010	2009
SCHEMES WITH NET PENSION FUNDS		
Defined benefit scheme - active	88	108
Defined benefit scheme - pensioners	598	605
SCHEMES WITH NET PENSION OBLIGATIONS		
Old-age pensioners in unfunded schemes	10	7
Early retirem. agreements – agreed or implemented	51	56
Senior executive schemes – active	7	9
Senior executive schemes – pensioners	5	5
Contractual pension(AFP) - active	-	979
Contractual pension(AFP) - pensioners	75	81
Defined benefit scheme over operations	7	9

As of 2002, Jotun decided to reduce the period for recognising actuarial gains and losses beyond corridor and plan changes to three years. The company has used an external actuary to carry out the year's pension calculations. The actual value of pension funds has been calculated as of 31 December 2010. Overfunding in the fund-based schemes has been calculated and may be used to finance future pension premiums.

cont. NOTE 7

Pension obligations and pension cost

JOTUN A/S	2010		2009	
(NOK thousand)	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY				
Pension obligation at the beginning of the period	280 194	144 702	309 379	133 541
Pension earnings for the year	1 390	13 124	2 031	16 647
Interest cost on pension obligations	11 352	3 590	12 249	5 541
Re-allocated obligation due to new contractual pension scheme(AFP)	-	-53 420	-	-
Actuarial loss / (gain)	6 605	12 279	-23 508	1 215
Social security upon paying pension funds	-954	-606	-957	-335
Pension payments	-18 800	-18 539	-19 000	-11 907
Pension obligations at the end of the period *	279 787	101 130	280 194	144 702
CHANGES IN PLAN ASSETS				
Plan assets at the beginning of the period	290 081	998	288 083	888
Expected return on plan assets	15 908	55	17 764	52
Actuarial (loss) / gain	-515	-65	-3 553	-24
Payments in/(out)	6 768	4 636	6 787	2 713
Pension payments	-18 800	-4 386	-19 000	-2 631
Plan assets at the end of the period	293 442	1 238	290 081	998
RECONCILIATION OF PENSION LIABILITIES/ASSETS ENTERED IN THE BALANCE SHEET				
Net pension obligation - overfunded (underfunded)	13 655	-99 892	9 887	-143 704
Unrecognised actuarial loss / (gain)	46 998	14 797	50 749	29 749
Total pension assets (liabilities)	60 653	-85 095	60 636	-113 955
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY				
Pension earnings for the year	1 390	13 124	2 031	16 647
Interest cost for the pension obligations	11 352	3 590	12 249	5 541
Expected return on plan assets	-15 908	-55	-17 764	-52
Net ingoings as a result of new contractual pension(AFP)	-	-35 586	-	-
Recognised actuarial loss / (gain)	10 871	9 461	19 883	8 368
Pension cost recognised in the profit and loss account	7 705	-9 466	16 399	30 504

* - including unsecured schemes

THE ECONOMIC ASSUMPTIONS FOR THE CALCULATIONS ARE AS FOLLOWS:

(NOK thousand)	2010	2009
Discount rate in %	4.00	4.40
Expected return in %	5.40	4.85-5.60
Wage adjustment in %	3.75-4.00	4.00-4.25
Inflation / G increase in %	3.75	4.00
Pension adjustment in %	1.20-4.00	1.50-4.25

cont. NOTE 7

Pension obligations and pension cost

Other servance schemes

The company has established a group pension scheme for employees who exceed 12 times the social security basic amount (G). The part that exceeds 12G is covered by the obligation (see below)

PENSION OBLIGATIONS IN THE BALANCE SHEET <i>(NOK thousand)</i>	2010		2009	
	Schemes with net pension funds	Schemes with net pension obligations	Schemes with net pension funds	Schemes with net pension obligations
Benefit schemes and other unsecured schemes (see page 65)	60 653	-85 095	60 636	-113 955
Other pension obligations	-	-13 898	-	-8 353
Total pension assets (liabilities), book value	60 653	-98 993	60 636	-122 308

NOTE 8

Fixed assets

<i>(NOK thousand)</i>	Land	Buildings and plants	Machinery, vehicles and equipment	Plants under construction	Total
Cost 1 Jan.	14 469	456 348	590 676	79 474	1 140 967
Additions	-	17 122	34 601	101 236	152 958
Disposals	-	-	-8 658	-	-8 658
Cost 31 Dec.	14 469	473 470	616 619	180 710	1 285 267
Accumulated depreciation 1 Jan.	-	305 126	471 270	3	776 399
Depreciation for the year	-	18 186	41 993	-2	60 177
Disposals ordinary depreciation	-	-	-6 713	-1	-6 714
Accumulated depreciation 31 Dec.	-	323 312	506 550	-	829 862
Book value 31 Dec.	14 469	150 158	110 069	180 710	455 405

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

NOTE 9

Intangible assets

<i>(NOK thousand)</i>	Goodwill	Technology	Other intang. assets	Total
Cost 1 Jan.	7 175	96 495	83 151	186 821
Additions	-	-	9 721	9 721
Disposals	-	-	-	-
Cost 31 Dec.	7 175	96 495	92 872	196 542
Accumulated depreciation 1 Jan.	7 171	96 495	42 924	146 590
Depreciation for the year	4	-	11 113	11 117
Disposals, ordinary depreciation	-	-	-	-
Accumulated depreciation 31 Dec.	7 175	96 495	54 037	157 707
Book value at 31 Dec.	-	-	38 835	38 835

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

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 India Private Ltd.	Pune	India	INR	1 464 410	71 439 000	1 154 240	190 684	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	140 001	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	109 320	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 000	44 702	101 022	93.13
Jotun Paints(Malaysia) Sdn. Bhd.	Seremban	Malaysia	MYR	50 000	15 000 000	50 000	92 863	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	20 000	2 000 000	14 000	91 945	70.00
Jotun Paints (Europe) Ltd.	Flixborough	England	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Paints (H.K.) Ltd.	Hong Kong	China	HKD	110 334	110 334 615	110 334	85 319	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	80 280	100.00
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	56 283 850	172 000	55 777 295	58 852	99.14
Jotun B.V.	Spijkenisse	Netherlands	EUR	2 616	29 001	2 616	49 175	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	25 000	155	45 145	62.00
Jotun Australia Pty. Ltd.	Victoria	Australia	AUD	11 550	16 050 001	11 550	45 026	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	84 000	84 000	80 186	44 285	95.46
Jotun Brasil Imp. Exp. & Industria de Tintas Lda.	Rio de Janeiro	Brazil	BRL	12 163	12 163 200	12 163	36 679	100.00
Jotun COSCO Marine Coatings (HK) Ltd.	Hong Kong	China	HKD	77 390	2 000	38 695	34 231	50.00
Jotun Boya San. Ve Ticaret A.S.	Istanbul	Turkey	TRY	3 000	115 000	3 000	32 556	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	37 719	110	37 719	30 199	100.00
Jotun Paints Inc.	Belle Chasse	USA	USD	39 600	100	39 600	30 133	100.00
Jotun Italia S.p.A.	Trieste	Italy	EUR	2 632	509 099	2 632	29 925	100.00
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E.	AED	4 000	4 000	1 400	28 061	35.00
Jotun Singapore Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	28 040	100.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 200	65 000	5 760	27 854	80.00
Jotun Polska Sp.zo.o.	Gdynia	Poland	PLN	8 900	15 000	8 900	17 591	100.00
Jotun Paints (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	USD	2 309	-	2 309	15 563	100.00
Jotun (Deutschland) GmbH	Hamburg	Germany	EUR	614	1 200	512	12 090	83.33
Jotun F.Z.E.	Dubai	U.A.E.	AED	4 000	4	4 000	6 637	100.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	76 284	2 761 349	76 284	6 424	100.00
Jotun Ireland Ltd.	Cork	Ireland	EUR	640	487 409	640	5 500	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	4 550	100.00
Jotun Paints OOO	St. Petersburg	Russia	RUB	17 000	17 000	17 000	3 814	100.00
Jotun Hellas Ltd.	Piraeus	Greece	EUR	343	11 435	334	2 937	97.40
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	6 600	3 300	2 698	100.00
Jotun France S.A.	Paris	France	EUR	320	16 000	320	2 108	100.00
Jotun Phillipines Inc.	Manila	Phillipines	PHP	15 464	15 464	15 464	2 097	100.00
Jotun Maroc SARL AU	Casablanca	Morocco	MAD	1 500	20 000	1 500	1 462	100.00
Jotun Insurance Cell	St. Peterport	Guernsey	GBP	121	1	121	1 350	100.00
Lady Interiørsmaling AS	Sandefjord	Norway	NOK	120	1 000	120	120	100.00
Jotun Optimal Utendørsmaling AS	Sandefjord	Norway	NOK	111	500	111	111	100.00
Drygolin Værbestandig Oljemaling AS	Sandefjord	Norway	NOK	109	500	109	109	100.00
Shares held by third parties for Jotun A/S							10 344	
Total							1 593 508	

The voting interest corresponds to the share interest.

cont. NOTE 10

Shares in subsidiaries

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun Powder Coatings AS								
Jotun Powder Coatings (N) AS	Larvik	Norway	NOK	12 500	125 000	12 500	95 776	100.00
Jotun Toz Boya San ve.Ticaret A.S.	Istanbul	Turkey	TRY	23 600	23 600 000	23 600	75 831	100.00
Jotun Powder Coatings (Thailand) Ltd.	Bangkok	Thailand	THB	9 000	9 000	9 000	65 000	100.00
Jotun Powder Coatings (CZ) a.s.	Usti nad Labem	Czech Republic	CZK	128 000	12 800	128 000	30 887	100.00
Jotun Powder Coatings (M) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	1 950 933	1 572	29 146	80.60
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	121 000	30 343 803	20 048	100.00
Jotun Powder Coatings Pakistan (Pvt.) Ltd.	Lahore	Pakistan	PKR	175 990	6 000 000	164 023	11 501	93.20
Jotun Powder Coatings (India) Private Ltd.	Mumbai	India	INR	68 600	6 860 000	68 600	9 453	100.00
Jotun Powder Coatings Ltd.	Flixborough	England	GBP	700	1 000 000	700	6 064	100.00
Jotun Powder Coatings Bulgaria Ltd.	Sofia	Bulgaria	EUR	3	-	3	2 157	100.00
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	300	300	270	421	90.00
Jotun Powder Coatings (Vietnam) Co. Ltd.	Ho Chi Minh City	Vietnam	VND	43 396 095	1 200 000	43 396 095	-	100.00
Other holdings							10 854	
Total							357 138	
Jotun COSCO Marine Coatings (HK) Ltd.								
Jotun COSCO Marine Coatings (Guangzhou) Co. Ltd.	Guangzhou	China	CNY	72 957	-	72 957	57 957	100.00
Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Qingdao	China	CNY	25 945	-	25 945	22 058	100.00
Jotun Paints (H.K.) Ltd.								
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	89 387	-	217 858	116 405	100.00
Jotun Paints Inc.								
PRS Delaware LLC.	Belle Chasse	USA	USD	1 000	100	1 000	5 822	100.00
Jotun B.V.								
Jotun (Deutschland) GmbH	Hamburg	Germany	EUR	614	1 200	102	1 983	16.67
Jotun Hellas Ltd.	Piraeus	Greece	EUR	343	300	9	117	2.60
Jotun U.A.E. Ltd. (L.L.C.)								
Jotun Abu Dhabi Ltd. (L.L.C.)	Abu Dhabi	U.A.E.	AED	4 000	4 000	1 600	2 536	40.00
Jotun Singapore Pte Ltd								
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	56 283 850	172 000	506 555	480	0.90
Scanox AS								
Butinox Futura Beis og Maling AS	Drammen	Norway	NOK	100	500	100	100	100.00
Jotun Powder Coatings (N) AS								
Jotun Powder Coatings L.L.L.	Cairo	Egypt	EGP	300	300	30	64	10.00
Total							207 522	
Total							564 660	

The voting interest corresponds to the share interest.

NOTE 11

Shares in joint ventures and associated companies

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E.	AED	4 000	2 000	1 660	108 930	41.50
Chokwang Jotun Ltd.	Kyungnam	South Korea	KRW	11 140 000	557 000	5 570 000	31 953	50.00
Red Sea Paints Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 500	9 500	3 800	21 995	40.00
Jotun Saudia Co. Ltd.	Yanbu	Saudi Arabia	SAR	9 000	9 000	3 600	17 278	40.00
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 196	11 385	30.00
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	78 709	2 510	14.00
Shares held by Jotun AS for third parties							(301)	
Total							193 750	

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES

(NOK thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun Powder Coatings AS								
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E.	AED	3 000	3 000	1 410	66 067	47.00
Jotun Powder Coatings U.A.E. Ltd. (L.L.C.)								
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	7 320	73 200	2 928	4 552	40.00
Jotun Paints Co. L.L.C.								
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	123 685	3 660	22.00
Jotun Saudia Co. Ltd.								
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	95 575	2 821	17.00
Total							77 100	

The voting interest corresponds to the share interest.

NOTE 12

Other shares and interests

(NOK thousand)

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

NOTE 13

Interest-bearing liabilities

The company does not carry any interest-bearing liabilities

DRAWING FACILITIES	31.12.10	31.12.09
<i>(NOK thousand)</i>		
Unused portion of short- and longterm committed drawing rights	1 435 000	1 225 000

The requirement for a liquidity reserve for the group rests with the parent company, which on its part may finance, in whole or in part, subsidiaries, joint ventures and associated companies through internal loans.

At the end of the year, Jotun A/S had drawing facilities totalling NOK 1 435 billion. NOK 600 million of those facilities expires in 2012, while NOK 410 million expires in 2013 and NOK 400 million expires in 2014.

The credit frameworks contain requirements for minimum equity ratio (25 per cent) and maximum net interest-bearing debt with regard to EBITDA (3.75). Jotun was well within those requirements in 2010.

No draws were made on the facilities as of 31 December 2010.

The drawing facilities above include an unused, committed line to Jotun A/S of NOK 25 million in the company's group-account system and is responsible for exposure with regard to the bank. No draws were made in the group-account system as of 31 December 2010.

NOTE 14

Guarantees

OTHER GUARANTEE LIABILITIES NOT ENTERED IN THE ACCOUNT

<i>(NOK thousand)</i>	31.12.10	31.12.09
Guarantees for tax withholdings	34 000	32 000
Letter of Comfort (on behalf of subsidiaries)	1 190 774	1 088 745
Guarantees for subsidiaries	23 220	25 715
Securities for customers etc. and guarantees for Jotun A/S	8 800	8 800
Total	1 256 794	1 155 260

NOTE 15

Other current liabilities

PROVISIONS INCLUDED IN OTHER CURRENT LIABILITIES

<i>(NOK thousand)</i>	31.12.10	31.12.09
Warranty provisions	14 500	73 797
Other provisions	42 960	26 571

Other provisions are related to the planned removal of waste disposals at Vera in Norway and cleaning up the ground in conjunction with future shutdowns of the factories at Manger, Fredrikstad and Gimle, Sandefjord in Norway.

WARRANTY PROVISIONS

<i>(NOK thousand)</i>	2010	2009
Provisions for loss, 1 Jan.	73 797	54 628
Change in provisions	-59 297	19 169
Provisions for loss, 31 Dec.	14 500	73 797
Change in provisions	-59 297	19 169
Actual warranty cost	21 718	30 047
Recognised warranty costs	-37 579	49 216

Jotun A/S made provisions in 2009 for the purpose of law suits and arbitration cases made against its US operations. As the parties have settled the case, previous provisions have been reversed in 2010.

OTHER LONG-TERM PROVISIONS FOR LIABILITIES

<i>(NOK thousand)</i>	2010	2009
Other provisions for liabilities	49 770	48 488

The year's provision is connected with restructuring costs. The total expenditure are assumed to accrue in the period 2011 to 2014.

NOTE 16

Tax

	2010	2009
TAX EXPENSE IN THE PROFIT AND LOSS:		
<i>(NOK thousand)</i>		
Ordinary profit before tax	921 306	436 666
Permanent differences	-362 577	-134 368
Change in temporary differences	-55 339	-74 256
Basis for tax payable	503 390	228 042
Tax payable on profit for the year (28%)	140 949	63 852
THE TAX EXPENSE FOR THE YEAR CONSISTS OF:		
Tax payable on profit for the year	140 949	63 852
Tax abroad, no credit deduction	14 120	22 556
Gross change deferred tax	15 495	20 792
Correction previous year	1 394	2 159
Tax expense on ordinary profit	171 958	109 359
Norwegian share of taxes	99 711	37 647
Foreign share of taxes	72 247	71 712
TAX PAYABLE IN THE BALANCE SHEET:	31.12.10	31.12.09
Tax payable on profit for the year	140 949	63 852
Tax effect of paid group contribution	-	-8 680
Due tax previous year	21 948	38 283
Withholding taxes receivable	-49 672	-39 975
Total tax payable	113 225	53 480
SPECIFICATION OF BASIS FOR DEFERRED TAX:		
Non-current assets	16 731	33 261
Current assets	21 526	15 311
Current liabilities	-91 593	-142 285
Long-term liabilities (pension obligations)	-98 993	-113 955
Total	-152 329	-207 668
Deferred tax asset	42 652	58 147
CORRELATION BETWEEN TAX EXPENSE AND TAX CALCULATED AT AVERAGE NOMINAL TAX RATE ON PROFIT BEFORE TAX:		
<i>(NOK thousand)</i>	Amount	%
Tax calculated as average nominal tax rate on profit before tax	257 966	28
Effect of credit deduction and corrections previous year	15 514	2
Effect of permanent differences	-101 522	-11
Tax cost on ordinary profit	171 958	19

NOTE 17

Equity

(NOK thousand)	Share capital	Other equity	Year's profit	Total
Equity, 1 Jan. 2009	102 600	2 731 421	-	2 834 021
Profit for the year	-	-	327 307	327 307
Allocated dividend	-	-	-225 720	-225 720
Appropriations	-	101 587	-101 587	-
Equity, 31 Dec. 2009	102 600	2 833 008	-	2 935 608
Profit for the year	-	-	749 348	749 348
Allocated dividend	-	-	-256 500	-256 500
Appropriations	-	492 848	-492 848	-
Equity, 31 Dec. 2010	102 600	3 325 856	-	3 428 456

DISTRIBUTABLE RESERVES

(NOK thousand)	31.12.10	31.12.09
The company's distributable reserve	2 935 726	2 498 195

NOTE 18 Share capital and shareholders' information

THE SHARE CAPITAL IN JOTUN A/S AS OF 31 DECEMBER 2010 CONSISTS OF THE FOLLOWING SHARE CLASSES:

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

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

OWNERSHIP STRUCTURE

THE NUMBER OF SHAREHOLDERS AS OF 31 DECEMBER 2010 WAS 572. THE LARGEST SHAREHOLDERS WERE:

Shareholders	A-shares	B-shares	Total	Share interest in %	Voting interest in %
Lilleborg AS	41 981	103 446	145 427	42.5	38.2
Odd Gleditsch AS	11 416	36 894	48 310	14.1	11.0
Mattisberget AS	25 050	86	25 136	7.3	18.3
Leo Invest AS	2 986	8 184	11 170	3.3	2.8
Abrafam Holding AS	3 366	3 815	7 181	2.1	2.7
BOG Invest AS	-	6 750	6 750	2.0	0.5
ACG AS	-	5 548	5 548	1.6	0.4
Elanel AS	3 010	2 353	5 363	1.6	2.4
Taco Invest AS	-	5 234	5 234	1.5	0.4
Bjørn Ekdahl	1 872	3 281	5 153	1.5	1.6
Odd Gleditsch Jr.	4 879	143	5 022	1.5	3.6
Live Invest AS	4 053	547	4 600	1.3	3.0
Kofreni AS	131	4 094	4 225	1.2	0.4
Bjørn Ole Gleditsch	26	3 679	3 705	1.1	0.3
Pina AS	-	3 443	3 443	1.0	0.3
Conrad Wilhelm Eger	1 171	2 155	3 326	1.0	1.0
Jill Beate Gleditsch	-	3 172	3 172	0.9	0.2
Anne Cecilie Gleditsch	5	3 161	3 166	0.9	0.2
Frederikke Eger	1 000	2 084	3 084	0.9	0.9
Britt Fanny Arnesen	1 855	1 178	3 033	0.9	1.4
Total 20 largest	102 801	199 247	302 048	88.3	89.7
Total others	11 199	28 753	39 952	11.7	10.3
Total no. of shares	114 000	228 000	342 000	100.0	100.0

cont. NOTE 18

Share capital and shareholders' information

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

Name	Office	A-shares	B-shares	Total shares
Odd Gleditsch d.y.	Chairman of the Board	27	8 216	8 243
Einar Abrahamsen	Board member	3 366	3 817	7 183
Richard Arnesen	Board member	1 862	3 128	4 990
Nicolai A. Eger	Board member	1 110	5 184	6 294
Birger Amundsen	Board member	-	2	2
Terje V. Arnesen	Board Member	-	1	1
Olav Christensen	Chairman Corp. Assembly	3 010	2 355	5 365
Bjørn Ole Gleditsch	Corp. Assembly member	26	10 429	10 455
Anne Cecilie Gleditsch	Corp. Assembly member	5	8 709	8 714
Kornelia Eger	Corp. Assembly member	100	271	371
Nils Petter Ekdahl	Corp. Assembly member	1 872	815	2 687
Morten Fon	President & CEO	8	19	27

There are no options for share acquisitions.

NOTE 19

Inter-company balances with subsidiaries, joint ventures and associated companies

(NOK thousand)	Subsidiaries		Joint ventures /ass. companies	
	31.12.10	31.12.09	31.12.10	31.12.09
FINANCIAL ASSETS				
Other long-term receivables	1 154 382	937 809	116 917	112 223
Total financial assets	1 154 382	937 809	116 917	112 223
RECEIVABLES				
Trade receivables	196 771	158 073	19 633	8 970
Other current receivables	34 901	125 472	25 304	46 858
Total financial assets and receivables	1 386 054	1 221 354	161 854	168 051
CURRENT LIABILITIES				
Trade creditors	50 988	57 664	17 565	17 048
Other current liabilities	42 343	72 207	152 704	130 626
Total liabilities	93 331	129 871	170 269	147 674

NOTE 20

Specification – cash flow statement

(NOK thousand)	31.12.10	31.12.09
CHANGE IN INVENTORY, TRADE RECEIVABLES AND TRADE CREDITORS		
Inventory	-39 156	63 920
Trade receivables	-65 119	43 461
Trade creditors	39 516	-41 887
Total inventory, trade receivables and trade creditors	-64 760	65 494
CHANGE IN OTHER PROVISIONS		
Other current receivables	833	69 827
Tax payable	59 745	-33 952
Public duties payable	-9 714	4 198
Other current liabilities	44 556	-75 837
Other provisions	1 282	48 488
Total other provisions	96 702	12 724

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. 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.

A number of factories have been inspected regarding environmental

conditions in the ground, and actions have either been taken by own initiatives or implemented on the order of local authorities.

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

NOTE 22

Financial instruments and risk management

Policy for financial hedging

Hedging cash flows in foreign currency

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

Hedging short-term loans to subsidiaries

Jotun's policy is currency hedging short-time loans to its subsidiaries.

Hedging balance-sheet items in foreign currency

Jotun's policy is not to hedge currency risk related to long-term loans to subsidiaries, nor its own equity in foreign companies.

Hedging interest risk

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

Hedging against price risk on raw materials copper and zinc

Jotun's policy is to hedge risks on raw materials such as zinc and copper which are the main constituents in metal protection coatings and

marine coatings. The hedges cover ratified paint contracts, not contracts expected to be ratified in the future. Hedging of ratified contracts may be hedged for up to three years.

Effects of hedging 2010

Hedging of cash flows in foreign currency

Jotun A/S has financial cash flows (dividend and interest income) and operational cash flow (product sales and purchases, licence income and revenues from group service fees from the companies abroad).

The financial income comes from many foreign currencies but is strongly linked to the USD. The operational foreign currency income is mainly in USD, consisting of sales to international customers out of Norway, from Division Coatings and Division Dekorativ, as well as licence revenues from own companies. The operational costs of foreign currency are, for the most part, in EUR, linked to commodity purchases for Division Dekorativ.

To secure Jotun A/S against exchange-rate fluctuations, forward contracts and options are used as hedging instruments. As of 31 December 2010, Jotun A/S has both forward contracts and options. The total hedging portfolio is shown in the following table.

(NOK thousand)	Nominal value 31.12.10	Unrealised gains/-loss	Change in fair value	Realised gains/-loss	Total profit for the year
Hedging foreign currency financial income	230 774	3 297	3 297	-4 110	-813
Hedging foreign currency income (operational)	161 435	7 429	7 429	13 496	20 926
Hedging foreign currency costs (operational)	493 423	-16 356	-16 356	-21 818	-38 174
Total	885 632	-5 629	-5 629	-12 432	-18 061

The table shows the total amount of hedging of cash flow for Jotun A/S. Total unrealised loss of hedges was at 31 December for Jotun A/S at NOK 5.6 million. The loss will be realised within the eight first months of 2011. In addition, a profit of NOK 2 million has been posted as income due to internal and external businesses not being in complete synchronisation as Jotun A/S works as a central bank for foreign exchange for many corporate groups.

The table shows Jotun A/S' net position, after hedges on behalf of subsidiaries have been deducted.

The basis for hedging cash flow is prognoses of expected income and expenses in foreign currency. These prognoses are updated every fourth month, or around events that could alter the cash flow significantly.

The company's documentation of hedging currency cash flow does

not meet the requirements for hedge accounting. The instruments are therefore credited as real value above profit.

For hedging of foreign currency income both changes in market value and realised profit are credited as financial result.

For hedging of foreign currency costs (operational), changes in market value are credited as financial result, while realised profit is credited to operating profit.

Hedging of short term loans to subsidiaries

Jotun A/S has at 31 December 2010 loan hedges for short term loans to subsidiaries at NOK 70.6 millions (counter value) and an unrealised loss at NOK 0.1 mill at end of year.

cont. NOTE 22

Financial instruments and risk management

(NOK thousand)	Nominal value 31.12.10	Unrealised gains/-loss	Change in fair value	Realised gains/-loss	Total profit for the year
Loan hedging	70 621	-135	-3 856	2 724	-1 132

Realised and unrealised loss/gain of the hedges is brought to Jotun A/S' financial result. Realised and unrealised currency loss/gain on short term loans are equally brought to the financial result.

Hedging against price risk

on raw materials copper and zinc

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

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

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

(NOK thousand)	Nominal value 31.12.10	Unrealised gains/-loss	Change in fair value	Realised gains/-loss	Total profit for the year
Hedging of copper prices	80 715	13 098	12 319	4 395	16 714
Hedging of zinc prices	32 868	3 518	-4 256	2 254	-2 002
Total	113 583	16 616	8 063	6 649	14 712

As a means of hedging, financial derivatives as forward contracts are used. Hedging instruments are for the most part due at the end of 2011, while a smaller amount is due in 2012.

The company's documentation of hedging price hedges does not meet the requirements for hedge accounting. The instruments are therefore credited as real value above profit. Realised profit is credited to operating profit, while unrealised results is credited to financial result.

To the Annual Shareholders' Meeting of Jotun A/S

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Jotun A/S, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at 31 December 2010, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

In our opinion, the financial statements of Jotun A/S have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as of 31 December 2010 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 17 February 2011
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Sales Office

Production

P

Jotun Powder Coatings

Jotun Paints

Jotun Coatings

Jotun Dekorativ

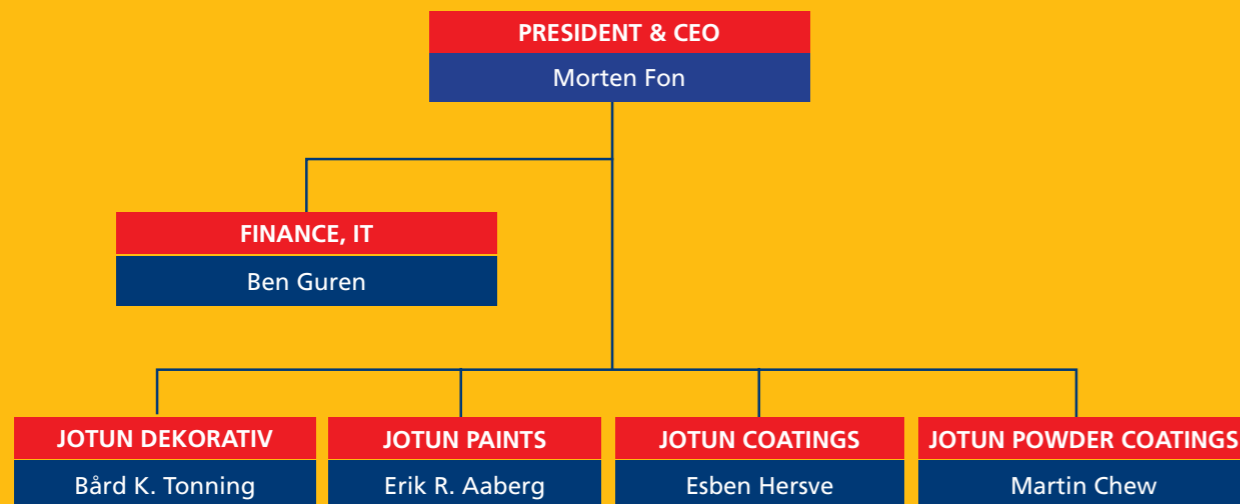
COUNTRY	COMPANY	SHARE HOLDING %	
Algeria	Jotun Algeria SARL	70	
Australia	Jotun Australia Pty. Ltd., Victoria	100	P
Brazil	Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	
Bulgaria	Jotun Powder Coatings Bulgaria Ltd., Sofia	100	
China	Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang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

COUNTRY	COMPANY	SHARE HOLDING %	
Oman	Jotun Paints Co. L.L.C., Muscat	62	P
Pakistan	Jotun Pakistan (Pvt.) Lda., Karachi	100	
	Jotun Powder Coatings Pakistan (Pvt.) Lda., Lahore	59	P
Philippines	Jotun (Philippines) Inc.	100	
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
Singapore	Jotun (Singapore) Pte. Ltd., Singapore	100	P
South Africa	Jotun Paint South Africa (Pty) Ltd., Cape Town	100	P
South Korea	Chokwang Jotun Ltd., Kyungnam	50	P
Spain	Jotun Ibérica S.A., Barcelona	100	P
Sweden	Jotun Sverige AB, Gothenburg	100	
Thailand	Jotun Powder Coatings (Thailand) Ltd., ChonBuri	100	P
	Jotun Thailand Ltd., Samutprakarn	95	P
Turkey	Jotun Boya San. ve Tic. A.S., Istanbul	100	P
	Jotun Toz Boya San. ve Tic. A.S., Istanbul	100	P
United Arab Emirates	Jotun Abu Dhabi Ltd. (L.L.C.), Abu Dhabi	52	P
	Jotun Powder Coatings U.A.E. Ltd. (L.L.C.), Dubai	47	P
	Jotun U.A.E. Ltd. (L.L.C.), Dubai	42	P
	Jotun F.Z.E., Jebel Ali Free Zone	100	
United Kingdom	Jotun Paints (Europe) Ltd., Flixborough	100	P
	Jotun Powder Coatings Ltd., Flixborough	100	
USA	Jotun Paints Inc., Belle Chasse, LA	100	P
Vietnam	Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P
Yemen	Jotun Yemen Paints Ltd., Aden	26	P

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

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

THE JOTUN GROUP



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