JOTUN

Jotun Protects Property

2018
ANNUAL REPORT

Jotun values

Loyalty

Reliable and trustworthy

Long term relationships between customers, Jotun and colleagues

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

Care

Help and support others

Display trust and empathy

Appraise and judge fairly

Protect internal and external environment

Respect

Values differences in people

Be honest and fair

Build diverse teams across culture and gender

Follow laws and regulations

Treat others the way they expect to be treated

Boldness

Take initiatives to create the future

Initiate and nurture change

Communicate openly, honestly and with integrity

Be proactive

Address difficulties constructively

Contents

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

Profitability

14.1 % Return on capital employed

8.1 % Return on equity

7.7 % Operating margin

1) Return on capital employed, in %

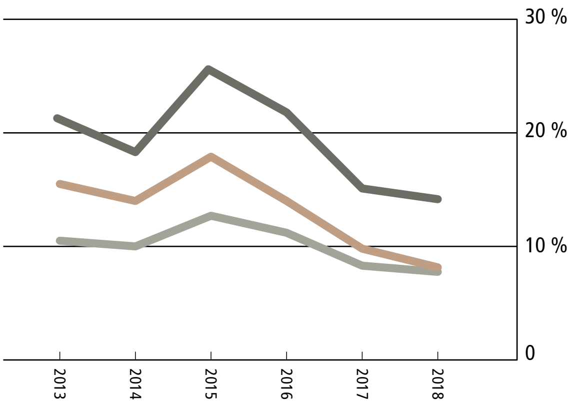
$$\frac{\text{Operating profit + amortisation of intangible assets}}{\text{Average capital employed}} \times 100$$

2) Return on equity, in %

$$\frac{\text{Total comprehensive income for the year}}{\text{Average equity}} \times 100$$

3) Operating margin, in %

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

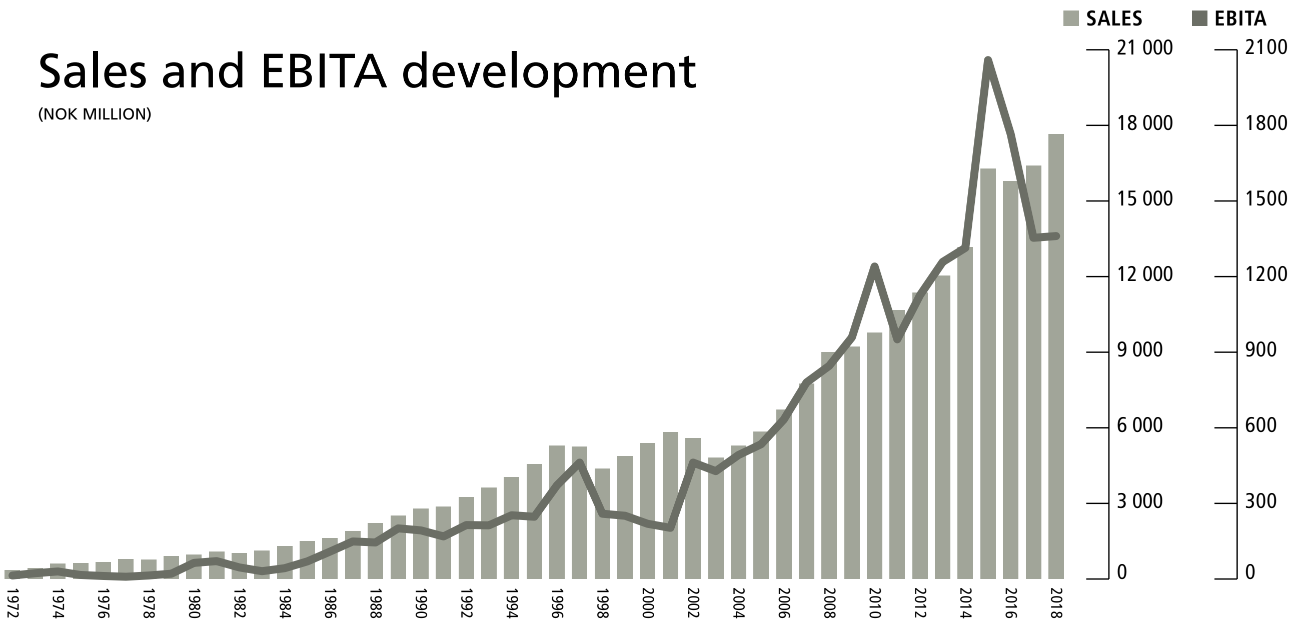


Group key figures

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

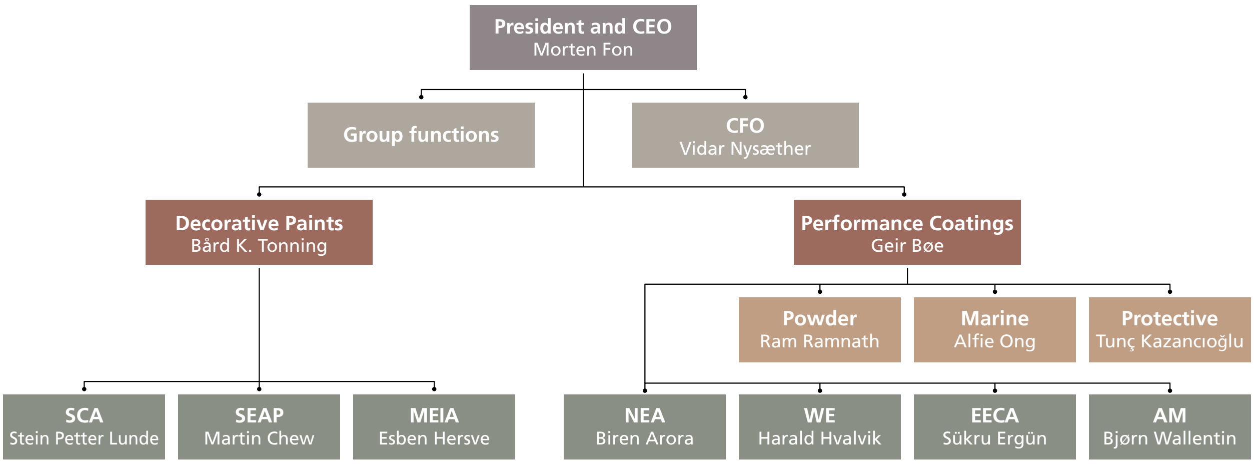
Sales and EBITA development

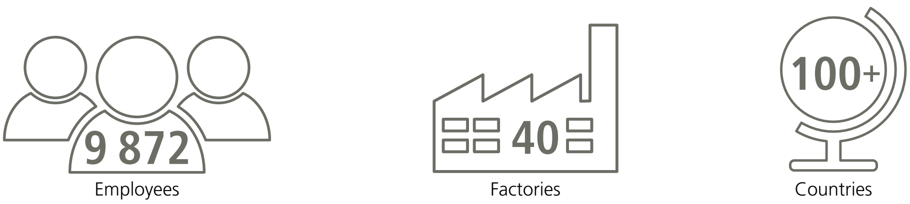
(NOK MILLION)

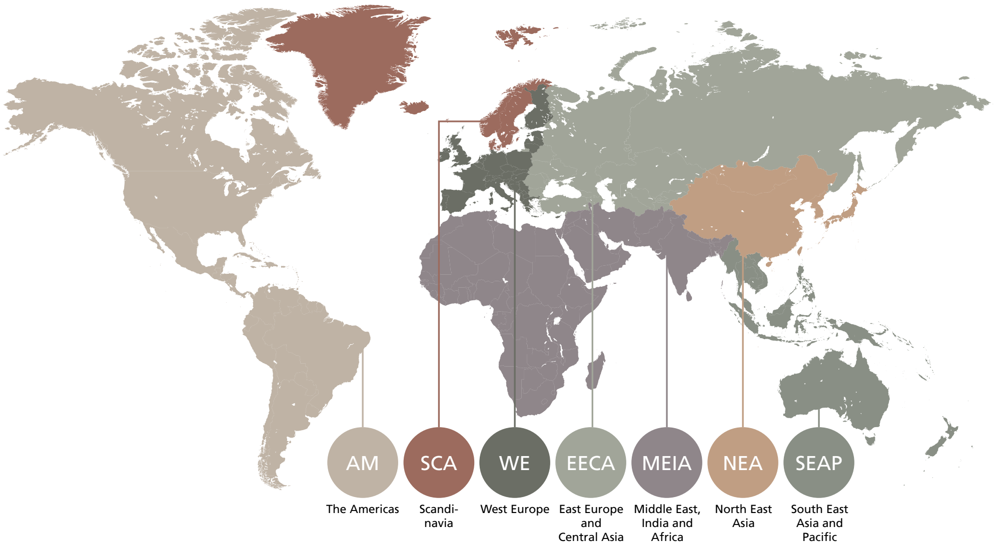


At a glance

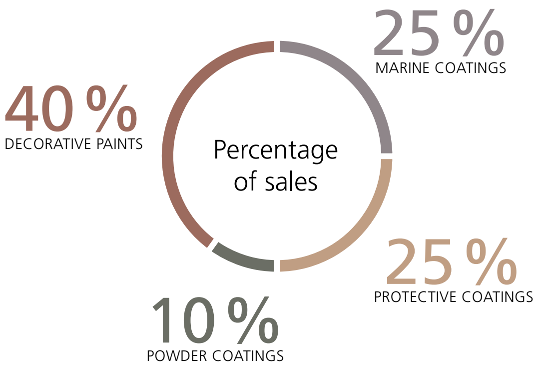
The Jotun Group is a matrix organisation divided into seven regions responsible for the sale of Decorative Paints and Marine, Protective and Powder Coatings.
The company has 40 production facilities in 24 countries, 62 companies in 45 countries and is represented in more than 100 countries around the world.





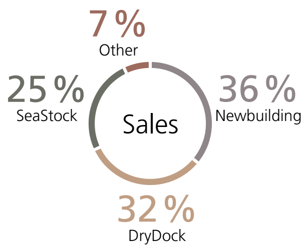


Four segments



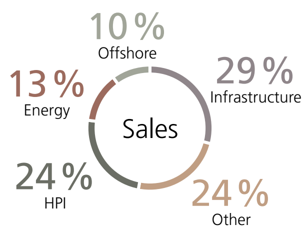
Marine Coatings

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



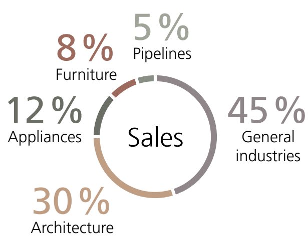
Protective Coatings

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



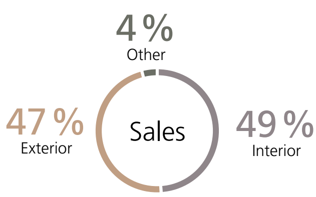
Powder Coatings

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



Decorative Paints

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

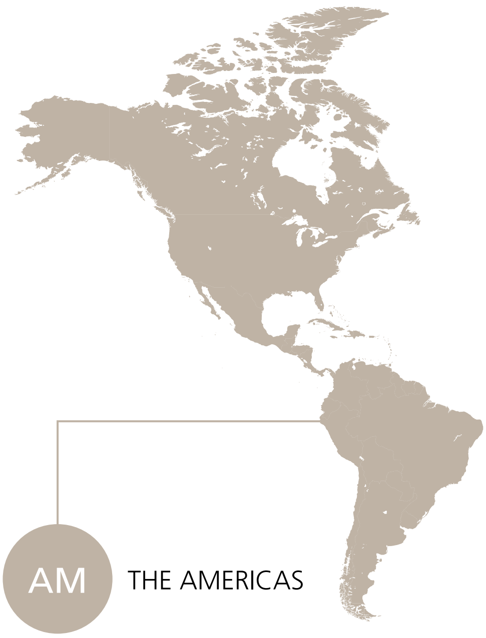


Regional highlights

SCA SCANDINAVIA

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

1926 1148 2



AM THE AMERICAS

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

1974 253 2

WE WEST EUROPE

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

1969 795 3

EECA — EAST EUROPE AND CENTRAL ASIA

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

1991 | 828 | 4

NEA — NORTH EAST ASIA

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

1983 | 1879 | 4

MEIA — MIDDLE EAST, INDIA AND AFRICA

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

1962 | 2834 | 14

SEAP — SOUTH EAST ASIA AND PACIFIC

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

1968 | 2135 | 11

Preparing for the future

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

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

Taking action

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

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

Sustainable growth

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

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

2018 Directors' Report

1. Main activities

Jotun's primary business activities include the development, production, marketing and sales of paints and coatings systems and related products for the treatment, protection and beautification of surfaces.

The Jotun Group is organised into seven regions: "Scandinavia", "West Europe", "East Europe and Central Asia", "Middle East, India and Africa", "North East Asia", "South East Asia and Pacific" and "the Americas".

Jotun's business is organised in Decorative Paints (Decorative segment) and Performance Coatings (Marine, Protective and Powder Coatings segments):

Decorative Paints
Jotun develops, manufactures and distributes interior and exterior paints to consumers and professionals worldwide.

Performance Coatings

Marine Coatings:
Jotun is the world's leading provider of marine coatings to the newbuilding and maintenance markets. Jotun also supplies coatings solutions for mega yachts and leisure yachts.

Protective Coatings:
Jotun is a leading supplier of protective coatings (steel and concrete protection) to companies active in the offshore, energy, infrastructure, and hydrocarbon processing industries.

Powder Coatings:
Jotun is a leading supplier of powder coatings to companies active in the manufacture of appliances, furniture, building components, pipelines and general industries.

Jotun is a global company made up of 62 companies in 45 countries, including 40 production facilities. The company extends its reach to other countries through a network of subsidiaries, joint ventures, associated companies, sales offices and distributors. The parent company, Jotun A/S, has its headquarters in Sandefjord, Norway. Of the Group's operating revenue, approximately 12 per cent is related to its activities in Norway while 88 per cent is related to the rest of the global network.

2. Review of annual accounts

In 2018, the Jotun Group recorded total operating revenue of NOK 17 660 million, which is an increase of 8 per cent compared to 2017 (NOK 16 401 million).

Increased revenue was achieved by continued good growth in Decorative Paints and a strong recovery in Protective Coatings. Sales in Marine Coatings remain impacted by the prolonged downturn in the shipping industry, while low activity in key markets affected sales in Powder Coatings. Still, all regions and segments reported higher sales in 2018 than in 2017. The increase in revenue is supported by a volume growth of 5 per cent.

The Group experienced a stable operational profit in 2018. However, the impact from higher raw material costs has largely been offset by price increases and Jotun's efforts to control manageable costs.

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the prerequisites for the going concern assumption exist and that the financial statements have been prepared based on the going concern principle.

Profits
The Group achieved an operating profit for the year of NOK 1 361 million, compared to NOK 1 354 million in 2017. A continued increase in raw material costs has largely been offset by higher selling prices. Net financial costs increased by NOK 128 million to NOK 246 million, mainly due to unrealised currency effects. This resulted in a profit before tax of NOK 1 115 million compared to NOK 1 236 million in 2017. Jotun's activities are subject to ordinary company tax in the countries in which the Group operates, and income tax amounted to NOK 442 million in 2018. This led to a profit for the year of NOK 674 million compared to NOK 798 million in 2017.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 727 million, compared to NOK 1 079 million in 2017.

Allocation of profit for the year:
In 2018, Jotun A/S posted profit for the year of NOK 727 million. The Board of Directors proposes the following allocation:

Proposed dividend	NOK 428 million
Transfer to equity	NOK 299 million

Financial position, capital structure and risk
Cash generated from operating activities improved by NOK 171 million to NOK 1 745 million. However, due to higher financial costs and tax payments, net cash flow from operating activities decreased by NOK 80 million to NOK 1 018 million. At year end, the Group had a positive cash position of NOK 1 012 million compared to NOK 1 027 million as of 31 December 2017.

The Group increased its investments in 2018 to NOK 1 089 million, from NOK 967 million in 2017. Investment activity in 2018 has mainly been related to the new headquarters and R&D centre in Sandefjord, Norway, in addition to new production facilities in Egypt and Vietnam.

The net interest-bearing debt for the Group was NOK 2 526 million as of 31 December 2018, compared to NOK 2 029 million as of 31 December 2017. At year end, Jotun A/S had NOK 1 555 million in outstanding bonds, of which NOK 155 million was short-term. In addition, Jotun A/S had NOK 884 million in bank debt outstanding, of which NOK 161 million was short-term. External borrowing in the subsidiaries is primarily short-term and through local banks.

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

The Group's equity ratio was 51 per cent at the end of the year as compared to 53 per cent in 2017. The Group is in a sound financial position.

In its regular business operations, Jotun is exposed to risks relating to credit, interest rates, commodity prices and currency exchange rates. The company has established procedures for customer credit rating and currency hedging. The Group hedges its currency risk connected to the USD, USD-related currencies and 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

Decorative Paints

Jotun manages the sales of interior and exterior paints to both consumers and professional contractors through a global network of factories and about 8 500 dealer shops in about 40 different countries. In 2018, Jotun's development in this segment was led by double-digit growth in South East Asia, strong project sales in Scandinavia and high sales volume in Turkey. Growth in the Middle East was slowed by political unrest in Saudi Arabia and challenging market conditions in Abu Dhabi and Oman.

Results in the Decorative Paints segment was supported by a series of new product launches in both the premium and medium range categories. In South East Asia, Jotun launched Jotashield AntiFade Colours, and in the Middle East Jotun launched two medium range exterior paint products; Durosan Action and Easy Coat Textures.

To gain market share, Jotun continues to focus on improving the shopping experience for consumers, supporting dealers and applicators and investing in unique marketing strategies. The sixth annual launch of Jotun Colour Trends continues to drive sales globally. In the Middle East, Jotun introduced Colour Academy, a two-day training course developed to help architects, designers and specifiers to understand the art and science of colour. Jotun also launched a programme to encourage painters and small contractors to use Jotun products. By continuing to focus on developing innovative products, dealer profitability and brand building, the Board is confident that this segment will continue to perform well in the years ahead.

Protective Coatings

In the first half of 2018, weak demand for construction of offshore units impacted Jotun's performance in the Protective Coatings segment. Profitability was also affected by high raw material prices and changing market conditions in important markets, including Turkey and some countries in the Middle East. However, sales growth improved significantly in the second half of the year, mainly due to market recovery in China, alongside strong performances in India, Russia, Singapore and Vietnam.

Jotun supplies protective coatings to companies active in a broad range of industries, from offshore to infrastructure, hydrocarbon processing to energy. By combining products and services engineered to help end users save money or solve critical challenges, Jotun has developed a number of unique solutions. For example, Jotun developed easy-to-use maintenance solutions for offshore units to help build loyalty with energy majors and has found success with Jotachar, a mesh-free epoxy fire protection solution for the offshore and hydrocarbon processing industry concepts. In 2018, Jotun launched Thermosafe, a collection of products that provide protection from fire, cryogenic spills, thermal exposure and corrosion under insulation for owners, contractors and engineers in the Hydrocarbon Processing Industry (HPI).

In the Energy concept, Jotun focuses on coating systems for wind towers, subsea foundations for offshore windfarms and maintenance solutions. In the Infrastructure concept, Jotun offers Green Building Solutions, a collection of waterborne products with necessary documentation making it easier for project owners, specifiers and architects to achieve "green building" certification.

Looking ahead, Jotun will prioritise more profitable projects and leverage its ability to deliver value added services combined with premium, specialised products. The Board anticipates recovery in offshore industry to accelerate, which will help Jotun achieve improved results next year.

Jotun Marine Coatings

The newbuilding market improved in 2018, and new contracts signed suggest a stronger newbuilding market by the end of 2019. In the drydock market, activity slowed compared to 2017, but Jotun recorded a 7 per cent increase in sales in the SeaStock concept. Profitability was affected by sluggish demand for newbuildings and high prices for raw materials.

Over the past five years, weak freight rates and increasingly strict regulations have created an industry focused on efficiency. To help customers achieve their goals, Jotun has realigned its business to develop new products, solutions and digital tools. For example, customers in the chemical tanker market can reduce cleaning and ventilation periods between loadings by using the newly launched Tankguard Flexline, a class leading cargo tank coating that allows greater flexibility, long-term performance and improved vessel utilisation.

In the Drydock concept, Jotun collects data and utilises digital tools, providing coating solutions to optimise vessel performance. In 2018, Jotun launched SeaStock Management Solution, to ensure shipowners receive predictable performance and control on operational expenditure. Finally, Jotun recorded record high sales of Hull Performance Solutions, which enables reduced fuel costs and corresponding emissions. Looking ahead, product development will continue to play an important role in Jotun's offering alongside enhanced data analytics and decision support tools.

Jotun Powder Coatings

Jotun's growth in the Powder Coatings segment was slowed by challenging conditions in the Middle East, particularly in Saudi Arabia and the UAE. Currency volatility in Turkey led to drop in volumes while stagnant market conditions in Malaysia and Thailand impacted sales growth in 2018. Jotun performed better in high growth markets such as India, Indonesia and some countries in Europe. There was also rapid growth in Russia, corresponding to increased activity in domestic manufacturing.

Jotun works to differentiate itself from competitors through product innovations. In 2018, Jotun launched a range of powder coating solutions for engineered and natural wood. Other launches included Primax Diamond, a powder coating solution for diamond cut or machined alloy wheels, and Reveal Era, a superior durability solution for electrical and control cabinets used in demanding service conditions. For manufacturers of appliances, Jotun now offers Reveal Edge+, a high performance, thin film range of metallic powder coatings.

Jotun has invested in value added services to gain market share, and offers dedicated service and support teams to help applicators identify ways to run lines more efficiently. Going forward, Jotun is working to raise the company's service level to reduce lead times for delivery of both products and services. The Board is confident that by focusing on improved response times, tailored solutions, new applications and premium products, the segment will achieve better results in the coming years.

4. Research and development (R&D)

Jotun R&D has its headquarters in Sandefjord, Norway, with a global network of regional laboratories in the UK, Turkey, Malaysia, Thailand, the US, Dubai, India, South Korea and China. While most of their work is related to regional product development, adapting or customising existing products, R&D centres are also responsible for the testing of raw materials, quality assurance, and providing claims and verification services when required.

Jotun's R&D function is also responsible for meeting the growing demand for healthier, more environmentally friendly paints and coatings and responding to new or pending regulations. For example, limits on the use of Volatile Organic Compounds (VOCs) and biocides in China and South Korea have required extensive work to adapt a broad range of primers, topcoats and intumescent coatings in the Protective Coatings segment. In Europe, coatings manufacturers must comply with a number of EU regulations limiting the use of potentially harmful substances, including VOCs. In addition, there are various other local regulations that products must comply with.

Jotun continues to invest in personnel, equipment and facilities in all regional laboratories to meet increasingly strict regulations, Jotun's own internal chemical policy and evolving customer preferences.

5. Competence development

Jotun works across all segments and regions to develop personal and collective competence with a unified approach. In addition to on-the-job training, Jotun provides a broad range of competence development programmes through Jotun Academy. The Academy encompasses many different programmes, with around 400 trainers interacting with between 3 000 and 4 000 delegates every year. In addition to live training seminars and workshops, Jotun has invested in a broad range of digital tools to build competence.

Jotun delivers online training to the company's 7 500 PC users in several ways. Through Learning Gateway, Jotun offers more than 400 e-learning courses, covering everything from Corporate Responsibility to product tutorials, finance routines and anti-corruption policy. To help unify the organisation, Jotun also offers virtual English language training and cultural awareness courses online. Competencies are also reinforced with targeted nano-learning modules. By leveraging digital tools, Jotun can increase efficiency, improve sharing of best practices, and enhance the development of both digital skills and specific job competence.

Jotun is also working to build competence through the Short-Term Assignment programme, which provides a framework for employees to work in other countries. Global mobility strengthens Jotun's culture of sharing expertise to build a competitive, flexible and attractive internal labour market. Group Competence Development also provides a structured platform in support of training programmes developed by different segments and functions internally. In 2018 a new Sales Competence Forum was established, including members from all segments. Looking ahead, a major focus area will be to develop sales training to strengthen the use of best practice tools and techniques across Jotun.

6. Health, safety and the environment (HSE)

Goals and activities

All of Jotun's activities are carried out in accordance with local laws and regulations, and Jotun HSE requirements. Systems and training programmes have been implemented to prevent occupational illness, promote good physical and psychological well-being, safeguard life and property, and reduce Jotun's environmental footprint. Jotun Group, including our production companies, is certified according to ISO 9001, 14001 and OHSAS 18001.

According to Jotun's HSEQ Management System, every company within the Group delegates responsibilities according to 14 different elements (i.e. risk management, quality, and product safety), working towards the same universal goals. The system empowers local management organisation with HSEQ responsibility, allowing for more individual focus on key elements and making standards easier to manage.

Training
Competence development is critical for Jotun to achieve HSE objectives and build a culture of effective health and safety environmental practices. In addition to HSE training courses offered through Jotun Academy and e-learning modules, all production facilities are required to have a HSEQ manager, responsible for organising at least one "HSE Day" every year, covering all aspects of HSE. In 2018, each employee in Jotun received an average of 11 hours of general HSE training. A total of 10 HSEQ audits were conducted in 2018, with a further 12 planned for 2019.

In 2018, three new HSE e-learning modules were added to the portfolio of online courses. Group HSEQ has found this to be an effective way to raise awareness about HSE requirements in Jotun.

Working conditions
Creating a safe work environment is a priority for the Board. The Group continually develops and improves the management system that sets uniform global standards, while supporting individual operations in their efforts to address issues and improve performance on a local level.

Two tragic fatalities related to construction work on Jotun sites were reported in 2018. Both casualties were under the control and supervision of external contractors.

The number of injuries resulting in an absence of one day or more per one million working hours (Lost Time Injury Rate "LTIR) was 2.3 (2.6 in 2017). The LTIR for Jotun A/S was 0.53 in 2018 compared with 1.78 in 2017. Absence due to sickness for the Group in 2018 was 1.5 per cent, compared to 1.7 per cent in 2017. Absence due to sickness in Jotun A/S was 3.7 per cent in 2018, compared with 4.1 per cent in 2017.

Environment
Jotun is committed to continually improving its environmental performance. The Group follows a long-term strategy that focuses on reducing waste while optimising energy efficiency. The company identifies best practices locally, such as installing light tunnels, solar panels and treating wastewater on-site, and introduces them internationally, while setting stringent standards on a Group level for all sites to follow.

Air emissions from Jotun's factories mainly consist of solvents. Some factories have abatement systems for wastewater, and they are all operating in line with local requirements. Jotun has been reporting on its carbon footprint by region since 2009, detailing CO_2 output of each area and company, and providing a detailed picture of Jotun's overall environmental performance.

Reporting required from each site include waste in kg per tonnes produced (per cent), total waste (hazardous and non-hazardous), and energy kWh per tonnes produced for powder coatings.

In 2018, Jotun recorded global emissions of 85 877 tonnes CO_2-equivalents, marking an overall reduction of 7.3 per cent per tonne produced compared to last year. The total electrical consumption in 2018 was 143 kWh/tonnes produced, compared to 139 kWh in 2017.

The waste generated relative to the volume produced was 1.7 per cent in 2018 compared to 1.8 per cent in 2017.

There were no discharges to water or soil causing any significant pollution to the environment in 2018.

Safety
Safety is a cornerstone of all Jotun operations. The Group continually develops and improves the management system that sets uniform global standards, while supporting individual operations in their efforts to address local issues and improve performance on a local level.

Fire represents the most significant threat to Jotun personnel and property. The Board has a "zero tolerance" policy regarding fires and has approved the allocation of significant resources to manage this risk. In 2018, there was a total of two fires (one outside Jotun's premises and one at an external rented warehouse), seven minor fires and 23 potential fires. None of these fires were major incidents and no injuries or serious damage to property was sustained.

7. Corporate Responsibility

Jotun's approach to Corporate Responsibility (CR) is based on commitment to our corporate values (Loyalty, Care, Respect and Boldness), UN Human Rights, the International Labour Organisation (ILO) and commitment to UN Global Compact, as well as local laws and regulations. While all employees are responsible for meeting Jotun's CR objectives, Jotun's Board and Group Management have overall responsibility for the company's CR commitments.

Jotun's Business Principles and corporate governance define the ethical and administrative framework necessary to ensure responsible behaviour towards all stakeholders. The framework guides the company's selection of suppliers, how the company interacts with customers and how initiatives are implemented to enhance the health and wellbeing of employees. It also serves to define and encourage good corporate citizenship in the communities where we operate.

Through the Jotun GreenSteps programme the company embraces initiatives to better protect the environment. This includes developing products that minimise impact on the environment, the way in which products are manufactured, and providing customers with paints and coatings that will reduce their carbon footprint and protect their property.

Jotun's approach to CR also encompasses commercial initiatives, including Hull Performance Solutions (HPS), a marine antifouling which lowers fuel costs and corresponding emissions. Green Building Solutions, a tool designed to provide global specifiers and building owners with approved systems that meet "green building" requirements, among others. In addition, Jotun has one of the industry's most extensive listing of products with third-party verified product specific Environmental Product Declarations (EPDs). EPDs provide transparent and comparable information about the life-cycle and environmental impact of products. By offering end users a complete range of paints and coatings, supported by documentation of emissions and environmental impact, Jotun helps owners achieve their environmental objectives.

Jotun remains committed to working to eliminate corruption. Jotun works to build a culture of transparency through a variety of means, most notably through a robust anti-corruption policy and training. Anti-corruption training is included in the induction programme for new employees as well as in Jotun Academy training. Emphasis is placed on training via e-learning courses and regular practical dilemma training, especially for individuals working in management, purchasing and sales.

Jotun has certified trainers in every region to lead dilemma training courses. The company has also developed stronger "whistle-blowing" routines, refining our guidelines to enhance clarity and embedding them throughout the global organisation. Regional compliance teams have also been established to ensure each case receives the attention it deserves, while safeguarding whistle-blowers.

8. Diversity and inclusion

Jotun's values, Loyalty, Care, Respect and Boldness, promote equality and value differences in people in all countries where Jotun operates. These values are also the foundation for Jotun's recruitment policy which clearly promotes equality and stands against discrimination. The policy advocates an objective, robust and fair decision-making process, irrespective of gender, ethnicity, religion, disability, political views and sexual orientation. This policy is actively applied in all Jotun's recruitment processes and information about the founding principles is communicated to employees and managers through different platforms, such as leadership training, Business Review sessions, the intranet and others.

Jotun invests in human resources and cooperates with several institutions towards facilitating training and adjusting work conditions for Jotun employees who for different reasons (e.g. health, age, personal reasons), struggle with fulfilling usual working commitments. When needed, cooperation agreements are entered with relevant institutions to promote training, internship and work experience opportunities for people who struggle to enter the labour market.

Jotun works to ensure that women are provided with the same opportunities as men. To ensure equal opportunity, Jotun has implemented uniform, professional and transparent recruitment procedures, policies, tools and practices.

Two of seven senior management positions that report to the President & CEO are female. Of those with personnel responsibility in Jotun A/S, 31 per cent are women (29 per cent in 2017). Women make up 11 per cent of skilled workers (unchanged from 2017), while the corresponding percentage for women among office staff is 36 per cent (unchanged from 2017.) Globally, women count for 18 per cent of the total workforce (unchanged from 2017). 21 per cent of the Group's people managers are women.

9. Future prospects

Global economic trends that impact Jotun's business include raw material prices, the price of oil, currency fluctuations, international trade volume and, more generally, global GDP growth. Political trends likely to impact Jotun's business are more difficult to predict, but may include changing political alliances, threats to existing trade relationships (protectionism) and the risk of conflicts between nations. Regional trends are specific to each country where Jotun is active and may include natural disasters, civil unrest and localised economic turmoil.

While Jotun monitors global and regional trends carefully, the Board's primary focus remains achieving sustainable and profitable growth. The Board remains committed to Jotun's core strategy, which focuses on organic growth, diversified operations in four segments and a differentiated approach that allows the company to operate successfully in markets with different needs.

Looking ahead, Jotun is working to strengthen its organic growth model by investing in tools and systems to allow the company to enter new markets more forcefully and at less cost. At the same time, the company is working to reduce the per unit cost of producing paints by improving processes at every stage of the value chain. The Board also recognises the need for Jotun to respond more rapidly to developing products that meet increasingly strict health and environmental regulations. These and other steps the company has taken, combined with the anticipated recovery of both the newbuilding and offshore industries, suggests Jotun is positioned to deliver improved results in 2019.

Sandefjord, Norway, 11 February 2019
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Karl Otto Tveter

Per Kristian Aagaard

Morten Fon
President and CEO

Jotun Group

Consolidated income statement

(NOK THOUSAND)	Note	2018	2017
Operating revenue	2	17 659 863	16 400 998
Share of profit from associated companies and joint ventures	3	383 747	536 797
Cost of goods sold		–9 913 967	–9 078 415
Payroll expenses	4,5	–2 829 570	–2 719 204
Other operating expenses	6,22	–3 409 164	–3 297 110
Depreciation, amortisation and impairment	8,9	–530 095	–488 802
Operating profit		**1 360 814**	**1 354 264**
Net financial items	6	–245 736	–118 085
Profit before tax		**1 115 078**	**1 236 179**
Income tax expense	7	–441 513	–438 609
Profit for the year		**673 566**	**797 570**
Profit for the year attributable to:			
Equity holders of the parent		605 138	721 200
Non-controlling interests	19	68 427	76 370
Total		**673 566**	**797 570**

Consolidated statement of other comprehensive income

(NOK THOUSAND)	Note	2018	2017
Profit for the year		**673 566**	**797 570**
Items that will not be reclassified to profit or loss:			
Actuarial gain / loss (–) on defined benefit pension plans (net of tax)	5	8 171	13 836
Items that may be reclassified to profit or loss in subsequent periods:			
Gain / loss (–) on hedge of net investments in foreign operations (net of tax)		–38 062	36 910
Currency translation differences in foreign operations		30 871	–71 363
Other comprehensive income for the year, net of tax		**980**	**–20 618**
Total comprehensive income for the year		**674 545**	**776 953**
Total comprehensive income attributable to:			
Equity holders of the parent		596 135	703 254
Non-controlling interests	19	78 410	73 698
Total		**674 545**	**776 953**

Consolidated statement of financial position

(NOK THOUSAND)	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Deferred tax assets	7	287 006	247 560
Other intangible assets	8	523 310	430 368
Property, plant and equipment	9	5 288 252	4 892 394
Investments in associated companies and joint ventures	3	1 532 513	1 615 654
Other investments	13	18 026	17 596
Other non-current receivables	13,16	94 242	97 313
Total non-current assets		**7 743 349**	**7 300 886**
Current assets			
Inventories	10	2 840 690	2 575 763
Trade and other receivables	13,14	5 118 958	4 804 382
Cash and cash equivalents	13,15	1 011 564	1 027 165
Total current assets		**8 971 212**	**8 407 310**
Total assets		**16 714 561**	**15 708 196**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	102 600	102 600
Other equity		8 142 274	7 973 640
Non-controlling interests	19	224 390	178 117
Total equity		**8 469 264**	**8 254 357**
Non-current liabilities			
Pension liabilities	5	197 688	214 721
Deferred tax liabilities	7	37 465	51 707
Provisions	11,20	40 673	35 711
Interest-bearing debt	13,16	2 252 768	2 044 291
Other non-current liabilities		36 690	35 465
Total non-current liabilities		**2 565 284**	**2 381 895**
Current liabilities			
Interest-bearing debt	13,16	1 379 401	1 109 173
Trade and other payables	13	2 030 904	1 913 476
Current tax payable	7	149 837	145 962
Other current liabilities	11,13,17	2 119 872	1 903 333
Total current liabilities		**5 680 013**	**5 071 943**
Total liabilities		**8 245 297**	**7 453 838**
Total equity and liabilities		**16 714 561**	**15 708 196**

Sandefjord, Norway, 11 February 2019
The Board of Directors
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Morten Fon
President and CEO

Consolidated statement of cash flows

(NOK THOUSAND)	Note	2018	2017
Cash flow from operating activities			
Operating profit		1 360 814	1 354 264
Adjustments to reconcile operating profit to net cash flows:			
Share of profit from associated companies and joint ventures	3	–383 747	–536 797
Dividend paid from associated companies and joint ventures	3	557 991	699 553
Depreciation, amortisation and impairment	8,9	530 095	488 802
Change in accruals, provisions and other		142 083	182 267
Working capital adjustments:			
Change in trade and other receivables		–314 576	–300 062
Change in trade payables		117 428	220 098
Change in inventories		–264 927	–534 331
Cash generated from operating activities		**1 745 161**	**1 573 793**
Net financial items	6	–245 736	–118 085
Tax payments		–481 784	–358 536
Net cash flow from operating activities		**1 017 641**	**1 097 172**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	9	32 912	2 616
Purchase of property, plant and equipment	9	–911 435	–839 011
Purchase of intangible assets	8	–177 742	–128 245
Net cash flow used in investing activities		**–1 056 265**	**–964 640**
Cash flow from financing activities			
Proceeds from borrowings	16	1 394 688	491 512
Repayment of borrowings	16	–914 757	–571 503
Dividend paid to equity holders of the parent	18	–427 500	–513 000
Dividend paid to non-controlling interests		–45 538	–44 153
Share capital increase in associated companies and joint ventures		–	–49 284
Share capital increase in non-controlling interests	2	13 400	–
Net cash flow from financing activities		**20 293**	**–686 428**
Net increase / decrease (–) in cash and cash equivalents		**–18 331**	**–553 896**
Net currency translation effect		2 729	–4 973
Cash and cash equivalents as of 1 January	15	1 027 165	1 586 034
Cash and cash equivalents as of 31 December	15	**1 011 563**	**1 027 165**

Consolidated statement of changes in equity

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

Notes to the consolidated financial statements

Summary of significant accounting policies

General

The Jotun Group consists of Jotun A/S and its subsidiaries. The consolidated financial statements consist of the Group as well as the Group's net interests in associated companies and jointly controlled entities.

Jotun A/S is a limited company incorporated in Norway. The Jotun Group's headquarter is in Sandefjord, Norway, and the Group including associated companies and jointly controlled entities employs around 9 800 people in 45 countries.

1 Statement of compliance

The Jotun Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU).

2 Basis for preparation of the annual accounts

The consolidated financial statements are based on historical cost, with the exception of financial instruments which are recognised at fair value, and loans, receivables and other financial liabilities which are recognised at amortised cost. The consolidated financial statements have been prepared on the basis of going concern.

3 Basis for consolidation

The Jotun Group's consolidated financial statements comprise Jotun A/S and companies in which Jotun A/S has a controlling interest. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Jotun Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if the Jotun Group has:

- Power over the investee, i.e. has existing rights to direct the relevant activities of the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangements with other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full.

Interests in joint ventures and associates

The Group has interests in joint ventures, which are jointly controlled entities, whereby the ventures have contractual arrangements that establish joint control over the economic activities of the entities. The agreements require unanimous agreements for financial and operating decisions among the ventures.

The Group's investments in its associates and joint ventures are accounted for using the equity method. An associate is an entity in which the Group has significant, but not controlling influence over. Under the equity method, the Group's investments in joint ventures and associated companies are recognised in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures and associates. The income statement reflects the Group's share of the results of operations for the joint ventures and associated companies. This is the profit attributable to equity holders of the joint ventures and associated companies, after tax and non-controlling interests in subsidiaries of the joint ventures and associated companies.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in any of the associates is impaired. If so, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount in share of profit from associated companies in the consolidated income statement.

Non-controlling interests
The non-controlling interests in the consolidated financial statements are the minority's share of the carrying amount of the equity. In a business combination the non-controlling interests are measured at the non-controlling interest's proportionate share of the acquirer's identifiable net assets.

4 Foreign currency

The Jotun Group's presentation currency is Norwegian krone (NOK). This is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statement of each entity are measured using that functional currency.

Transactions in foreign currency
Transactions in foreign currency are initially recorded by the Group entities at the functional currency rates prevailing at the date of transaction. Monetary items in a foreign currency are translated into functional currency using the exchange rate applicable at the balance sheet date. Non-monetary items in foreign currency are translated into functional currency using the exchange rate applicable at the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable at the balance sheet date. Changes to exchange rates are recognised in the consolidated income statement as they occur during the accounting period.

Translation of foreign operations to NOK
Assets and liabilities in entities with other functional currencies than NOK are translated into NOK using the exchange rate applicable at the balance sheet date. Their income statements are translated at exchange rates prevailing at the date of the transaction. Exchange rate differences are recognised in other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

5 The use of estimates when preparing the annual accounts

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and the underlying assumptions are reviewed on a regular basis. Amendments to accounting estimates are recognised in the period in which it relates to. See note 1 for further details regarding the most significant estimates, assumptions and judgements made when preparing the financial statements for the Group.

6 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used, and the calculated value is corroborated using valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on cash flow forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These forecasts generally consist of a detailed cash flow forecast for the first three years of the forecast period, while cash flows after year three and for the remaining useful life of the assets are projected based on an estimated long-term growth rate.

Impairment losses are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. A reversal of previous impairment loss is recognised in the consolidated income statement.

7 Revenue from contracts with customers

The Group is in the business of selling paint and coating. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods. Revenues are presented net of value added tax and discounts.

Variable considerations
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable amount is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur. Consequently, any variable consideration is only included in the transaction price to the extent that it is highly probable that the entity will be entitled to that amount.

Financing components
The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group uses the practical expedient in IFRS 15 and does not adjust any of the transaction prices for the time value of money.

8 Income tax

Income tax expense comprises both current and deferred tax, including effects of changes in tax rates. Current and deferred tax is recognised in the income statement, except to the extent that they relate to items recognised in equity or other comprehensive income, for which the tax is also recognised in equity or other comprehensive income.

Current income tax
Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The current and deferred income tax is calculated based on tax rates (and tax laws) that have been enacted or substantively enacted, in the countries where the Group operates and generates taxable income at the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Deferred tax
Deferred tax liabilities and deferred tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax liabilities and deferred tax assets are recognised at their nominal value and classified as non-current liabilities and non-current assets in the balance sheet. Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. Deferred tax liabilities and deferred tax assets are offset as far as possible as permitted by taxation legislation and regulations.

9 Tangible assets

Tangible assets are recognised at their cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the income statement. The cost of tangible assets is the purchase price, including all costs directly linked to preparing the asset for its intended use.

Depreciation is calculated by estimating the useful life of the assets. The depreciation period and method are assessed each year. Residual value is estimated at each year end, and changes to the estimated residual value or useful life are recognised as a change in estimate.

Assets under construction are classified as fixed assets and are not depreciated until they are ready for intended use.

Borrowing costs are capitalised to the extent that they are directly related to the purchase, construction or production of a non-current asset that takes a substantial period of time to get ready for its intended use. The interest costs are accrued during the construction period until the non-current asset is capitalised. Borrowing costs are allocated to the respective asset and depreciated over the estimated useful life of the asset.

10 Intangible assets

Intangible assets are measured at cost less any amortisation and impairment losses.

Development expenditures attributable to an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

The economic life of an intangible asset is either definite or indefinite. Intangible assets with a definite economic life are amortised over their economic life and tested for impairment if there are any indications of impairment. The amortisation method and period are assessed at least once a year. Changes to the amortisation method and/or period are accounted for as a change in estimate. Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually. Amortisation is calculated based on the useful life of the asset.

11 Leases

Operating leases
Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Jotun Group are classified as operating leases. Lease payments are classified as operating expenses and recognised in the consolidated income statement on a straight line basis over the contract period.

Financial leases
Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Jotun Group. Assets held under financial leases are recognised as assets and depreciated over the shorter of useful life or the lease term.

12 Financial instruments

FAIR VALUE OF FINANCIAL INSTRUMENTS:
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 12 and 13.

FINANCIAL ASSETS:
Initial recognition and measurement
Financial assets are classified at initial recognition and subsequently measured at amortised cost or fair value through profit or loss, correspondingly. The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Financial assets are initially measured at their fair value. However, trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are "Solely Payments of Principal and Interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Gains and losses are recognised in the income statement when the assets are derecognised, modified or impaired.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in net financial items in the consolidated income statement.

Derecognition
A financial asset, part of a financial asset or part of a group of similar financial assets, is derecognised when:
- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
Further disclosure relating to impairment of financial assets are also provided in the following notes:
- Disclosure for significant assumptions, see note 1
- Trade and other receivables, see note 14

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

FINANCIAL LIABILITIES:

Initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

OFFSETTING OF FINANCIAL INSTRUMENTS:

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS:

Hedges of cash flow

Cash flows from operational activities in Scandinavia and global intragroup financial cash flows in foreign currency are hedged based on the future expected net cash flow in Jotun A/S. Financial cash flows are typically royalty income, dividend income and cash flows related to internal loans and equity transactions between Jotun A/S and subsidiaries. Instruments used for hedging of cash flows are forwards and options. Any gains or losses on these instruments are accumulated and recognised as realised or unrealised currency effects in net financial items in the consolidated income statement. Refer to note 12 for more details.

13 Hedge accounting

Hedges of net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement. Currently, the only hedge of this nature is the USD denominated loan used by the Group as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to note 12 and 16 for more details.

14 Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials

The cost of raw material inventories is determined using the weighted average cost method as an overall principle within the Group. This involves the computation of an average unit cost by dividing the total cost of units by the number of units.

Finished goods

The cost of finished goods includes cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity and excludes any borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowances are made for inventories with a net realisable value less than cost, or which are slow moving.

15 Cash and cash equivalents

Cash includes cash in hand and cash deposits in banks. Cash equivalents are short-term liquid investments that can immediately be converted into a known amount of cash and have a maximum term to maturity of three months.

16 Post-employment benefits

Post-employment benefits are recognised in accordance with IAS 19 Employee Benefits. Defined contribution plans represent the majority of the Group's pension plans. However, the Group also has a few, remaining defined benefit plans with net pension obligations, as further described in note 5.

Defined contribution plans
The pension cost related to the Group's defined contribution plans is equal to the annual contribution made to the employee's individual pension accounts in the accounting period. Annual contributions are corresponding to an agreed percentage of the employee's salary in accordance with local pension arrangements. In Norway, the rate is 5 per cent of annual basic salary, limited upwards to twelve times the social security basic amount. In addition, 18.1 per cent of annual basic salary between 7.1-12 times the social security basic amount. The pension contributions are charged to expenses as they are incurred. The return on the pension funds will affect the size of the employees' pension, and the risk of returns lies with the employees.

Defined benefit plans
In the defined benefit plans, the company is responsible for paying an agreed pension to the employee based on his or her final pay. Defined benefit plans are valued at the present value of accrued future pension obligations at the end of the reporting period. Pension plan assets are valued at their fair value.

The capitalised net liability is the sum of the accrued pension liability minus the fair value of the associated pension fund asset.

Actuarial gains and losses are recognised in other comprehensive income. Introduction of new or changes to existing defined benefit plans that will lead to changes in pension liabilities are recognised in the statement of income as they occur. Gains or losses linked to changes or terminations of pension plans are also recognised in the consolidated income statement when they arise.

Other severance schemes
Other severance schemes comprise mainly of obligations related to pension schemes for employees in the Norwegian companies with an annual basic salary exceeding 12 times the basic amount (G). In addition, minor statutory obligations to employees in a few other countries are also included. Obligations related to other severance schemes are recognised as non-current liabilities.

17 Provisions

A provision is, in general, recognised when the Group has an obligation, either legal or constructive, as a result of a past event, it is probable that a financial settlement will take place and the size of the amount can be reliably estimated. The amount recognised is the best estimate of the expenditure required. If the effect is material, the future cash flows will be discounted using a pre-tax interest rate reflecting the risks specific to the obligation.

18 Contingent liabilities and assets

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred.

Contingent assets (unless virtually certain) are not recognised in the annual accounts, but are disclosed if the possible inflow of economic benefits is probable.

19 Events after the reporting period

New information regarding the company's financial position at the end of the reporting period and that becomes known after the reporting period, is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position at the end of the reporting period, but which will affect the company's financial position in the future, are disclosed if significant.

1 Significant accounting judgements, estimates and assumptions

General

In the process of applying Jotun Group's accounting policies, Management has made the following judgements, estimates and assumptions which may have significant effect on the amounts recognised in the consolidated financial statements:

Impairment
The Jotun Group has material non-current assets in the form of both tangible (property, plant and equipment) and intangible assets. An explanation of the details of and changes in these assets is presented in note 8 and note 9. The Group also has other non-current assets that mainly consist of investments in companies recognised using the equity method. These are disclosed in note 3 and are not covered in the description below.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from a detailed forecast for the first three years, and after year 3 from projections based on an estimated long-term growth rate for the remaining useful life of the assets. The cash flows do not include restructuring activities that the Group is not yet committed to, or significant future investments that will enhance the assets' performance in the cash generating unit (CGU) being tested. Uncertainty in cash flow estimates is in some cases considerable, as both valuation and estimated useful life are based on future information that is always subject to uncertainty. The calculation of value in use is most sensitive to:

Revenue growth – Factors concerning economic trends and the ability to gain market share are evaluated and included in the three-year forecast period. Growth rates over the remaining estimated useful life of the assets beyond the forecast period are gradually reduced to general long-term growth assumptions.

Gross margins – Gross margins are based on average values achieved in the four years preceding the beginning of the forecast period. These are adjusted over the forecast period for expected changes in product segment mix.

Operating costs – Cost forecasts for the projection period are based on the historical development over the past four years, adjusted for anticipated efficiency improvements.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Product liability claims
Product liability claims consist of a number of separate and specific warranty claims arising from products sold. By nature, the related amounts and timing of any outflows are difficult to predict. Assumptions used to calculate provisions for product liability claims are based on technical assessments of product failures and the related expected repair costs for each specific case. It is expected that most of these costs will be payable in the next three years (see note 11), and all will have been payable within five years after the reporting date.

Accounts receivable and allowance for bad or doubtful debt
Accounts receivable are assessed at nominal value less allowance for bad or doubtful debt. Allowances for bad or doubtful debt are based on the expected credit loss model in accordance with IFRS 9 and are recognised when the Group expects that full settlement in accordance with original terms will not be received. An allowance for bad or doubtful debt represents the difference between the asset's carrying amount and fair value (estimated collectible amount). Management has used its best estimate in setting the fair value of accounts receivable. See note 14 for more information.

Inventories and allowances for obsolete goods
Inventories are measured at the lower of cost and net realisable value. Jotun Group's products are sold in markets where there are limited observable market references available, requiring use of judgement in determining net realisable value. Management has used its best estimate in setting net realisable value for inventory. See note 10 for more information.

Pension liabilities
The cost of defined benefit pension plans and other post-employment medical benefits, and the present value of the pension obligations, are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in underlying assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, the interest rates of corporate bonds in the respective currency with at least AA rating and with extrapolated maturities corresponding to the expected duration of the defined benefit obligation, are used as a basis. Financial data for these bonds is further reviewed for quality, and those bonds having excessive credit spreads are omitted, as they are considered to not represent high quality bonds.

Mortality rates are based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about the assumptions used are given in note 5.

Environmental provisions

A number of factories have been inspected regarding environmental conditions in the ground. Actions have either been taken on own initiative or implemented on the order of local authorities. Inspections and measurements are made by independent specialists in the field. For clean-up projects where implementation is considered to be probable, and for which reliable estimates have been done, provisions are made accordingly. Provisions for remediation costs are made based on the following;

- Laws and regulations presently or virtually certain to be enacted
- Conducted inspections, either taken on own initiative or implemented on the order of local authorities
- Inspections and measurements made by independent specialists in the field
- Prior experience in remediation of contaminated sites

Future expenditures for remediation work depend on a number of uncertain factors which include, but are not limited to, the extent and type of remediation required. Environmental laws and regulations may change, and such changes may require the Group to make investments and/or increase costs. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. Further reference is made to note 11.

Deferred tax

Deferred tax assets are recognised for all unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilised. Uncertainties exist with respect to determining the Group's deferred tax assets and deferred tax liabilities. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Non-consolidation of entity in which the Jotun Group holds the majority of ownership interest

Jotun Group considers that it does not control Jotun Abu Dhabi Ltd. even though it holds 51.6 per cent of the ownership interest. The Group directly controls 35 per cent. However, the remaining 16.6 per cent is an indirect ownership through a non-controlling entity. As Jotun Group does not de facto control the majority of the voting rights of Jotun Abu Dhabi Ltd., the investment is classified as an associated company. Further details are given in note 3.

Non-consolidation of entity in which the Jotun Group holds a significant ownership interest

Jotun Group has a 50 per cent joint investment with China Ocean Shipping Company (COSCO) and Chokwang Paint in China and South Korea, respectively. The companies are considered as jointly controlled, as the shareholders jointly direct the operational activities of the companies. These investments are therefore accounted for using the equity method (refer note 3).

2 Operating revenue

(NOK THOUSAND)	2018	2017
Revenue from contracts with customers	16 332 596	14 978 011
Revenue from contracts with customers – associated companies and joint ventures	972 747	1 085 600
Other revenue	110 678	90 622
Other revenue from associated companies and joint ventures	243 842	246 765
Total	**17 659 863**	**16 400 998**

Other revenue includes rental income, licence revenue and profit from sale of fixed assets.

Revenue from contracts with customers by segments

(NOK THOUSAND)	2018	2017
Decorative Paints	6 559 542	6 036 227
Protective Coatings	5 101 379	4 387 979
Marine Coatings	3 969 072	3 991 339
Powder Coatings	1 675 350	1 648 066
Total	**17 305 343**	**16 063 611**

Revenue from contracts with customers by regions

(NOK THOUSAND)	2018	2017
South East Asia and Pacific	4 523 615	4 335 949
North East Asia	3 038 784	2 581 123
Scandinavia	2 803 551	2 645 409
Middle East, India and Africa	2 797 092	2 483 064
West Europe	2 080 456	1 993 968
East Europe and Central Asia	1 599 219	1 536 950
The Americas	462 625	487 149
Total	**17 305 343**	**16 063 611**

The revenue specifications by segment and region above do not include revenues in joint ventures in North East Asia and associated companies in the Middle East.

The Group does not have any material revenue related balance sheet items other than trade receivables specified in note 14.

Payment terms are based on agreements and local business practices and are in general in the range of 30 to 90 days.

3 Investments in associated companies and joint ventures

The Jotun Group has investments in associated companies in the Middle East and joint ventures in North East Asia, involved in production and sales of products within all of the Group's four segments.

The Group's interests in associated companies and joint ventures are recognised in the consolidated financial statement according to the equity method. Summarised financial information for the Group's investments in associated companies and joint ventures is set out below. The figures are based on IFRS financial statements for the respective companies.

Overview
Jotun Group's investments (share of total equity) in associated companies and joint ventures:

(NOK THOUSAND)	2018			2017		
	Associated companies	**Joint ventures**	**Total**	**Associated companies**	**Joint ventures**	**Total**
Carrying amount 1 January	958 525	657 129	1 615 654	1 011 712	754 776	1 766 487
Net profit / loss (–) during the year	404 954	–21 207	383 747	478 926	57 871	536 797
Exchange differences	79 525	11 577	91 103	–52 799	15 270	–37 529
Items charged to equity	–	–	–	–	168	168
Dividend	–447 081	–110 910	–557 991	–479 313	–220 240	–699 553
Capital increase	–	–	–	–	49 284	49 284
Carrying amount 31 December	**995 924**	**536 589**	**1 532 513**	**958 525**	**657 129**	**1 615 654**

Associated companies
Investments in associates are investments in companies in which the Group has significant influence by virtue of its ownership interest. These are usually companies in which Jotun holds a 20–50 per cent interest share.

The Jotun Group has the following investments in associated companies:

(NOK THOUSAND)	Red Sea Paints Co. Ltd.	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E. Ltd. (LLC)	Jotun Abu Dhabi Ltd. (LLC)	Jotun Powder Coatings Saudi Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (LLC)	Total
Country	Saudi Arabia	Saudi Arabia	Yemen	U.A.E.	U.A.E.	Saudi Arabia	U.A.E.	
Ownership interest	40.0 %	40.0 %	34.4 %	41.5 %	51.6 %	46.6 %	47.0 %	
Carrying amount 1 January	40 376	338 749	–522	295 952	120 444	92 546	70 981	958 525
Net profit / loss (–) during the year	–103	141 066	–	180 517	47 640	11 778	24 057	404 954
Exchange differences	–	28 487	–31	28 883	10 284	6 028	5 874	79 525
Dividend	–	–162 100	–	–171 765	–73 223	–16 187	–23 806	–447 081
Capital increase	–8 556	8 556	–	–	–	–	–	–
Other equity changes	–31 717	31 717	–	–	–	–	–	–
Carrying amount 31 December	**–**	**386 475**	**–553**	**333 586**	**105 144**	**94 165**	**77 106**	**995 924**

Although the Group holds more than 50 per cent of the ownership interest in Jotun Abu Dhabi Ltd., the Group does not control the company as part of the ownership interest is indirect through a non-controlling entity. This investment is therefore classified as an associated company (see note 1 for more details).

There has been a merger between Red Sea Paints Co. Ltd. and Jotun Saudia Co Ltd. in 2018.

Summary of financial information for the individual associated companies based on 100 per cent figures:

2018 (NOK THOUSAND)	**Red Sea Paints Co. Ltd.**	**Jotun Saudia Co. Ltd.**	**Jotun Yemen Paints Ltd.**	**Jotun U.A.E. Ltd. (LLC)**	**Jotun Abu Dhabi Ltd. (LLC)**	**Jotun Powder Coatings Saudi Arabia Co. Ltd.**	**Jotun Powder Coatings U.A.E. Ltd. (LLC)**
Non-current assets	–	440 196	1 796	117 077	68 298	63 159	146 344
Current assets	–	705 671	1 167	912 066	263 286	155 257	174 735
Total assets	**–**	**1 145 867**	**2 964**	**1 029 142**	**331 583**	**218 416**	**321 079**
Equity	–	966 187	–1 605	807 606	203 768	202 071	190 562
Non-current liabilities	–	96 344	4 569	9 631	–1 067	13 478	70 122
Current liabilities	–	83 337	–	211 905	128 882	2 867	60 395
Total equity and liabilities	**–**	**1 145 867**	**2 964**	**1 029 142**	**331 583**	**218 416**	**321 079**
Revenues	–	1 603 533	–	1 833 767	620 264	215 748	388 042
Profit / loss (–) for the year	**–257**	**352 664**	**–**	**434 980**	**92 326**	**25 275**	**51 184**

2017 (NOK THOUSAND)	**Red Sea Paints Co. Ltd.**	**Jotun Saudia Co. Ltd.**	**Jotun Yemen Paints Ltd.**	**Jotun U.A.E. Ltd. (LLC)**	**Jotun Abu Dhabi Ltd. (LLC)**	**Jotun Powder Coatings Saudi Arabia Co. Ltd.**	**Jotun Powder Coatings U.A.E. Ltd. (LLC)**
Non-current assets	76 073	366 895	1 697	120 703	67 580	63 687	92 596
Current assets	68 822	736 459	1 103	784 720	265 511	183 625	180 134
Total assets	**144 895**	**1 103 354**	**2 799**	**905 423**	**333 092**	**247 312**	**272 730**
Equity	100 940	846 873	–1 516	716 712	233 418	198 597	176 068
Non-current liabilities	19 401	57 973	4 316	17 093	–2 349	9 880	5 912
Current liabilities	24 555	198 508	–	171 618	102 023	38 835	90 750
Total equity and liabilities	**144 895**	**1 103 354**	**2 799**	**905 423**	**333 092**	**247 312**	**272 730**
Revenues	–	1 820 936	–	1 836 104	690 137	210 737	446 005
Profit / loss (–) for the year	**10 988**	**463 871**	**–**	**396 808**	**139 975**	**34 339**	**76 761**

Joint ventures

Joint ventures are investments in which the Group has joint control over the companies together with other partners. This type of collaboration is based on specific agreements (see note 1 for further details).

Jotun Group has the following investments in joint ventures:

(NOK THOUSAND)	**Chokwang Jotun Ltd.**	**Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.**	**Jotun COSCO Marine Coatings (H.K.) Ltd.**	**Total**
	South Korea	China	China	
Figures based on ownership	50.0 %	50.0 %	50.0 %	
Carrying amount 1 January	238 446	289 023	129 661	657 129
Net profit / loss (-) during the year	–24 633	–54 897	58 323	–21 207
Exchange differences	1 954	–941	10 564	11 577
Dividend	–	–	–110 910	–110 910
Carrying amount 31 December	**215 766**	**233 185**	**87 638**	**536 589**

Summary of financial information for the individual joint ventures based on 100 per cent figures:

2018 (NOK THOUSAND)	**Chokwang Jotun Ltd.**	**Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.**	**Jotun COSCO Marine Coatings (H.K.) Ltd.**
Non-current assets	364 212	498 501	383 231
Current assets	522 574	894 379	447 499
Total assets	**886 786**	**1 392 880**	**830 729**
Equity	431 533	466 370	506 237
Non-current liabilities	67 683	52 119	–
Current liabilities	387 570	874 391	324 492
Total equity and liabilities	**886 786**	**1 392 880**	**830 729**
Revenues	975 981	1 629 524	949 469
Net profit / loss (–) for the year	**–49 265**	**–109 794**	**116 645**

2017 (NOK THOUSAND)	**Chokwang Jotun Ltd.**	**Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.**	**Jotun COSCO Marine Coatings (H.K.) Ltd.**
Non-current assets	376 393	494 902	362 988
Current assets	459 425	996 544	322 108
Total assets	**835 818**	**1 491 447**	**685 096**
Equity	476 891	578 046	572 767
Non-current liabilities	99 390	49 242	–
Current liabilities	259 536	864 159	112 330
Total equity and liabilities	**835 818**	**1 491 447**	**685 096**
Revenues	903 490	1 565 561	881 806
Net profit / loss (–) for the year	**–17 163**	**6 476**	**126 429**

4 Payroll expenses

Payroll expenses are the total disbursements relating to remuneration of personnel employed by the Group. These expenses comprise direct salaries and holiday pay, bonuses, pension costs and public taxes/charges relating to the employment of personnel.

Wages and other social costs

(NOK THOUSAND)	2018	2017
Wages including bonuses	2 266 723	2 166 731
Social costs	281 217	272 874
Pension costs defined contribution plans	177 985	181 494
Pension costs defined benefit plans, ref. note 5	17 372	12 883
Other personnel costs	86 273	85 222
Total	**2 829 570**	**2 719 204**
Average full-time equivalents	7 069	6 976

Bonus systems

Jotun Group has a system of annual bonuses that applies to senior management and is limited to a maximum of 20 per cent of annual basic salary.

Further, all members of Jotun Group Management, including the President & CEO, are part of an annual profit-dependent bonus system limited upwards to 50 per cent of annual basic salary.

Remuneration of the President & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	5 408	1 050	271	863	7 593

The President & CEO is part of a pension scheme that includes a mutual opportunity to discontinue employment in whole or in part up to five years earlier than a stipulated retirement age of 67 years.

Jotun Group has no obligation to give the President & CEO or the Chairman of the Board special remuneration upon discontinuance or change of employment or office. Should the President & CEO's employment discontinue, his contract has a clause stipulating that a one-year "competition quarantine" may be imposed with compensation. The President & CEO has a notice period of 6 months.

The Group has not given any loans or guarantees to the President & CEO, the Chairman of the Board, or to any shareholders or members of Group Management, the Board or Corporate Assembly.

Remuneration of the Board of Directors

(NOK THOUSAND)	Ordinary compensation
Board of Directors	2 820
Corporate Assembly	165
Total	**2 985**

Shares owned by members of the Board of Directors and Group Management are specified in note 18.

External auditor remuneration

(NOK THOUSAND)	2018	2017
Statutory audit	12 364	12 721
Other attestation services	266	165
Tax services	2 980	3 329
Other services	1 407	1 113
Total	**17 016**	**17 329**

5 Pensions and other long-term employee benefits

The Group companies provide various retirement plans in accordance with local regulations and practices in the countries in which they operate.

The majority of the Group's pension plans are defined contribution plans, whereby the company's obligation is limited to annual contributions to the employees' pension plans. The Group also has defined benefit pension plans. Costs related to these plans account for less than 4 per cent of total pension costs in 2018.

Summary of pension costs

(NOK THOUSAND)	2018	2017
Pension costs defined contribution plans and other severance schemes	177 985	181 494
Pension costs defined benefit plans	17 372	12 883
Total pension costs recognised in the income statement, ref. note 4	**195 357**	**194 377**
Actuarial gain / loss (–) recognised in the statement of other comprehensive income (net of tax)	**8 171**	**13 836**

The Jotun Group has defined benefit plans in a limited number of countries, including Norway, the UK, Indonesia and in certain countries in South East Asia and the Middle East. In Norway, the defined benefit schemes were replaced by defined contribution plans in 2004, and the defined benefit plan in the UK was closed for new members in 2012.

Defined benefit plans in Norway and Indonesia account for around 64 per cent and 22 per cent, respectively, of the Group's net pension obligation as of 31 December 2018. In Norway, net pension obligations are primarily related to previous early retirement schemes for Jotun Group's senior executives. In certain countries in South East Asia and the Middle East, such as Indonesia, Thailand and Oman, there are pension schemes based on a final salary principle in accordance with local regulations. These are included in net pension obligations.

Other severance schemes comprise mainly obligations related to operating pension schemes for employees in the Norwegian companies with an annual basic salary and pension base exceeding 12 times the basic amount (G). This accounts for 84 per cent of the other severance scheme obligation.

Schemes with net pension obligation

(NOK THOUSAND)	Pension plan assets		Defined benefit obligations		Net pension obligations	
	2018	2017	2018	2017	2018	2017
Balance as of 1 January	369 641	353 598	–502 441	–511 105	–132 798	–157 507
Translation difference at the beginning of the period	1 125	19 277	–390	–21 909	735	–2 632
Recognised in the income statement						
Pension earnings for the year	–	–	–14 278	–8 494	–14 278	–8 494
Interest income / cost (–)	–	–	–13 783	–14 463	–13 783	–14 463
Expected return on pension plan assets	9 852	10 074	–	–	9 852	10 074
Recognised in the income statement	**9 852**	**10 074**	**–28 061**	**–22 957**	**–17 372**	**–12 883**
Actuarial gain / loss (–) recognised in other comprehensive income	**–15 331**	**7 179**	**25 436**	**10 054**	**10 106**	**17 233**
Other movements						
Benefits paid	–14 871	–32 421	29 036	43 460	14 166	11 039
Contribution paid to pension schemes	15 450	3 270	–	–	15 450	3 270
Settlements	–	8 644	–	–	–	8 644
Transfer to / from schemes with net pension liabilities	–	–	–10 486	–	–10 486	–
Net pension obligation defined benefit plans	**365 866**	**369 641**	**–486 906**	**–502 441**	**–121 040**	**–132 798**
Other severance schemes	–	–	–76 649	–81 923	–76 649	–81 923
Balance as of 31 December	**365 866**	**369 641**	**–563 555**	**–584 364**	**–197 688**	**–214 721**

Breakdown of net pension liability in funded and unfunded schemes

(NOK THOUSAND)	2018	2017
Present value of funded pension obligations	–392 704	–424 717
Pension plan assets	365 866	369 641
Net funded pension obligations	**–26 838**	**–55 076**
Present value of unfunded pension obligations	–170 851	–159 644
Capitalised net pension assets / liabilities (–)	**–197 688**	**–214 721**

Pension plan assets

Pension plan assets are mainly in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets. The expected return and breakdown of pension plan assets may be seen in the tables below. Contributions to pension plan assets during 2019 are expected to be approximately NOK 12.6 million.

Breakdown of pension plan assets (fair value) as of 31 December

	2018	2017
Cash and cash equivalents in %	0.5	0.3
Bonds in %	66.8	48.3
Shares in %	27.3	46.5
Property in %	5.4	4.9
Total pension plan assets	**100.0**	**100.0**

Assumptions relating to the defined benefit plans

Defined benefit plans are calculated on the basis of a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future wage adjustment, etc. could have substantial impact on the estimated pension liability. Similarly, changes in the selected assumptions for the return on pension assets could affect the amount of the pension assets. The Group will not be materially affected by a reasonable expected change in key assumptions.

The discount rate is in general fixed at the rate on high quality corporate bonds with the same lifetime as the pension liabilities. In countries where there is no deep market in such bonds, the market yields on 10-year government bonds are used, adjusted for actual lifetime of the pension liabilities. As a rule, parameters such as wage growth, growth in G and inflation are set in accordance with recommendations in the various countries.

The mortality estimate is based on up-to-date mortality tables for the various countries.

Actuarial assumptions	Norway		Indonesia	
	2018	2017	2018	2017
Discount rate in %	2.0	1.9	9.1	7.2
Expected return in %	2.0	1.9	5.0	7.2
Wage adjustment in %	2.75	2.5	6.0	6.0
Inflation / increase in social security basic amount (G) in %	2.5	2.5	3.2	3.0
Pension adjustment in %	0.8–2.75	0.5–2.5	–	–

6 Other operating expenses and net financial items

The Jotun Group presents its income statement based on the nature of the item of income and expense.

Other operating expenses comprise all operating expenses that are not related to cost of goods sold, employee payrolls and capital cost in the form of depreciation. The main items of other operating expenses have been grouped in the table below.

Other operating expenses

(NOK THOUSAND)	2018	2017
Manufacturing	391 559	362 690
Warehouse	148 035	148 713
Transport	501 583	466 406
Sales and marketing	1 079 290	1 058 180
Technical service	131 927	130 184
Research and development	215 824	215 171
General and administrative	595 900	628 088
Other*	345 046	287 678
Total	**3 409 164**	**3 297 110**

*Other consists mainly of product liability claims and loss on receivables.

Research and development
Research and development consists of costs from projects in a research phase and development costs related to cancelled projects. Salaries and social costs are not included. Total gross research and development costs are NOK 447 million (2017: NOK 423 million). Development costs which meet the recognition criteria for intangible assets are capitalised. Further details on development costs are disclosed in note 8.

The Group has net finance items mainly comprising net interest expenses, foreign exchange gains and losses and fair value changes of the Group's financial instruments related to hedging.

Finance income

(NOK THOUSAND)	2018	2017
Fair value changes financial instruments	–	20 909
Interest income	23 413	19 857
Dividend	2 573	2 438
Net foreign exchange gain	4 062	47 737
Other financial income	14 976	25 483
Total	**45 024**	**116 424**

Finance costs

(NOK THOUSAND)	2018	2017
Fair value changes financial instruments	–27 686	–
Interest costs	–165 313	–176 097
Net foreign exchange loss	–58 119	–34 137
Other financial costs	–39 643	–24 275
Total	**–290 760**	**–234 509**
Net finance items	**–245 736**	**–118 085**

Gain and loss related to derivatives are classified as finance income and finance cost, respectively, with the following effects:

(NOK THOUSAND)	2018	2017
Unrealised gain / loss (–)	–21 402	6 284
Realised effect	2 951	7 907

7 Tax

Income tax expense refers to the authorities' taxation of the profits of the different companies in the Group. Indirect taxes like value added tax, social security contribution etc. are not included as part of income taxes. Income tax is computed on the basis of accounting profit or loss and broken down into current taxes and change in deferred taxes. Deferred tax is the result of temporary timing differences between financial accounting and tax accounting. The major components of the income tax expense for the years ended 31 December 2018 and 2017 are:

Income tax reported in the income statement

(NOK THOUSAND)	2018	2017
Current income tax charge:		
Tax payable	485 659	453 343
Deferred tax:		
Changes in deferred tax assets and liabilities	–44 146	–14 734
Income tax expense reported in the income statement	**441 513**	**438 609**

NOK 5 694 thousand (2017: 3 831 thousand) in deferred tax related to actuarial gains on defined benefit pension plans and hedge loss on net investments in foreign operations, have been recognised in other comprehensive income.

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

The Group's high effective tax rate is partly due to non-deductible expenses, non-refundable withholding taxes on remitted earnings and losses from operations without recognition of deferred tax assets. In addition, the effective tax rate is negatively affected by local income tax from equity accounted companies where taxes are liable by Jotun A/S as a foreign shareholder. "Corrections previous years" mainly relate to reassessment of the Group's pricing of internal transactions for the years 2014–2017. The reassessment was required by the Norwegian Tax Authorities and has been appealed.

In the following table reported income tax is reconciled with the calculated tax expense based on the Norwegian tax rate of 23 per cent (24 per cent in 2017). The main components are specified.

(NOK THOUSAND)		2018		2017
Profit before tax		1 115 078		1 236 179
Share of profit of associated companies and joint ventures net of tax		–383 747		–536 797
Profit before tax excluding associated companies and JVs		**731 332**		**699 382**
Expected income taxes at statutory tax rate	23 %	168 206	24 %	167 852
Non refundable foreign withholding tax	5 %	33 819	9 %	63 086
Corrections previous years	7 %	49 955	3 %	18 053
Tax effect related to equity accounted companies	8 %	61 061	9 %	61 260
Non-deductible expenses and non-taxable income	10 %	75 756	9 %	62 760
Unused tax losses not recognised as deferred tax assets	10 %	75 505	13 %	89 813
Difference between tax rates in Norway and abroad	–3 %	–22 789	–3 %	–24 215
Total income tax expense		**441 513**		**438 609**
Effective tax rate excluding profit from associated companies and JVs		60 %		63 %
Effective tax rate based on profit before tax		40 %		35 %

The effective tax rate is calculated both as income tax expense relative to profit before tax in the income statement and profit before tax excluding the share of profit after tax from equity accounted companies.

Tax payable presented in the consolidated statement of financial position

(NOK THOUSAND)	2018	2017
Tax payable for the year	485 659	453 343
Prepaid taxes	–315 386	–255 355
Withholding taxes receivable	-87 706	-88 598
Other tax payable	67 270	36 572
Total tax payable	**149 837**	**145 962**

Specification of deferred tax

Deferred tax is generally recognised for all taxable temporary differences. Deferred tax assets for temporary differences and tax loss carried forward are recognised to the extent that it is probable that future taxable income will be available to utilise the credits. Deferred tax liabilities comprise the Group's tax liabilities that are payable in the future.

The table below lists the temporary timing differences between tax accounting and financial accounting.

(NOK THOUSAND)	2018	2017
Non-current assets	360 440	549 325
Current assets	–215 410	–166 971
Liabilities	–1 094 480	–1 035 454
Tax loss carried forward	–105 005	–89 389
Net temporary differences	**–1 054 454**	**–742 489**
Net deferred tax presented in the consolidated statement of financial position		
Recognised deferred tax liabilities	–37 465	–51 707
Recognised deferred tax assets	287 006	247 560

Specification of tax loss carried forward and unused tax credits

(NOK THOUSAND)	2018	2017
2018		48 759
2019	114 554	40 208
2020	85 127	80 909
2021	88 636	80 150
2022	47 735	475 723
2023 and after	472 106	–
Without expiration	736 049	739 155
Total loss carried forward	**1 544 207**	**1 464 905**
Calculated nominal tax effect of tax loss carried forward	453 988	505 750
Valuation allowance	434 163	492 537
Deferred tax assets recognised from tax loss carried forward	**19 825**	**13 212**

Tax loss carried forward relates to subsidiaries with a history of losses that may not be used to offset taxable income elsewhere in the Group. Jotun's operations in the United States of America, Brazil, India, Spain, South Africa, Myanmar and Pakistan have substantial tax reducing timing differences and tax losses carried forward that have not been recognised due to uncertainty about future taxable profit available to utilise the credits.

The Group is subject to income taxes in numerous jurisdictions, and judgement is involved when determining the taxable amounts. Tax authorities in different jurisdictions may challenge the calculation of taxes payable from prior periods. Management judgement is required when assessing valuation of unused losses, tax credits and other deferred tax assets. The recoverability is assessed by estimating taxable profits in future years taking into consideration expected changes in temporary differences.

Indirect tax regimes are complex in many jurisdictions. Basis for such taxes may differ from actual transaction prices. In some jurisdictions, including Brazil, significant credit amounts are generated for use against future indirect and/or income tax payments. The value of such credits depends on future taxable income. Economic conditions and tax regulations may change and lead to a different conclusion regarding recoverability. Tax authorities may challenge Jotun's calculation of indirect taxes and credits from prior periods. Such processes may lead to changes to prior periods' operating expenses to be recognised in the period of change.

8 Intangible assets

Intangible assets are non-physical assets that have either been capitalised through internal development of products (development cost) or customisation of IT applications.

(NOK THOUSAND)	Development cost	IT applications and other intangibles	Total
Cost			
Balance as of 1 January 2017	179 547	416 620	596 167
Additions	60 931	67 313	128 245
Disposals	–3 311	–7 347	–10 658
Reclassifications	–112	10 029	9 917
Foreign currency translation effect	–	6 562	6 562
Balance as of 31 December 2017	**237 056**	**493 178**	**730 234**
Additions	86 298	91 444	177 742
Disposals	–	–9 784	–9 784
Reclassifications	292	–16 065	–15 773
Foreign currency translation effect	–	–247	–247
Balance as of 31 December 2018	**323 646**	**558 525**	**882 171**
Amortisation and impairment			
Balance as of 1 January 2017	–40 764	–191 375	–232 139
Amortisation	–14 440	–40 565	–55 004
Amortisation on disposals	1 412	7 375	8 787
Reclassifications	–150	–15 827	–15 977
Foreign currency translation effect	279	–5 812	–5 533
Balance as of 31 December 2017	**–53 662**	**–246 203**	**–299 866**
Amortisation	–15 800	–47 337	–63 138
Amortisation on disposals	–	8 196	8 196
Reclassifications	–292	–1 921	–2 213
Foreign currency translation effect	–	–1 842	–1 841
Balance as of 31 December 2018	**–69 754**	**–289 107**	**–358 861**
Net book value			
Balance as of 31 December 2018	**253 892**	**269 418**	**523 310**
Balance as of 31 December 2017	183 393	246 975	430 368

Intangible assets are amortised with a limited useful life over the following periods:

Development cost	8–10 years
IT applications	3–8 years

Product development in the Jotun Group is carried out both in the Jotun R&D Centre in Norway, as well as in the regional R&D laboratories in Dubai, India, Malaysia, Thailand, South Korea, China, Turkey, UK and USA. The combination of a central and regional R&D set-up is a success factor ensuring both a solid technology platform and necessary local product adaptations. Sustainability is a main driver for new developments in all segments (Decorative Paints, Protective Coatings, Marine Coatings and Powder Coatings). The main areas are:

- Reduced energy consumption and carbon footprint during the lifecycle of products and the objects they are applied to. This is achieved by developing highly efficient antifouling solutions, highly durable coatings with the need of less maintenance, optimisation of TiO_2 usage, and launching low temperature curing powder coatings
- Reducing emissions of Volatile organic compounds (VOCs) through the development of high solid and waterborne alternatives to traditional solvent based paints
- Continuously substituting hazardous raw materials with less hazardous alternatives

Within all segments the Jotun Group is committed to serving the markets with high quality products. This is a common denominator for new developments.

9 Property, plant and equipment

Property, plant and equipment comprise various types of tangible fixed assets needed for the type of business conducted by the Group.

(NOK THOUSAND)	Land	Buildings	Electrical installations	Machinery, vehicles and equipment	Construction in progress	Total
Cost						
Balance as of 1 January 2017	309 898	3 208 936	312 134	3 534 315	835 965	8 201 247
Additions	50 472	428 872	96 109	389 285	–125 727	839 011
Disposals	–4 849	–12 107	–174	–69 004	–2 590	–88 724
Reclassifications	55 118	110 897	8 607	–23 445	–135 448	15 729
Foreign currency translation effect	–7 438	–54 266	–6 934	–42 059	–144 833	–255 531
Balance as of 31 December 2017	**403 200**	**3 682 333**	**409 743**	**3 789 091**	**427 367**	**8 711 733**
Additions	49 290	29 367	9 232	264 073	559 473	911 435
Disposals	–502	–86 822	–46	–109 928	–11 945	–209 243
Reclassifications	–	–5 449	–	12 355	7 225	14 132
Foreign currency translation effect	–2 519	–26 571	–10 173	–20 971	–275	–60 509
Balance as of 31 December 2018	**449 470**	**3 592 857**	**408 755**	**3 934 621**	**981 844**	**9 367 548**
Depreciation and impairment						
Balance as of 1 January 2017	–12 826	–1 296 827	–125 264	–2 223 755	–	–3 658 672
Depreciation	–1 824	–132 046	–28 252	–271 677	–	–433 798
Depreciation on disposals	4 849	10 445	277	63 765	–	79 336
Reclassifications	–3 706	–57 475	–5 038	74 176	–	7 957
Foreign currency translation effect	161	68 497	16 470	100 709	–	185 837
Balance as of 31 December 2017	**–13 345**	**–1 407 405**	**–141 807**	**–2 256 782**	**–**	**–3 819 339**
Depreciation	–1 660	–135 365	–38 048	–291 883	–	–466 957
Depreciation on disposals	287	81 382	69	106 800	–	188 538
Reclassifications	–	1 794	5 677	–5 307	–	2 163
Foreign currency translation effect	–317	9 103	2 091	5 422	–	16 299
Balance as of 31 December 2018	**–15 036**	**–1 450 492**	**–172 018**	**–2 441 750**	**–**	**–4 079 296**
Net book value						
Balance as of 31 December 2018	**434 435**	**2 142 365**	**236 738**	**1 492 870**	**981 844**	**5 288 252**
Balance as of 31 December 2017	389 855	2 274 927	267 936	1 532 309	427 367	4 892 394

Property, plant and equipment are depreciated over the following useful life:

Land	infinite
Buildings	25–33 years
Electrical Installations	10–14 years
Machinery	7–10 years
Office equipment and furniture	5–10 years
Vehicles	4–5 years
IT equipment	3–5 years

The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted. Depreciation is stopped if residual value is considered to be higher that the carrying value.

Construction in progress

A major part of the amount under Construction in progress relates to the new headquarters and research centre project in Norway. It is also related to production and warehouse facility projects in Indonesia, Egypt and Vietnam, and a new regional centre in Dubai, the UAE.

10 Inventories

Inventories consist of the Group's stock of raw materials and finished goods. Inventories are valued at the lowest of cost and net realisable value.

The cost of raw materials is determined using the weighted average cost method. The cost of finished goods includes raw materials and other direct materials, wages and a proportion of other indirect manufacturing costs.

The amounts stated below are net of allowances for obsolete inventories.

(NOK THOUSAND)	31.12.2018	31.12.2017
Raw materials	1 210 387	1 195 411
Finished goods	1 630 304	1 380 352
Total	**2 840 690**	**2 575 763**
Total allowance for obsolete inventories	133 734	126 204

11 Provisions

Provisions consist mainly of product liability claims and environmental remediation costs related to specific cases or events occurring before the year end, and where the costs involved are not certain, but based on best estimates.

2018 (NOK THOUSAND)	Claims	Environmental	Other	Total provisions
Balance as of 1 January	238 732	71 625	48 898	359 256
Provisions arising during the year	301 024	1 000	32 769	334 793
Utilised	–71 290	–4 258	–29 360	–104 909
Unused amounts reversed	–25 234	–5 418	–549	–31 201
Currency translation effects	179	292	–2 812	–2 342
Balance as of 31 December	**443 411**	**63 241**	**48 946**	**555 597**
Current, ref. note 17	436 574	40 741	37 610	514 924
Non-current	6 837	22 500	11 336	40 673
Total	**443 411**	**63 241**	**48 946**	**555 597**

2017 (NOK THOUSAND)	Claims	Environmental	Other	Total provisions
Balance as of 1 January	221 609	72 365	32 354	326 327
Provisions arising during the year	217 066	4 000	48 898	269 964
Utilised	–187 709	–4 481	–32 352	–224 542
Unused amounts reversed	–11 963	–	–	–11 963
Currency translation effect	–271	–258	–2	–531
Balance as of 31 December	**238 732**	**71 625**	**48 898**	**359 256**
Current, ref. note 17	229 654	45 125	48 765	323 545
Non-current	9 078	26 500	133	35 711
Total	**238 732**	**71 625**	**48 898**	**359 256**

Product liability claims
Product liability claims consist of a number of separate and specific warranty claims arising from products sold. By nature, the related amounts and timing of any outflows are difficult to predict. Assumptions used to calculate the provision for product liability claims are based on technical assessments of product failures and the related expected repair costs for each specific case. It is expected that most of these costs will be payable in the next three years (ref. note 17), and all will have been payable within five years after the reporting date.

Environmental provisions
Jotun Group has recorded provisions for environmental liabilities at some currently or formerly owned, leased and third-party sites throughout the world. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised. The majority of the non-current liability amount will be realised within 2020. These provisions are estimates of amounts payable or expected to become payable.

12 Financial and commercial risk management

Jotun is exposed to market risks like fluctuations in prices of raw materials, currency exchange rates and interest rates, and volatility in these may have a substantial impact on Jotun's results. Jotun's business model, with four distinctive segments and geographical spread, provide natural hedges to reduce the financial and commercial risks inherent in the market. Jotun's main policy is to manage this risk exposure close to its origin unless the risk is regarded as significant. Jotun strives to utilise natural hedges of financial risks where possible.

Jotun's treasury function provides service to the business and shall ensure that the Group has financing to meet both short-term funding needs and the long-term strategic ambitions of Jotun. Jotun maintains a robust financial capacity without undertaking any rating from rating agencies.

Jotun A/S has International Swap Dealers Association (ISDA) agreements with its counterparts for financial derivative transactions, and transactions are made only with Jotun Group's core relationship banks with satisfactory ratings.

Raw material price risk
The Group is exposed to a significant price risk in a number of raw materials. Raw material purchases account for a significant portion of total sales revenue. The largest raw materials are titanium dioxide, emulsions, epoxy resins, metals and solvent that account for approximately 53 per cent of total raw material cost.

Volatility in raw material prices can have a significant impact on the Group's results. Large increases in the raw material prices cannot be compensated immediately in the product prices. Until the product prices can be increased, the profit will be impacted. Currently, Jotun does not hedge this risk.

Sensitivity commodities
Cost of Goods Sold (COGS) represents in large the cost of raw materials. In 2018, the COGS was NOK 9 913 million, with the top 5 raw materials representing approximately NOK 5 000 million of this amount. As indicated in the table below, a 10 per cent increase in raw material prices will, based on 2018 figures, result in an increase in COGS of in total NOK 991 million.

Gain/loss from a 10 per cent change in raw material prices

(NOK MILLION)	Effect on Top 5	Effect on Other
2018	500	491
2017	529	379

Foreign currency risk
Foreign currency risk is the risk that cash flows, profits and balance sheet items will fluctuate because of changes in foreign exchange rates. The Group's exposure to such risk relates primarily to the Group's operative activities and the Group's net investments in foreign subsidiaries.

For operating activities, the currency risk arises when a change in currency rates cannot immediately be reflected in the product prices. This creates an impact on the operational result and the cash flow.

The Group manages its foreign currency risk by hedging net cash flows that are expected to occur within a 16 month period. This foreign currency risk is hedged by using options and forward contracts.

The cash flows are hedged only if the risk is considered to be significant, and with a falling hedging ratio through the hedging period. The hedging instrument covers the period of exposure from the point the risk is forecasted till the point of settlement of the resulting net cash flow.

All hedges in the Group are with Jotun A/S based on operative activities in Norway and global intragroup financial cash flows in foreign currency. The main currency risk is outflow in EUR for raw materials and inflow in USD versus the Norwegian krone. As of 31 December 2018 Jotun A/S hedged 15 per cent of its expected net cash flows over the next 12 months.

In general, the Group does not hedge the exposure to fluctuations on the translation of profit and loss or net investments in its foreign operations into Norwegian krone. However, as part of its funding structure Jotun A/S has a USD 101.8 million loan acting as a natural hedge for a portion of its net investments in foreign currency.

Sensitivity foreign exchange
The Group generates approximately 90 per cent of its sales and most of its operating profit from operations in foreign currency. When all local sales and profit figures are converted to NOK and consolidated into Group accounts, there is a translation effect in NOK figures. In 2018, sales and operating profit outside Norway was NOK 14 437 million and NOK 1 442 million respectively.

Gain/loss from a 10 per cent change in price of NOK

(NOK MILLION)	Effect on Top 5	Effect on Other
2018	1 444	144
2017	1 323	139

Credit risk
The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk, and is further described in note 14.

Interest rate risk
Jotun Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt obligations with floating interest rates. Jotun manages its interest rate risk by monitoring the impact on the total net profit. Since Jotun has a relatively low leverage ratio, the majority of the debt is with floating interest rate.

Jotun Group has bond funding of NOK 1 555 million. One of the long-term bond agreements entered into in 2014, with a carrying amount of NOK 400 million, is based on a fixed interest rate of 3.85 per cent. In addition, Jotun Group has a bilateral loan with Nordic Investment Bank (NIB) of USD 101.6 million with floating interest rate.

Sensitivity interest rates

Jotun Group has long-term interest-bearing debt of NOK 2 253 million, hereof NOK 400 million with a fixed interest rate. The annual cost of debt will hence vary with net amount of floating rate debt of NOK 1 853 million.

Gain/loss from a 3 percentage point change in interest rates

(NOK MILLION)	Effect on cost of debt
2018	67.6
2017	49.3

Funding and liquidity risk

The Group monitors its risk by using cash flow forecasts. The main elements of the funding strategy are the establishment of long-term loans and credit facilities with a minimum average of two years to maturity and maintaining a strategic financing reserve equivalent to five per cent of the Group's operating revenue. See note 16 for further details on the Group's funding.

Cash flow from operations has seasonal cycles, especially due to the sales of exterior decorative paints in Scandinavia, and protective coatings in Eastern Europe and Central Asia. Through the first months of the year, the Group has substantial build-up of working capital in preparation for sales during spring and summer season. This is an expected cyclical movement and is taken into account when planning the Group's financing. Other drivers of the liquidity development are investments in new factories and changes in the working capital in the individual companies. The parent, Jotun A/S, repatriates cash through both ordinary dividends and interim dividends based on target equity ratios for subsidiaries.

Investments are financed mostly from Jotun A/S and the cash flows are predictable as the financing for each project is planned well in advance.

13 Overview of financial instruments

This note gives an overview of the carrying and fair value of Jotun Group's financial instruments and the accounting treatment of these instruments. The table is the basis for all further information regarding the Group's financial risk and refers to the related notes on this subject. The table also indicates the measurement level for valuation of the Group's financial instruments according to the three-tier fair value hierarchy set forth in IFRS.

2018 (NOK THOUSAND)	**Note**	**Measure-ment level**	**Financial instruments at fair value through profit or loss**	**Financial instruments at amortised cost**	**Total**	**Of this interest-bearing**
Non-current assets						
Share investments		3	18 026		18 026	
Non-current financial receivables				94 242	94 242	94 242
Total			**18 026**	**94 242**	**112 268**	**94 242**
Current assets						
Accounts receivable	14			4 549 570	4 549 570	
Other current receivables	14			569 388	569 388	
Cash and cash equivalents	15			1 011 564	1 011 564	1 011 564
Total				**6 130 521**	**6 130 521**	**1 011 564**
Total financial assets			**18 026**	**6 224 763**	**6 242 789**	**1 105 805**
Non-current liabilities						
Non-current financial liabilities	16			2 252 768	2 252 768	2 252 768
Total				**2 252 768**	**2 252 768**	**2 252 768**
Current liabilities						
Interest-bearing debt	16,12			1 379 401	1 379 401	1 379 401
Trade and other payables				2 030 904	2 030 904	
Current tax liabilities	7			149 837	149 837	
Other liabilities	17			2 141 275	2 141 275	
Current derivatives	12	1	–21 402		–21 402	
Total			**–21 402**	**5 701 416**	**5 680 015**	**1 379 401**
Total financial liabilities			**–21 402**	**7 954 185**	**7 932 783**	**3 632 169**

2017 (NOK THOUSAND)	**Note**	**Measure-ment level**	**Financial instruments at fair value through profit or loss**	**Financial instruments at amortised cost**	**Total**	**Of this interest-bearing**
Non-current assets						
Share investments		3	17 596		17 596	
Non-current financial receivables				97 313	97 313	97 313
Total			**17 596**	**97 313**	**114 909**	**97 313**
Current assets						
Accounts receivable	14			4 208 584	4 208 584	
Other current receivables	14			595 797	595 797	
Cash and cash equivalents	15			1 027 165	1 027 165	1 027 165
Total				**5 831 547**	**5 831 547**	**1 027 165**
Total financial assets			**17 596**	**5 928 860**	**5 946 456**	**1 124 479**
Non-current liabilities						
Non-current financial liabilities	16			2 044 291	2 044 291	2 044 291
Total				**2 044 291**	**2 044 291**	**2 044 291**
Current liabilities						
Interest-bearing debt	16,12			1 109 173	1 109 173	1 109 173
Trade and other payables				1 913 476	1 913 476	
Current tax liabilities	7			145 962	145 962	
Other liabilities	16			1 897 049	1 897 049	
Current derivatives	12	1	6 284		6 284	
Total			**6 284**	**5 065 659**	**5 071 943**	**1 109 173**
Total financial liabilities			**6 284**	**7 109 950**	**7 116 235**	**3 153 464**

Measurement level definitions:

Level 1: Recorded fair value based on quoted, unadjusted prices in active markets for identical assets and liabilities

Level 2: Recorded fair value based on valuation using observable market data, directly or indirectly, as input

Level 3: Recorded fair value based on valuation without availability of any observable market data as input

Share investments consist of 33.4 per cent of the shares in Nor-Maali and El-Mohandes Jotun S.A.E.'s share of ownership in an office building in Egypt.

14 Trade and other receivables

The Group discloses trade and other receivables net of allowance for credit losses. Allowances for credit losses have been recorded upon individual evaluation of the accounts receivable and other receivables. The evaluation is based on the expected credit loss model in accordance with IFRS 9. Changes in provision for bad debt, including realised losses, are classified as other operating expenses in the income statement. Bank drafts are received as payment of accounts receivable and have a maturity period of more than three months.

(NOK THOUSAND)	31.12.2018	31.12.2017
Accounts receivable	4 549 570	4 208 584
Bank drafts	111 653	189 348
Other receivables	457 735	406 449
Total	**5 118 958**	**4 804 382**

The change in allowances for bad debt is shown in following table:

(NOK THOUSAND)	31.12.2018	31.12.2017
Balance as of 1 January	198 606	169 492
Allowances for bad debt made during the period	61 111	69 728
Realised losses for the year	–70 471	–40 614
Balance as of 31 December	**189 246**	**198 606**

Aging of accounts receivable, excluding allowance for bad debt as of 31 December was as follows:

(NOK THOUSAND)			Overdue			
	Total	Not due	Less than 30 days	30–60 days	60–90 days	More than 90 days
2018	4 738 816	3 029 792	627 454	290 061	189 221	602 287
2017	4 407 190	2 837 202	544 478	249 243	140 562	635 705

Credit risk

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk and is continuously monitored by the operating entities.

Jotun Group's credit risk is mainly related to markets with generally high Days Sales Outstanding (DSO). Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of customers is assessed by the business units and individual credit limits are defined accordingly. Outstanding customer receivables are regularly monitored, and credit risk assessments are undertaken.

There is no significant concentration of credit risk in respect of single counterparts. Some groups of counterparts can be viewed as significant: shipyards, ship owners, real estate developers and some larger retail chains in Scandinavia. In combination with a geographical distribution and few large single accounts, the credit risk in the Jotun Group is viewed to be well diversified.

The need for bad debt provisions is analysed on an individual customer basis. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in the table above. Customer receivables are unsecured, which means that customers are not required to post collateral. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

15 Cash and cash equivalents

As reported in the Consolidated Statement of Cash Flows, cash and cash equivalents consisted of the following as of 31 December:

(NOK THOUSAND)	31.12.2018	31.12.2017
Cash deposits	907 285	923 745
Short-term investments	104 278	103 420
Total	**1 011 564**	**1 027 165**

Cash and cash equivalents have a maturity between one day and three months. Cash deposits with banks earn interest at floating rates based on bank deposit rates and return on short-term money market funds. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group.

As of 31 December 2018, the Group had NOK 1 300 million (2017: NOK 900 million) of undrawn long-term credit facilities available.

Cash deposits with banks are attributable to the Group's cash pool arrangement and local bank accounts held by the respective subsidiaries. Only subsidiaries owned 100 per cent by the Group are participants in the cash pool. The net cash position in the Group's cash pool per 31 December 2018 was NOK 92 million (2017: NOK 255 million). For the subsidiaries not participating in the cash pool, cash is made available through dividend distribution and/or repayment of debt to Jotun A/S. The table below provides an overview of cash balances as of 31 December:

Cash deposits

(NOK THOUSAND)	Country	31.12.2018	31.12.2017
Jotun Paints (Malaysia) Sdn. Bhd.	Malaysia	110 119	38 829
China and Hong Kong	China	99 825	92 314
El-Mohandes Jotun S.A.E.	Egypt	69 801	18 470
Jotun Paints Vietnam Co. Ltd.	Vietnam	48 902	76 167
Jotun (Singapore) Pte. Ltd.	Singapore	48 597	34 369
Jotun Thailand Ltd.	Thailand	42 006	18 723
Jotun MENA	UAE	31 289	38 138
P.T. Jotun Indonesia	Indonesia	26 789	22 814
Jotun Brasil Importacao, Exportacao E Ind De Tintas Ltda.	Brazil	25 596	15 755
Jotun (Philippines) Inc	Philippines	24 241	9 134
Other*		380 121	559 031
Total		**907 285**	**923 745**

*Other includes net position in Group Cash Pool

16 Funding and borrowings

The Group's policy is to have long-term loan's and committed credit facilities to cover planned financing needs with an additional strategic reserve of five per cent of annual consolidated sales. As of 31 December 2018, there were no drawings on the committed credit facilities.

Jotun Group's main sources of financing are loans in the Norwegian Bond market and bilateral bank facilities. Certificate loans are also used as a source of liquidity. The time to maturity for new loans and credit facilities is normally 3–7 years.

In 2018, the Jotun Group increased bond funding from NOK 1 000 million to NOK 1 555 million. The loan from Nordic Investment Bank (NIB) of USD 120 million is maintained and semi-annual instalments began in 2018. The table below gives an overview of total and net interest-bearing debt.

(NOK THOUSAND)	**Book value 31.12.2018**	**Book value 31.12.2017**	**Currency**	**Coupon**	**Term**
Non-current interest-bearing debt					
Bonds					
Bond 2014–19	–	600 000	NOK		
Bond 2014–21	400 000	400 000	NOK	Fixed rate 3.8 %	2021
Bond 2018–22	500 000	–	NOK	NIBOR + 0.7 %	2022
Bond 2018–24	500 000	–	NOK	NIBOR + 0.9 %	2024
Bank debt (NIB), unsecured	723 274	835 204	USD	US LIBOR + 1.2 %	2024
Bank debt Egypt	77 645	–	EGP	EGP + 1.7 %	2023
Bank debt Brazil, BNDES secured with bank guarantee	14 349	29 979	BRL	TJLP + 1.8 %	2021
Other bank debt	37 501	179 108			
Total	**2 252 768**	**2 044 291**			
Current interest-bearing debt					
Certificate loans, unsecured	–	100 000	NOK		
Bond 2014–19	155 000	–	NOK	NIBOR + 0.9 %	2019
Bank debt (NIB), unsecured	160 728	151 855	USD	US LIBOR + 1.2 %	2019
Credit line facilities	24 438	22 932			
Bank loans, maturity <1 year	31 543	156 980			
Bank debt China	262 558	325 308			
Bank debt Turkey	231 444	202 838			
Bank debt Thailand	201 225	–			
Bank debt Oman, pledge in tangible assets	109 411	103 499			
Bank debt Russia	74 846	–			
Other loans	128 208	45 761			
Total	**1 379 401**	**1 109 173**			
Total interest-bearing debt	**3 632 169**	**3 153 464**			
Non-current interest-bearing receivables	94 242	97 313			
Cash and cash equivalents	1 011 564	1 027 165			
Net interest-bearing debt	**2 526 364**	**2 028 985**			

Change in loan balance

(NOK THOUSAND)			**Non-cash changes**		
	2018	**Cash**	**Other (incl. reclass.)**	**Foreign exchange**	**2017**
Long-term borrowings	2 252 768	–598 111	424 271	–34 636	2 044 291
Short-term borrowings	1 379 401	109 933	–424 271	44 110	1 109 173

Maturity profile interest-bearing debt and unutilised credit facilities

The maturity profiles of Jotun Group's interest-bearing debt and unutilised committed credit facilities are shown in the table below.

(NOK THOUSAND)	Total	< 1 year	1 year	2 years	3 years	4 years	> 4 years
Gross interest-bearing debt							
31.12.2018	**3 632 169**	**1 379 401**	**180 919**	**560 767**	**660 767**	**238 411**	**611 905**
31.12.2017	3 153 464	1 109 173	804 107	152 000	552 000	152 000	384 184
Unutilised credit facilities							
31.12.2018	**1 300 000**	**–**	**–**	**600 000**	**–**	**600 000**	**100 000**
31.12.2017	900 000	–	400 000	–	400 000	–	100 000

Non-current interest-bearing debt by currency

The table below displays the distribution of Jotun Group's non-current interest-bearing debt per currency.

(NOK THOUSAND)		31.12.2018		31.12.2017
	Currency amount	NOK	Currency amount	NOK
NOK	1 400 000	1 400 000	1 000 000	1 000 000
USD	83 264	723 274	106 868	877 069
EGP	160 000	77 645	–	–
BRL	12 820	28 698	24 198	59 959
OMR	–	–	2 855	103 498
Other	–	23 152	–	3 765
Total	**–**	**2 252 768**	**–**	**2 044 291**

Financial covenants

The loan covenants in the Group's credit facility of NOK 1 200 million and the NIB bank loan are linked, among other, to the Group's equity ratio (equity / total assets) and the leverage ratio (net interest-bearing debt / EBITDA). There are no financial covenants related to the bonds for the Group or for Jotun A/S. The following financial covenants apply:

(NOK THOUSAND)	Required level (covenant)	Status year end 2018
Equity ratio	Minimum 25 %	51 %
Net debt/EBITDA	Maximum 4.0	1.3

17 Other current liabilities

(NOK THOUSAND)	31.12.2018	31.12.2017
Public charges and holiday pay	280 965	282 903
Received dividend from associated companies or joint ventures *	277 800	356 826
Other accrued expenses **	1 046 183	940 059
Total current provisions, ref. note 11	514 924	323 545
Total	**2 119 873**	**1 903 333**

* Received interim dividend from associated companies or joint ventures, prior to approval by the General Assembly.

** Other accrued expenses are related to agent commissions, sales, marketing, bonuses to employees and other accrued expenses.

18 Share capital and shareholder information

The share capital in Jotun A/S as of 31 December 2018 consists of the following share classes:

(NOK THOUSAND)	Quantity	Face value	Share capital
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. There are no changes from last year.

Ownership structure

The number of shareholders as of 31 December 2018 was 830. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Shareholding	Voting interest
Lilleborg AS	42 179	103 446	145 625	42.6 %	38.4 %
Odd Gleditsch AS	11 489	37 142	48 631	14.2 %	11.1 %
Mattisberget AS	29 500	566	30 066	8.8 %	21.6 %
Leo Invest AS	3 007	7 522	10 529	3.1 %	2.7 %
Abrafam Holding AS	3 385	3 665	7 050	2.1 %	2.7 %
BOG Invest AS	–	6 850	6 850	2.0 %	0.5 %
ACG AS	–	5 548	5 548	1.6 %	0.4 %
Elanel AS	3 025	2 353	5 378	1.6 %	2.4 %
HEJO Holding AS	–	5 250	5 250	1.5 %	0.4 %
Bjørn Ekdahl	1 874	3 281	5 155	1.5 %	1.6 %
Live Invest AS	4 077	567	4 644	1.4 %	3.0 %
Kofreni AS	131	4 114	4 245	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	1 172	2 155	3 327	1.0 %	1.0 %
Jill Beate Gleditsch	–	3 171	3 171	0.9 %	0.2 %
Fredrikke Eger	1 003	2 084	3 087	0.9 %	0.9 %
Anne Cecilie Gleditsch	5	3 081	3 086	0.9 %	0.2 %
Vida Holding AS	142	2 588	2 730	0.8 %	0.3 %
Nils Petter Johannes Ekdahl	1 872	555	2 427	0.7 %	1.4 %
Total 20 largest	**102 887**	**201 060**	**303 947**	**88.9 %**	**89.9 %**
Total others	11 113	26 940	38 053	11.1 %	10.1 %
Total number of shares	**114 000**	**228 000**	**342 000**	**100.0 %**	**100.0 %**

Shares owned by members of the Board of Directors, Corporate Assembly and Group Management and/or their respective related parties:

Name	Office	A-shares	B-shares	Total
Odd Gleditsch d.y.	Chairman of the Board	27	7 032	7 059
Einar Abrahamsen	Member of the Board	3 385	3 673	7 058
Nicolai A. Eger	Member of the Board	1 112	5 200	6 312
Richard Arnesen	Member of the Board	1 855	2 128	3 983
Karl Otto Tveter	Member of the Board	–	4	4
Birger Amundsen	Member of the Board	–	2	2
Terje Andersen	Member of the Board	–	2	2
Anders A. Jahre	Chairman of the Corporate Assembly	–	4	4
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	10 555
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 630	8 635
Richard Arnesen d.y.	Member of the Corporate Assembly	7	520	527
Kornelia Eger Foyn-Bruun	Member of the Corporate Assembly	100	274	374
Terje V. Arnesen	Member of the Corporate Assembly	–	1	1
Jens Bjørn Staff	Member of the Corporate Assembly	–	1	1
Morten Fon	President & CEO	9	21	30
Bård K. Tonning	GEVP Decorative Paints	–	5	5
Vidar Nysæther	GEVP & CFO	–	20	20
Geir Bøe	GEVP Performance Coatings	–	1	1

There are no options for share acquisitions.

Dividends paid and proposed

Declared and paid during the year	2018	2017
Dividends on ordinary shares:		
Final dividend for 2017: 1 250 NOK per share (2016: 1 500 NOK per share)	427 500	513 000

Proposed for approval at the Annual General Meeting (Not recognised as a liability as of 31 December)	2018	2017
Dividends on ordinary shares:		
Final dividend for 2018: 1 250 NOK per share (2017: 1 250 NOK per share)	427 500	427 500

19 List of subsidiaries

Shares held directly by the parent company

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	1 060 000	106 000	742 000	70.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	9 350	16 050 001	9 350	100.00
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	596 846	3 124 999	596 786	99.99
Jotun Brasil Imp., Exp. E Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	456 000 000	455 999 999	456 000 000	100.00
Jotun (Cambodia) LTD	Phnom Penh	Cambodia	USD	200	1 000	200	100.00
Jotun Paints (HK) Ltd.	Hong Kong	China	CNY	93 884	110 334 615	93 884	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	USD	9 723	1 000	9 723	100.00
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	45	3 300	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	34 000	3 400 000	23 800	70.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	30	1	10.00
Jotun France S.A.S.	Paris	France	EUR	320	16 000	320	100.00
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	512	83.33
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	11 138	334	97.40
Jotun Insurance Cell	St. Peterport	Guernsey	NOK	8 350	1	8 350	100.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	184 515 002	4 076 435	96.42
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	283 179	76 205 662	56.63
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	503 613	640	100.00
Jotun Italia S.R.L.	Trieste	Italy	EUR	2 632	509 099	2 632	100.00
Jotun Kazakhstan LLP.	Almaty	Kazakhstan	KZT	29 350	1	29 350	100.00
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	41 800	362 900	95.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	80.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 002	48 000	100.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	50 000 000	50 000	100.00
Jotun Maroc SARL D Associe Unique	Casablanca	Morocco	MAD	65 000	650 000	65 000	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	26 414	2 625 976	2 625 976	99.42
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	128 948	1 289 475	99.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	15 995 987	11 912 049	15 994 387	99.99
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	15 500	155	62.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	645 084	52 657 349	645 084	100.00
Jotun (Philippines) Inc	Manila	Philippines	PHP	780 651	15 463 695	780 651	100.00
Jotun Polska Sp.z o.o.	Gdansk	Poland	PLN	8 900	15 000	8 900	100.00
Jotun Romania SRL	Voluntari City	Romania	RON	640	64 000	640	100.00
Jotun Paints OOO	St.Petersburg	Russia	RUB	1 446 107	–	1 446 107	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	115 719	218	115 719	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	93 000	92 997	93 000	100.00
Jotun Boya Sanayi ve Ticaret A.S.	Istanbul	Turkey	TRY	8 130	30 000 000	8 130	100.00
Jotun MEIA FZ-LLC	Dubai	UAE	AED	50 000	50	50 000	100.00
Jotun Paints (Europe) Ltd	Flixborough	UK	GBP	7 500	7 500 000	7 500	100.00
Jotun Paints Inc.	New Orleans	USA	USD	101 100	200	101 100	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	VND	258 921 490	–	258 921 490	100.00

Shares held by subsidiaries and associated companies

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Powder Coatings AS							
Jotun Bulgaria EOOD	Sofia	Bulgaria	EUR	3	–	3	100.00
Jotun Czech a.s.	Usti nad Labem	Czech Rep.	CZK	128 000	12 800	128 000	100.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	270	5	90.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	6 860 000	151 355	3.58
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	215 260	57 917 918	43.04
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	2 200	19 100	5.00
Jotun Powder Coatings (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	1 950 003	1 950	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	26 414	15 414	154	0.01
Jotun Powder Coatings Pakistan (Pvt) Ltd	Lahore	Pakistan	PKR	1 050 984	103 898 434	1 039 003	98.86
Jotun Paints (HK) Ltd							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	–	217 858	100.00
Jotun (Shanghai) Management Co. Ltd.	Shanghai	China	CNY	12 252	–	12 252	100.00
Jotun Coatings (Taiwan) Ltd. Co.	Taipei	China	TWD	30 000	30 000 000	30 000	100.00
Jotun B.V.							
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	16.67
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	297	9	2.60
Jotun (Malaysia) Sdn.Bhd							
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	596 846	1	60	0.01
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	1 302	13 025	1.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	15 995 987	1 191	1 600	0.01
Jotun Singapore Pte Ltd							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	1 500	403 703	0.30

20 Contingent liabilities

Contingent liabilities are possible obligations that are not reflected in the annual accounts. This is either because it is not probable that significant financial outlays will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Product liability claims and disputes

Jotun Group is, through its ongoing business, involved in product liability claims cases and disputes in connection with the Group's operational activities. Provisions have been made to cover the expected outcome of disputes in cases where negative outcomes are likely and reliable estimates can be made. In evaluating the size of the provisions, expected insurance cover is considered separately. 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 lawsuit related to a claim in the Fort Hills oil sands mining project in Alberta, Canada, has been served against Jotun A/S and Chokwang Jotun Ltd, where Fort Hills Energy LP is seeking CAD 182 million (NOK 1.2 billion) in damages. The numbers are undocumented. In addition, reservations are made from the plaintiff for any potential additional costs. These possible records are to be proven at trial.

Jotun contests the customer's claim, and as a result of this position, no provision has been performed for a negative outcome of a lawsuit.

Environmental matters

The Jotun Group is through its operation exposed to environmental and pollution risk. A number of production facilities and product storage sites have been inspected regarding environmental conditions in the soil. For clean-up projects where implementation is considered to be probable, and for which reliable estimates have been done, provisions are made accordingly. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, further expenditures may arise as conditions at various sites has yet to be determined. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

All of Jotun's activities are carried out in accordance with local laws and regulations, and Jotun HSE requirements. These laws and regulations are subject to changes, and such changes may require that the company make investments and/or incurs costs to meet more stringent emission standards or to take remedial actions related to e.g. soil contamination.

21 Contractual obligations and guarantees

Purchase obligations
The Group's contractual purchase obligations are mainly related to investments in new plants and buildings. There is a substantial investment program ongoing in the Group. Out of the total ongoing investment program, NOK 613 million is contractual committed capital expenditures (CAPEX) at year end. These contractual commitments mainly relate to projects in Norway. For purchase of raw materials there are no actual commitments for the Group. In general, these contracts can be terminated without significant penalties.

Other obligations
The parent company has guarantees covering tax withholding and other guarantees for subsidiaries. These amounted to approximately NOK 219 million in 2018 (2017: NOK 290 million).

A subsidiary in China, Jotun Coatings (Zhangjiagang) Co. Ltd., has used bank drafts to pay some of its suppliers. The issuing bank(s) is obligated to make unconditional payment to the supplier (or bearer) on a designated date. If unforeseen events occur and the issuing bank(s) is not able to meet its obligation, then Jotun would still hold the final obligation towards its suppliers. Unsettled bank drafts totalling NOK 553 million have been used as payment as of 31 December 2018.

22 Leases

Leasing commitments show the Group's current and non-current commitments arising from leasing contracts for property, plant and equipment. All leasing contracts included in this disclosure note are regarded as operating leases, and lease amounts are presented as operating expenses in the income statement.

(NOK THOUSAND)	2018	2017
Operating lease expenses		
Machinery, vehicles and equipment	78 874	69 509
Factory, premises and buildings	61 035	42 429
Land	3 550	3 622
Cost current year	**143 460**	**115 560**
Overview of future minimum lease payments related to operating leases		
Cost next year	126 374	108 373
Cost next 2–5 years	226 279	207 442
Cost after 5 years	221 317	75 475
Future minimum lease payments	**573 970**	**391 290**

23 Related parties

Two parties are deemed to be related if one party can influence the decisions of the other.

During 2018, goods and services were purchased and sold to various related parties in which the Group holds a 50 per cent, or less equity interest. Investments in associated and joint venture companies are presented in note 3, shareholder and dividend information is presented in note 18 and subsidiaries are presented in note 19.

Terms and conditions of transactions with related parties
The transactions between related parties are sales and purchases of finished goods, raw materials and technical services. Joint expenses are distributed in accordance with agreed cost contribution arrangements. Internal trading within the Group is carried out in accordance with arm's length principles.

For raw materials, the normal process for producing entities is to place orders in accordance with frame agreements entered into at a corporate level. Raw materials are regularly sold within the Group (from large to small entities), but the majority of raw material supplies comes directly from external suppliers. Sales transactions between the Group, joint ventures and associates are mainly related to sales of finished goods from producing units to non-producing units. Other situations can be levelling of stock between entities and coordination of deliveries to customers around the world. Prices are based on fixed intercompany price lists.

The Group lends funds to one joint venture company, Jotun COSCO Marine Coatings (H.K.) Ltd. Outstanding balances at the year-end are unsecured and there have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: NOK 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates. The amount of these transactions is shown in the table below.

2018 (NOK THOUSAND)	**Sales to**	**Purchases from**	**Loans to**	**Interests on loans to**	**Other current liabilities**	**Trade and other receivables**
Joint ventures	875 132	434 903	26 332	891	144 769	202 637
Associated companies	70 534	97 122	1 361	728	246 369	78 005
Total	**945 667**	**532 025**	**27 693**	**1 619**	**391 138**	**280 642**

2017 (NOK THOUSAND)	**Sales to**	**Purchases from**	**Loans to**	**Interests on loans to**	**Other current liabilities**	**Trade and other receivables**
Joint ventures	879 385	485 418	24 679	379	90 521	232 265
Associated companies	25 400	174 032	1 286	119	167 820	24 594
Total	**904 785**	**659 450**	**25 965**	**499**	**258 341**	**256 859**

Aside from the transactions with joint ventures and associates, described in the table above, there have been very few transactions between the Jotun Group and other related parties during 2018.

Compensation of key management personnel of the Group and Board of Directors compensation
Details on remuneration and shares held for the Board of Directors and Group Management is described in note 4 and 18. Besides remuneration and shares, the Group has not identified any transactions with the Board of Directors or Group Management during 2018.

24 Standards issued but not yet effective

The standard that is issued, but not yet effective, for the annual reporting period ending 31 December 2018 is disclosed below.

IFRS 16 Leases
In January 2016, the IASB published the final version of IFRS 16 Leases. The standard sets out principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for almost all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. The standard includes two recognition exemptions: leases of low-value assets and short-term leases.

Jotun Group will adopt IFRS 16 on 1 January 2019.

Upon commencement of a lease, Jotun is required to recognise a liability to make future payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). In subsequent periods, Jotun is required to separately recognise an interest expense on the lease liability and depreciation expense on the right-of-use asset.

Jotun Group will adopt IFRS 16 using a simplified transition approach with no restatement of comparative amounts for the year prior to first adoption. The lease liability will be measured at an amount equal to the present value of future minimum payments. The right-of-use asset will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). There will be no effect on equity in the opening balance on 1 January 2019.

Jotun Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Jotun Group will also elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has reviewed all leasing arrangements over the last year considering the new lease accounting rules in IFRS 16. The standard will affect the accounting for the Group's operating leases. For lease commitments in the scope of IFRS 16, Jotun expects to recognise right-of-use assets of approximately NOK 617 million on 1 January 2019 and lease liabilities of approximately NOK 483 million. Lease liabilities are adjusted for prepayments and accrued lease payments recognised as of 31 December 2018. The Group's equity ratio will be reduced by approximately 1.5 per cent due to a net increase in total assets, while equity remains unchanged.

Based on lease contracts as of 1 January 2019, the Group expects net profit after tax to decrease by approximately NOK 15 million for 2019 as a result of adopting the new rules. EBITA and financial cost will increase.

Operating cash flows will increase, and financing cash flows decrease, by approximately NOK 165 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

25 Events after the balance sheet date

No events have taken place after the balance sheet date that would have affected the financial statements or any assessments carried out.

Jotun A/S

Income statement

(NOK THOUSAND)	Note	2018	2017
Operating revenue	1,22	3 382 926	3 186 166
Cost of goods sold	22	–1 595 853	–1 481 962
Payroll expenses	2	–913 040	–883 458
Other operating expenses	4,21,22	–862 457	–778 910
Depreciation, amortisation and impairment	6,7	–150 548	–136 627
Operating profit		**–138 972**	**–94 790**
Dividend from subsidiaries		839 467	1 036 678
Dividend from joint ventures and associated companies		376 405	562 331
Net finance costs	4,10,20,22	–182 814	–227 321
Profit before tax		**894 086**	**1 276 898**
Income tax expense	5	–167 204	–197 877
Profit for the year		**726 882**	**1 079 021**

Statement of other comprehensive income

(NOK THOUSAND)	Note	2018	2017
Profit for the year		**726 882**	**1 079 021**
Items that will not be reclassified to profit or loss:			
Actuarial gain / loss (-) on defined benefit pension plans	3	–2 246	–123
Other comprehensive income for the year, net of tax		**–2 246**	**–123**
Total comprehensive income for the year		**724 635**	**1 078 898**

Statement of financial position

(NOK THOUSAND)	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Deferred tax assets	5	134 956	69 256
Other intangible assets	6	485 401	360 194
Property, plant and equipment	7	1 422 706	1 093 994
Investments in subsidiaries	16	2 928 868	2 697 120
Investments in associated companies and joint ventures	17	318 453	318 453
Other investments	18	8 728	8 728
Other non-current receivables	10,12,13	2 575 091	2 588 836
Total non-current assets		**7 874 204**	**7 136 581**
Current assets			
Inventories	8	496 437	436 284
Trade and other receivables	11,12	1 107 376	1 041 657
Cash and cash equivalents	13	213 813	395 141
Total current assets		**1 817 626**	**1 873 082**
Total assets		**9 691 830**	**9 009 663**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	102 600	102 600
Other equity		5 414 969	5 117 834
Total equity		**5 517 569**	**5 220 434**
Non-current liabilities			
Pension liability	3	142 086	137 071
Provisions	9,19	39 237	35 578
Interest-bearing debt	10,13	2 123 274	1 835 204
Total non-current liabilities		2 304 596	2 007 853
Current liabilities			
Interest-bearing debt	13	315 728	251 855
Trade and other payables	12	448 017	378 734
Provisions	9	379 698	198 790
Current tax payable	5	52 429	66 130
Other current liabilities	12,13,14	673 792	885 867
Total current liabilities		**1 869 664**	**1 781 376**
Total liabilities		**4 174 261**	**3 789 229**
Total equity and liabilities		**9 691 830**	**9 009 663**

Sandefjord, Norway, 11 February 2019
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Karl Otto Tveter

Per Kristian Aagaard

Morten Fon
President and CEO

Statement of cash flows

(NOK THOUSAND)	Note	2018	2017
Cash flow from operating activities			
Operating profit		–138 972	–94 790
Adjustments to reconcile operating profit to net cash flow:			
Gain (–) / loss on sale of fixed assets	7	–5	–6 272
Depreciation, amortisation and impairment	6,7	150 979	138 538
Impairment of shares	4	211 000	303 374
Change in accruals and other provisions		21 012	135 234
Working capital changes:			
Change in trade and other receivables		–65 785	–72 585
Change in trade payables		67 360	13 169
Change in inventories		–60 152	–23 482
Cash generated from operating activities		**185 435**	**393 186**
Dividend from subsidiaries, joint ventures and associated companies		1 215 872	1 599 009
Net financial items	4	–182 814	–227 321
Tax payments	5	–236 754	–179 098
Net cash flow from operating activities		**981 739**	**1 585 776**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	7	5	8 000
Purchase of property, plant and equipment	7	–431 573	–296 853
Purchase of intangible assets	6	–173 325	–124 531
Investments in subsidiaries, joint ventures and associated companies	16,17	–442 748	–377 567
Net cash flow used in investing activities		**–1 047 641**	**–790 951**
Cash flow from financing activities			
Repayment (–) / proceeds in group account system	12	–35 761	–321 077
Cash payments for new lending	10,12	–4 108	–77 512
Repayment (–) / proceeds from borrowings	13	351 942	–148 565
Dividend paid	15	–427 500	–513 000
Net cash flow from financing activities		**–115 427**	**–1 060 154**
Net increase / decrease (–) in cash and cash equivalents		–181 328	–265 329
Cash and cash equivalents as of 1 January		395 141	660 470
Cash and cash equivalents as of 31 December		**213 813**	**395 141**

The company had unused credit facilities of NOK 1 300 million as of 31 December 2018 (2017: NOK 900 million).
There are no restrictions on use of these cash and cash equivalents.

Statement of changes in equity

(NOK THOUSAND)	Note	Share capital	31.12.2018	31.12.2017
Equity as of 1 January 2017		**102 600**	**4 551 936**	**4 654 536**
Dividends	15		–513 000	–513 000
Profit for the year			1 079 021	1 079 021
Other comprehensive income			–123	–123
Equity as of 31 December 2017		**102 600**	**5 117 834**	**5 220 434**
Dividends	15		–427 500	–427 500
Profit for the year			726 882	726 882
Other comprehensive income	3		–2 246	–2 246
Equity as of 31 December 2018		**102 600**	**5 414 969**	**5 517 569**

Notes to the parent company financial statements

Accounting policies

The financial statements for Jotun A/S have been prepared in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act. This mainly implies that the financial statements are presented in accordance with IFRS and the notes are presented in accordance with the requirements of the Norwegian Accounting Act. The accounting policies for the Group therefore also apply to Jotun A/S, see summary of significant accounting policies in Group statement.

In the process of applying Jotun A/S' accounting policies, Management has made judgements, estimates and assumptions which may have significant effect on the amounts recognised in the financial statements.

Shares in subsidiaries, joint ventures and associated companies are incorporated using the cost method of accounting, and are consequently within the scope of impairment testing. Impairment tests are made when objective evidence indicates that a loss event has occurred after initial recognition. The value in use of the investment is calculated based on future net cash flows. Key assumptions related to the cash flow analysis are sales and profit development, discount rate and terminal value.

For more information about accounting policies, see Jotun Group.

1 Operating revenue

(NOK THOUSAND)	2018	2017
Revenue from contracts with customers	1 580 241	1 448 507
Revenue from contracts with customers – subsidiaries and joint ventures	1 000 126	990 161
Other revenue	73 866	20 013
Other revenue from subsidiaries and joint ventures	728 695	727 4845
Total	**3 382 926**	**3 186 166**

Other revenue includes rental income, licence revenue and profit on sale of fixed assets.

Revenue from contracts with customers by segments

(NOK THOUSAND)	2018	2017
Decorative Paints	2 192 653	2 079 394
Marine Coatings	267 244	250 265
Protective Coatings	93 034	75 907
Powder Coatings	27 435	33 103
Total	**2 580 366**	**2 438 669**

The company does not have any material revenue related balance sheet items other that trade receivables specified in specified in note 11.

Payment terms are based on agreements and local business practices, and are in general in the range of 30 to 60 days.

2 Payroll expenses

Payroll expenses are the total disbursements relating to remuneration of personnel employed by the company. These expenses comprise direct salaries and holiday pay, bonuses, pension costs and public taxes/charges relating to the employment of personnel.

Wages and other social costs

(NOK THOUSAND)	2018	2017
Wages including bonuses	748 605	715 221
Social security tax	118 328	114 755
Pension costs defined benefit plans, ref. note 3	3 586	3 182
Pension costs defined contribution plans	73 746	80 456
Other personnel costs	–31 225	–30 156
Total	**913 040**	**883 458**
Average number of full time equivalents (FTEs)	944	923

Bonus systems

Jotun Group has a system of annual bonuses that applies to senior management and is limited to a maximum of 20 per cent of annual basic salary.

Further, all members of Jotun Group Management, including the President & CEO, are part of an annual profit-dependent bonus system limited upwards to 50 per cent of annual basic salary.

Remuneration of the President & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	5 408	1 050	271	863	7 593

The President & CEO is part of a pension scheme that includes a mutual opportunity to discontinue employment in whole or in part up to five years earlier than a stipulated retirement age of 67 years.

Jotun Group has no obligation to give the President & CEO or the Chairman of the Board special remuneration upon discontinuance or change of employment or office. Should the President & CEO's employment discontinue, his contract has a clause stipulating that a one-year "competition quarantine" may be imposed with compensation. The President & CEO has a notice period of 6 months.

The Group has not given any loans or guarantees to the President & CEO, the Chairman of the Board, or to any shareholders or members of Group Management, the Board or Corporate Assembly.

Remuneration of the Board of Directors

(NOK THOUSAND)	Ordinary compensation
Board of Directors	2 820
Corporate Assembly	165
Total	**2 985**

Shares owned by members of the Board of Directors and Group Management are specified in note 15.

External auditor remuneration

(NOK THOUSAND)	2018	2017
Statutory audit	3 001	2 936
Other financial audit services	587	214
Tax services	339	1 078
Total	**3 926**	**4 228**

3 Pensions and other long-term employee benefits

Jotun A/S has both defined contribution and defined benefit pension plans. The majority of the company's pension plans are defined contribution plans, whereby the company's obligation is limited to annual contributions to the employees' pension plans. Costs related to the defined benefit pension plans account for less than 5 per cent of total pension costs in 2018, as seen from the table below.

(NOK THOUSAND)	2018	2017
Pension costs defined contribution plans and other severance schemes	73 746	80 456
Pension costs defined benefit plans	3 586	3 182
Total pension costs recognised in the income statement, ref. note 2	**77 332**	**83 638**
Actuarial gain / loss (–) recognised in other comprehensive income (net of tax)	**2 246**	**123**

The defined benefit schemes were replaced by defined contribution plans in 2004. Net pension obligations as of 31 December 2018 are primarily related to previous early retirement schemes for Jotun Group's senior executives.

Other severance schemes are obligations related to operating pension schemes for employees with an annual basic salary and pension base exceeding 12 times the basic amount (G).

Schemes with net pension obligation

(NOK THOUSAND)	Pension plan assets		Defined benefit obligations		Net pension obligations	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Balance as of 1 January	**432**	**2 032**	**–69 611**	**–77 095**	**–69 179**	**–75 063**
Recognised in the income statement						
Pension earnings for the year	–	–30	–2 339	–2 169	–2 339	–2 199
Interest income / cost (–)	–	–	–1 245	–1 003	–1 245	–1 003
Expected return on plan assets	–2	20	–	–	–2	20
Recognised in the income statement	**–2**	**–10**	**–3 584**	**–3 172**	**–3 586**	**–3 182**
Actuarial gain / loss (–) recognised in other comprehensive income	**–6**	**–1 566**	**–2 874**	**1 406**	**–2 880**	**–160**
Other movements						
Benefits paid	–	–69	8 099	9 243	8 099	9 174
Contribution paid to pension schemes	28	45	4	6	32	51
Transfer to / from schemes with net pension liabilities	–	–	–10 486	–	–10 486	–
Net pension obligation defined benefit plans	**452**	**432**	**–78 452**	**–69 611**	**–78 000**	**–69 179**
Other severance schemes	–	–	–64 086	–67 892	–64 086	–67 892
Balance as of 31 December	**452**	**432**	**–142 538**	**–137 503**	**–142 086**	**–137 071**

Breakdown of net pension liability in funded and unfunded schemes

(NOK THOUSAND)	2018	2017
Present value of funded pension obligations	–222	–199
Pension plan assets	452	432
Net funded pension assets	**230**	**233**
Present value of unfunded pension obligations	–142 316	–137 304
Capitalised net pension assets / liabilities (–)	**–142 086**	**–137 071**

Pension plan assets

Pension plan assets are mainly in bonds and shares. The expected return will vary depending on the composition of the various classes of assets. The expected return and breakdown of pension plan assets may be seen in the tables below.

Breakdown of pension plan assets (fair value) as of 31 December

	2018	2017
Cash and cash equivalents in %	2.9	2.6
Bonds in %	67.4	70.6
Shares in %	16.0	12.7
Property in %	13.7	14.1
Total pension plan assets	**100.0**	**100.0**

Assumptions relating to the defined benefit plans

The discount rate related to the defined benefit plans is based on the market yields on 10-year government bonds adjusted for actual lifetime of the pension liabilities. As a rule, parameters such as wage growth, growth in G and inflation are set in accordance with recommendations in Norway.

The mortality estimate is based on an up-to-date mortality table (K2013BE).

Actuarial assumptions	2018	2017
Discount rate in %	2.0	1.9
Expected return in %	2.0	1.9
Wage adjustment in %	2.75	2.5
Inflation / increase in social security basic amount (G), in %	2.5	2.5
Pension adjustment in %	0.8–2.75	0.5–2.5

4 Other operating expenses and net financial items

Jotun A/S presents its income statement based on the nature of the item of income and expense. Other operating expenses comprise all operating expenses that are not related to cost of goods sold, employee payrolls and capital cost in the form of depreciation. The main items of other operating expenses have been grouped in the table below.

Other operating expenses

(NOK THOUSAND)	2018	2017
Manufacturing	64 013	57 473
Warehouse	15 504	13 925
Transport	44 050	46 978
Sales	130 448	139 405
Research and development	215 824	215 171
General and administrative	82 185	108 516
Royalty	30 621	46 077
Other *	279 812	151 365
Total	**862 457**	**778 910**

*) Other consists mainly of product liability claims.

Research and development

Research and development consists of costs from projects in a research phase and development costs related to cancelled projects. Salaries and social costs are not included. Total gross research and development costs are NOK 447 million (2017: NOK 423 million). Development costs which meet the recognition criteria for intangible assets are capitalised. Further details on development costs are disclosed in note 6 and in Jotun Group's note 8.

Finance income

(NOK THOUSAND)	2018	2017
Interest income	11 846	4 342
Interest income on loans to Group companies	134 487	146 959
Net realised foreign currency gain	5 903	–
Net unrealised foreign currency gain	–	75 725
Other financial income	16 655	24 815
Total	**168 891**	**251 841**

Finance costs

(NOK THOUSAND)	2018	2017
Interest costs	–76 128	–64 069
Net realised foreign currency loss	–	–25 510
Net unrealised foreign currency loss	–58 531	–
Write down of financial fixed assets, see note 16	–211 000	–387 065
Other financial costs	–6 046	–2 518
Total	**–351 705**	**–479 162**
Net financial items	**–182 814**	**–227 321**

Gain and loss related to derivatives are classified as finance income and finance cost, respectively, with the following effects:

(NOK THOUSAND)	2018	2017
Unrealised gain / loss (–)	–21 402	6 284
Realised effect	2 951	7 907

5 Income tax

Income tax reported in the income statement

(NOK THOUSAND)	2018	2017
Tax payable	232 270	202 138
Changes in deferred tax	–65 066	–4 261
Income tax expense reported in income statement	**167 204**	**197 877**

Statement of other comprehensive income

(NOK THOUSAND)	2018	2017
Deferred tax related to items charged directly to other comprehensive income during the year:		
Actuarial gain / loss (-) on defined benefit pension plans	634	37
Income tax expenses charged directly to other comprehensive income	**634**	**37**

Reconciliation of the effective rate of tax and the tax rate in Jotun A/S country of registration

The table below reconciles the reported income tax expense to the expected income tax expense according to Norwegian corporate income tax rate of 23 per cent (2017: 24 per cent):

(NOK THOUSAND)	2018	2017
Profit before tax	**894 086**	**1 276 898**
Expected income taxes according to income tax rate 23 per cent in Norway	205 640	306 456
Exempted tax on dividends	–225 772	–317 227
Tax on dividends and surplus in controlled foreign companies (CFC)	43 371	44 992
Non-deductible expenses and non taxable income*	36 603	77 157
Correction previous years and change in temporary differences	49 654	19 502
Taxation outside Norway less deductible in Norwegian Tax	57 708	66 997
Total income tax expense	**167 204**	**197 877**
Effective tax rate	19 %	15 %

*) Non-deductible expenses are primarily connected to write down of shares. See note 16 for further information.

Tax payable presented in the statement of financial position

(NOK THOUSAND)	2018	2017
Tax payable for the year	232 270	202 138
Net foreign tax paid	–50 939	–60 735
Norwegian tax settlement for previous years	–33 839	10 994
Withholding taxes receivable	–63 178	–61 153
CFC tax receivable	–22 886	–16 531
SkatteFUNN (R&D tax incentive scheme) receivable	–9 000	-8 583
Total tax payable in Norway and abroad	**52 429**	**66 130**
Tax payable in Norway	45 660	59 869

Specification of deferred tax

Deferred tax liability consists of tax liabilities that are payable in the future. The table below lists the timing differences between tax accounting and financial accounting.

(NOK THOUSAND)	2018	2017
Temporary differences		
Non-current assets	3 757	79 001
Current assets	–56 173	–14 729
Liabilities	–561 021	–365 388
Net temporary differences	**–613 437**	**–301 115**
Tax rate*	22 %	23 %
Deferred tax asset recognised in the statement of financial position	**134 956**	**69 256**

*) The Norwegian nominal statutory tax rate will be reduced from 23 per cent in 2018 to 22 per cent in 2019.

6 Intangible assets

(NOK THOUSAND)	Technology	IT applications	Development cost	Total
Cost				
Balance as of 1 January 2017	5 334	253 388	179 435	438 158
Additions and internal development	–	63 599	60 932	124 531
Disposals	–	–6 698	–3 311	–10 009
Balance as of 31 December 2017	**5 334**	**310 289**	**237 055**	**552 680**
Additions and internal development	–	87 027	86 298	173 325
Disposals	–	–757	–	–757
Balance as of 31 December 2018	**5 334**	**396 558**	**323 354**	**725 246**
Amortisation				
Balance as of 1 January 2017	–4 134	–117 293	–40 765	–162 190
Amortisation	–1 067	–23 027	–14 310	–38 404
Amortisation on disposals	–	6 698	1 412	8 110
Balance as of 31 December 2017	**–5 201**	**–133 622**	**–53 663**	**–192 483**
Amortisation	–133	–31 755	–15 800	–47 688
Amortisation on disposals	–	327	–	327
Balance as of 31 December 2018	**–5 334**	**–165 049**	**–69 462**	**–239 846**
Net book value				
Balance as of 31 December 2018	**–**	**231 509**	**253 892**	**485 401**
Balance as of 31 December 2017	133	176 667	183 392	360 194

Intangible assets are amortised over the following useful lifetimes:

Asset category	Useful life
Technology	5 years
IT applications	5–8 years
Development cost	8–10 years

See Jotun Group's note 8 for further information

7 Property, plant and equipment

(NOK THOUSAND)	Land	Buildings	Electrical Installation	Machinery vehicles and equipment	Construction in progress	Total
Cost						
Balance as of 1 January 2017	20 304	641 717	98 254	925 846	191 349	1 877 469
Additions	24 636	35 592	25 641	26 194	184 791	296 853
Disposals	–	–4 176	–	–2 362	–	–6 538
Balance as of 31 December 2017	**44 940**	**673 132**	**123 895**	**949 677**	**376 140**	**2 167 783**
Additions	983	8 440	5 365	33 050	383 736	431 573
Disposals	–	–	–	–1 165	–	–1 165
Balance as of 31 December 2018	**45 923**	**681 571**	**129 259**	**981 562**	**759 876**	**2 598 191**
Depreciation						
Balance as of 1 January 2017	–	–383 269	–40 303	–556 794	–	–980 365
Depreciation	–	–18 927	–11 137	–68 158	–	–98 223
Depreciation on disposals	–	2 436	–	2 362	–	4 798
Balance as of 31 December 2017	**–**	**–399 760**	**–51 440**	**–622 590**	**–**	**–1 073 790**
Depreciation	–	–18 875	–12 906	–71 079	–	–102 860
Depreciation on disposals	–	–	–	1 165	–	1 165
Balance as of 31 December 2018	**–**	**–418 636**	**–64 346**	**–692 504**	**–**	**–1 175 485**
Net book value						
Balance as of 31 December 2018	**45 923**	**262 936**	**64 914**	**289 058**	**759 876**	**1 422 706**
Balance as of 31 December 2017	44 940	273 371	72 455	327 087	376 140	1 093 994

Property, plant and equipment are depreciated over the following useful lifetimes:

Asset	Useful life
Land	infinite
Buildings	25 years
Electrical Installations	10 years
Machinery	10 years
Office inventory and furniture	10 years
Office and IT equipment	5 years

See Jotun Group's note 9 for further information.

8 Inventories

Inventories consist of the company's stock of raw materials and finished goods. Inventories are valued at the lower of cost or net realisable value. Cost of inventories is assigned by using weighted average cost formula.

(NOK THOUSAND)	31.12.2018	31.12.2017
Raw materials at cost	185 645	178 891
Finished goods at cost	314 981	263 686
Goods in transit	7 410	4 307
Allowance for obsolescence	–11 600	–10 600
Total	**496 437**	**436 284**

9 Provisions

2018 (NOK THOUSAND)	Claims	Environmental	Other	Total
Balance as of 1 January 2018	187 998	31 370	15 000	234 368
Provisions arising during the year	250 510	1 000	9 900	261 410
Utilised	–56 914	–4 129	–9 452	–70 494
Unused amounts reversed	–6 349	–	–	–6 349
Balance as of 31 December 2018	**375 246**	**28 241**	**15 449**	**418 935**
Current	368 409	5 741	5 549	379 699
Non-current	6 837	22 500	9 900	39 237
Total	**375 246**	**28 241**	**15 449**	**418 935**

2017 (NOK THOUSAND)	Claims	Environmental	Other	Total
Balance as of 1 January 2017	159 828	31 851	–	191 679
Provisions arising during the year	102 089	4 000	15 000	121 089
Utilised	–72 252	–4 481	–	–76 733
Unused amounts reversed	–1 666	–	–	–1 666
Balance as of 31 December 2017	**187 998**	**31 370**	**–**	**234 368**
Current	178 920	4 870	15 000	198 790
Non-current	9 078	26 500	–	35 578
Total	**187 998**	**31 370**	**–**	**234 368**

Product liability claims

Product liability claims consist of a number of separate and specific warranty claims arising from products sold. By nature, the related amounts and timing of any outflows are difficult to predict. Assumptions used to calculate the provision for product liability claims are based on technical assessment of product failures and the related expected repair costs for each specific case. It is expected that most of these costs will be payable in the next three years, and all will have been payable within five years after the reporting date.

Environmental provisions

Jotun A/S has recorded provisions for environmental liabilities at some currently owned sites. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised. These provisions are estimates of amounts payable or expected to become payable. The majority of the non-current liability amount will be realised within 2020. These provisions are estimates of amounts payable or expected to become payable.

10 Financial and commercial risk management

Jotun A/S is exposed to market risks like fluctuations in prices of raw materials, currency exchange rates and interest rates. Jotun A/S uses financial instruments to reduce these risks in accordance with the Group's treasury policy.

Categories of financial risks and risk policies for Jotun A/S

FOREIGN CURRENCY RISK

Foreign currency risk on net investments

As NOK is the functional currency for Jotun A/S and the presentation currency, Jotun A/S is exposed to currency translation risk for net investments in foreign operations. Jotun A/S finances most of the investments for the Jotun Group, and therefore has a substantial intercompany loan portfolio in different currencies, see table below. Jotun A/S has a USD 102 million external loan established in 2013, see note 13. The currency gains/losses are presented as part of net finance costs in the income statement, see note 4 for more information. Jotun Group's note 12 gives additional information regarding financial risk management.

Total loans given in foreign currency from Jotun A/S to its subsidiaries, joint ventures and associates as of 31 December 2018 was NOK 2 579 million, of which NOK 2 509 million was in foreign currency. The following table gives an overview of the main currency exposures related to internal loans in foreign currency.

(NOK THOUSAND)	31.12.2018		31.12.2017	
Local currency	**Currency amount**	**NOK**	**Currency amount**	**NOK**
USD	71 290	619 261	76 390	626 933
MYR	173 900	365 758	173 900	352 917
EUR	27 837	276 593	27 837	274 151
IDR	457 250 000	276 316	472 775 000	286 029
CNY	191 540	241 781	191 540	241 589
RUB	1 432 358	178 676	2 207 358	314 186
PHP	918 900	152 039	678 900	111 486
SGD	22 000	140 248	10 000	61 352
GBP	8 000	88 532	8 000	88 658
TRY	22 676	37 270	22 676	49 116
AUD	5 386	33 038	5 386	34 481
Other	–	99 163	–	74 956
Total		**2 508 674**		**2 515 855**

The table below gives an overview of long term debt in foreign currency for Jotun A/S.

(NOK THOUSAND)	31.12.2018		31.12.2017	
Local currency	**Currency amount**	**NOK**	**Currency amount**	**NOK**
USD	83 264	723 274	101 767	835 204

Foreign currency risk on operational and financial cash flows

Jotun A/S has inflows and outflows of foreign currency related to product sales and raw material purchases. Currency risk arises when movements in currency rates can not immediately be passed on to the product prices. This creates an impact on the operational result. Jotun A/S has a policy to hedge against this effect when the effect is significant.

Foreign currency financial cash flows such as dividend payments, royalty payments, interest payments, instalments and issuing of loans and equity, give a currency exposure. The policy is to hedge this exposure.

Jotun A/S' financial and operational foreign exchange income and costs are hedged as a net position according to the Group policy. As of December 2018 Jotun A/S had hedged 15 per cent of its expected net cash flow next 12 months.

Jotun A/S does not apply hedge accounting for cash flow hedging. Realised and unrealised gains/losses on hedges are charged to the income statement, ref. note 4. Realised and unrealised currency gains/losses on short term and long term loans are also charged to the income statement.

Raw material price risk

Jotun A/S is exposed to a significant price risk in a number of raw materials. Raw material purchases account for a significant portion of total sales revenue. Volatility in raw material prices can have significant impact on the results. Large increases in the raw material prices cannot be compensated immediately through increases in the product prices. Until the product prices can be increased, the profit will be impacted. Currently, Jotun does not hedge this risk.

Interest rate risk

Jotun A/S has low net interest bearing debt with a seasonal peak within one billion NOK. The interest rate risk is not regarded as a critical factor. Based on the present net debt situation, Jotun's policy is not to hedge interest rate risk. If the net debt should increase and become permanently substantially higher than the present level, the policy will be reviewed.

Liquidity risk

Cash flow from Jotun's operations has seasonal cycles. There is a substantial build-up of working capital during winter and spring in preparation for the summer sales season. Other drivers in the liquidity development are investments within the Jotun Group which are mostly financed from Jotun A/S. See note 15 for more information.

Credit risk

The management of credit risk related to accounts receivable and other operating receivables is handled as part of the business risk and is continuously monitored. There is a slight concentration of credit risk in respect of single counterparts, but the risk is moderate. The losses on accounts receivables have been insignificant through Jotun's history.

Jotun A/S has International Swap Dealers Association (ISDA) agreements with its counterparts for derivative transactions, and transactions are made only with Jotun Group's core relationship banks with satisfactory ratings.

11 Trade and other receivables

Jotun A/S discloses trade and other receivables net of allowance for credit losses. Allowances for credit losses have been recorded upon individual evaluation of the accounts receivable and other receivables. The evaluation is based on an expected credit loss model in accordance with IFRS 9.

(NOK THOUSAND)	31.12.2018	31.12.2017
Accounts receivable external*	103 017	63 894
Accounts receivable group companies	549 114	484 896
Other receivables external	41 807	60 424
Other receivables group companies	413 439	432 444
Total receivables	**1 107 376**	**1 041 657**

*) Including provision for bad debt.

The change in allowances for bad debt is shown in following table:

(NOK THOUSAND)	2018	2017
Allowances for bad debt as of 1 January	25 596	4 298
Allowances for bad debt made during the period	18 974	21 325
Realised losses for the year	2	–27
Total allowances for bad debt as of 31 December	**44 572**	**25 596**

Credit risk and foreign exchange risk regarding accounts receivable is discussed in note 10.

Aging of accounts receivable as of 31 December was as follows:

(NOK THOUSAND)			Overdue			
	Total	Not due	Less than 30 days	30–60 days	60–90 days	More than 90 days
2018	107 343	85 407	19 384	356	–109	2 305
2017	68 304	50 295	13 471	494	169	3 875

**) Does not include allowance for bad debt.

12 Intercompany balances with subsidiaries, joint ventures and associated companies

(NOK THOUSAND)	Subsidiaries		Joint ventures / Associated companies	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Non-current assets				
Other long-term receivables	2 551 254	2 576 362	1 361	1 286
Total	**2 551 254**	**2 576 362**	**1 361**	**1 286**
Current assets				
Trade receivables	452 046	446 152	97 068	38 743
Other current receivables	413 439	400 824	–	31 619
Total	**865 485**	**846 977**	**97 068**	**70 363**
TOTAL ASSETS	**3 416 739**	**3 423 339**	**98 429**	**71 648**
Current liabilities				
Trade creditors	127 101	96 443	12 904	10 212
Other short-term liabilities	123 971	309 695	11 545	301 922
TOTAL LIABILITIES	**251 072**	**406 138**	**24 449**	**312 135**

13 Funding and borrowings

Cash flow from Jotun's operations has seasonal cycles. Through the winter and spring there is a substantial build-up of working capital in preparation for the summer sales season. This is an expected cyclical movement and is taken into account when planning the company's financing. Other drivers for the liquidity development are the investments in new factories around the world. Investments within the Jotun Group are financed mostly from Jotun A/S and the cash flows are predictable as the financing for each project is planned well in advance. Jotun A/S received NOK 1 216 million in dividends from Jotun Group in 2018, compared to NOK 1 599 million in 2017.

(NOK THOUSAND)	31.12.2018	31.12.2017
Non-current interest-bearing debt		
Bonds	1 400 000	1 000 000
Bank debt Nordic Investment Bank (NIB), unsecured	723 274	835 204
Total	**2 123 274**	**1 835 204**
Current interest-bearing debt		
Certificate loans, unsecured	–	100 000
Bond	155 000	–
Instalments on bank debt (NIB), unsecured	160 728	151 855
Other current interest-bearing liabilities (cash pool)	122 651	157 497
Total	**438 378**	**409 352**
Total interest-bearing debt	**2 561 652**	**2 244 556**
Interest-bearing receivables		
Non-current interest-bearing receivables	2 575 091	2 588 836
Current interest-bearing receivables	315 398	296 630
Cash and cash equivalents	213 813	395 141
Total	**3 104 302**	**3 280 607**
Net interest-bearing receivables / liabilities (–)	**542 650**	**1 036 051**

Of the non-current bonds, NOK 400 million is due for payment in 2021, NOK 500 million is due in 2022 and the remaining NOK 500 million is due in 2024.

Jotun has a USD 101.8 million loan from the Nordic Investment Bank (NIB) where USD 83.3 million is long term and USD 18.5 million is short term as of 31.12.2018. Down payment of the loan will be made semi-annually from 2019 until final maturity in 2024. The instalments for 2019 are presented as current interest-bearing debt.

The non-current interest-bearing receivables consist mainly of intercompany loans to subsidiaries, joint ventures and associated companies.

The current interest-bearing receivables consist mainly of Jotun subsidiaries drawings in the Jotun Group's cash pool.

See Jotun Group's note 16 for further information about funding and borrowings, including loan covenants.

14 Other current liabilities

(NOK THOUSAND)	2018	2017
Liabilities to subsidiaries, joint ventures and associated companies	410 978	611 617
Public charges and holiday pay	106 019	139 767
Other accrued expenses	156 795	134 483
Total	**673 792**	**885 867**

Other accrued expenses are related to bonuses to employees, royalty, interests and other accrued expenses.

15 Share capital and shareholder information

The share capital in Jotun A/S as of 31 December 2018 consists of the following share classes:

(NOK THOUSAND)	Quantity	Face value	Share capital
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. There are no changes from last year.

Ownership structure

The number of shareholders as of 31 December 2018 was 830. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Shareholding	Voting interest
Lilleborg AS	42 179	103 446	145 625	42.6 %	38.4 %
Odd Gleditsch AS	11 489	37 142	48 631	14.2 %	11.1 %
Mattisberget AS	29 500	566	30 066	8.8 %	21.6 %
Leo Invest AS	3 007	7 522	10 529	3.1 %	2.7 %
Abrafam Holding AS	3 385	3 665	7 050	2.1 %	2.7 %
BOG Invest AS	–	6 850	6 850	2.0 %	0.5 %
ACG AS	–	5 548	5 548	1.6 %	0.4 %
Elanel AS	3 025	2 353	5 378	1.6 %	2.4 %
HEJO Holding AS	–	5 250	5 250	1.5 %	0.4 %
Bjørn Ekdahl	1 874	3 281	5 155	1.5 %	1.6 %
Live Invest AS	4 077	567	4 644	1.4 %	3.0 %
Kofreni AS	131	4 114	4 245	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	1 172	2 155	3 327	1.0 %	1.0 %
Jill Beate Gleditsch	–	3 171	3 171	0.9 %	0.2 %
Fredrikke Eger	1 003	2 084	3 087	0.9 %	0.9 %
Anne Cecilie Gleditsch	5	3 081	3 086	0.9 %	0.2 %
Vida Holding AS	142	2 588	2 730	0.8 %	0.3 %
Nils Petter Johannes Ekdahl	1 872	555	2 427	0.7 %	1.4 %
Total 20 largest	**102 887**	**201 060**	**303 947**	**88.9 %**	**89.9 %**
Total others	11 113	26 940	38 053	11.1 %	10.1 %
Total number of shares	**114 000**	**228 000**	**342 000**	**100.0 %**	**100.0 %**

Shares owned by members of the Board of Directors, Corporate Assembly and Group Management and/or their respective related parties:

Name	Office	A-shares	B-shares	Total
Odd Gleditsch d.y.	Chairman of the Board	27	7 032	7 059
Einar Abrahamsen	Member of the Board	3 385	3 673	7 058
Nicolai A. Eger	Member of the Board	1 112	5 200	6 312
Richard Arnesen	Member of the Board	1 855	2 128	3 983
Karl Otto Tveter	Member of the Board	–	4	4
Birger Amundsen	Member of the Board	–	2	2
Terje Andersen	Member of the Board	–	2	2
Anders A. Jahre	Chairman of the Corporate Assembly	–	4	4
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	10 555
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 630	8 635
Richard Arnesen d.y.	Member of the Corporate Assembly	7	520	527
Kornelia Eger Foyn-Bruun	Member of the Corporate Assembly	100	274	374
Terje V. Arnesen	Member of the Corporate Assembly	–	1	1
Jens Bjørn Staff	Member of the Corporate Assembly	–	1	1
Morten Fon	President & CEO	9	21	30
Bård K. Tonning	GEVP Decorative Paints	–	5	5
Vidar Nysæther	GEVP & CFO	–	20	20
Geir Bøe	GEVP Performance Coatings	–	1	1

There are no options for share acquisitions.

Dividends paid and proposed

Declared and paid during the year	2018	2017
Dividends on ordinary shares:		
Final dividend for 2017: 1 250 NOK per share (2016: 1 500 NOK per share)	427 500	513 000

Proposed for approval at the Annual General Meeting (Not recognised as a liability as of 31 December)	2018	2017
Dividends on ordinary shares:		
Final dividend for 2018: 1 250 NOK per share (2017: 1 250 NOK per share)	427 500	427 500

16 List of subsidiaries

Shares held directly by the parent company

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	1 060 000	106 000	742 000	70.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	9 350	16 050 001	9 350	100.00
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	596 846	3 124 999	596 786	99.99
Jotun Brasil Imp., Exp. E Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	456 000 000	455 999 999	456 000 000	100.00
Jotun (Cambodia) LTD	Phnom Penh	Cambodia	USD	200	1 000	200	100.00
Jotun Paints (HK) Ltd.	Hong Kong	China	CNY	93 884	110 334 615	93 884	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	USD	9 723	1 000	9 723	100.00
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	45	3 300	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	34 000	3 400 000	23 800	70.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	30	1	10.00
Jotun France S.A.S.	Paris	France	EUR	320	16 000	320	100.00
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	512	83.33
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	11 138	334	97.40
Jotun Insurance Cell	St. Peterport	Guernsey	NOK	8 350	1	8 350	100.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	184 515 002	4 076 435	96.42
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	283 179	76 205 662	56.63
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	503 613	640	100.00
Jotun Italia S.R.L.	Trieste	Italy	EUR	2 632	509 099	2 632	100.00
Jotun Kazakhstan LLP.	Almaty	Kazakhstan	KZT	29 350	1	29 350	100.00
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	41 800	362 900	95.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	80.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 002	48 000	100.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	50 000 000	50 000	100.00
Jotun Maroc SARL D Associe Unique	Casablanca	Morocco	MAD	65 000	650 000	65 000	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	26 414	2 625 976	2 625 976	99.42
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	128 948	1 289 475	99.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	15 995 987	11 912 049	15 994 387	99.99
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	15 500	155	62.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	645 084	52 657 349	645 084	100.00
Jotun (Philippines) Inc	Manila	Philippines	PHP	780 651	15 463 695	780 651	100.00
Jotun Polska Sp.z o.o.	Gdansk	Poland	PLN	8 900	15 000	8 900	100.00
Jotun Romania SRL	Voluntari City	Romania	RON	640	64 000	640	100.00
Jotun Paints OOO	St.Petersburg	Russia	RUB	1 446 107	–	1 446 107	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	115 719	218	115 719	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	93 000	92 997	93 000	100.00
Jotun Boya Sanayi ve Ticaret A.S.	Istanbul	Turkey	TRY	8 130	30 000 000	8 130	100.00
Jotun MEIA FZ-LLC	Dubai	UAE	AED	50 000	50	50 000	100.00
Jotun Paints (Europe) Ltd	Flixborough	UK	GBP	7 500	7 500 000	7 500	100.00
Jotun Paints Inc.	New Orleans	USA	USD	101 100	200	101 100	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	VND	258 921 490	–	258 921 490	100.00
Total						**2 928 868**	

Below follows a specification of subsidiaries in which the book value of Jotun A/S' shares was subject to write down in 2018.

Company (NOK THOUSAND)	Country	Write down
Jotun Brasil Imp., Exp. E Ind De Tintas Ltda.	Brazil	80 000
Jotun Paints Inc.	USA	131 000
Total		**211 000**

Shares held by subsidiaries and associated companies

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Powder Coatings AS							
Jotun Bulgaria EOOD	Sofia	Bulgaria	EUR	3	–	3	100.00
Jotun Czech a.s.	Usti nad Labem	Czech Rep.	CZK	128 000	12 800	128 000	100.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	270	5	90.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	6 860 000	151 355	3.58
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	215 260	57 917 918	43.04
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	2 200	19 100	5.00
Jotun Powder Coatings (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	1 950 003	1 950	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	26 414	15 414	154	0.01
Jotun Powder Coatings Pakistan (Pvt) Ltd	Lahore	Pakistan	PKR	1 050 984	103 898 434	1 039 003	98.86
Jotun Paints (HK) Ltd							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	–	217 858	100.00
Jotun (Shanghai) Management Co. Ltd.	Shanghai	China	CNY	12 252	–	12 252	100.00
Jotun Coatings (Taiwan) Ltd. Co.	Taipei	China	TWD	30 000	30 000 000	30 000	100.00
Jotun B.V.							
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	16.67
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	297	9	2.60
Jotun (Malaysia) Sdn.Bhd							
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	596 846	1	60	0.01
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	1 302	13 025	1.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	15 995 987	1 191	1 600	0.01
Jotun Singapore Pte Ltd							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	1 500	403 703	0.30

17 Shares in joint ventures and associated companies

Shares held directly by the parent company

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Stake %
Jotun COSCO Marine Coatings (HK) Ltd.	Hong Kong	China	HKD	279 150	2 000	139 575	34 231	50.00
Jotun Saudia Co. Ltd.	Dammam	Saudi Arabia	SAR	18 500	7 400	7 400	39 274	40.00
Jotun Powder Coat. Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	28 600	85 800	8 580	25 612	30.00
Chokwang Jotun Ltd.	Busan	South Korea	KRW	24 340 000	1 217 000	12 170 000	81 937	50.00
Jotun U.A.E. Ltd. (LLC)	Dubai	UAE	AED	4 000	2 000	1 660	108 929	41.50
Jotun Abu Dhabi Ltd.	Abu Dhabi	UAE	AED	4 000	4 000	1 400	28 061	35.00
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	78 709	710	14.00
Shares held by Jotun A/S for third parties							–301	
Total							**318 453**	

Shares held by subsidiaries and associated companies

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Stake %
Jotun Paints Co. L.L.C.							
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	123 686	22.00
Jotun Saudia Co. Ltd.							
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	95 575	17.00
Jotun U.A.E. Ltd. (LLC)							
Jotun Abu Dhabi Ltd.	Abu Dhabi	UAE	AED	4 000	4 000	1 600	40.00
Jotun COSCO Marine Coatings (HK) Ltd.							
Jotun COSCO Marine Coatings (Qingdao) Co	Qingdao	China	CNY	250 973	–	250 973	100.00
Jotun Powder Coatings U.A.E. Ltd.							
Jotun Powder Coat. Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	28 600	85 800	11 440	40.00
Jotun Powder Coatings AS							
Jotun Powder Coatings U.A.E. Ltd.	Dubai	UAE	AED	3 000	3 000	1 410	47.00

For extended information regarding joint ventures and associated companies, see Jotun Group’s note 2.

18 Financial investments

(SHARE CAPITAL AND FACE VALUE IN 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	33.44
Other companies							548	
Total							**8 728**	

19 Contingent liabilities

Contingent liabilities are not recognised in the annual accounts. A contingent liability is a present obligation that arises from past events but is not recognised because it is not probable (less likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Product liability claims and disputes
Jotun A/S is, through its ongoing business, involved in product liability claim cases and disputes in connection with the company's operational activities. Provisions have been made to cover the expected outcome of disputes in cases where negative outcomes are likely and reliable estimates can be made. In evaluating the size of the provisions, expected insurance cover is considered separately. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the company's financial position.

A lawsuit related to a claim in the Fort Hills oil sands mining project in Alberta, Canada, has been served against Jotun A/S and Chokwang Jotun Ltd, where Fort Hills Energy LP is seeking CAD 182 million (NOK 1.2 billion) in damages. The numbers are undocumented. In addition, reservations are made from the plaintiff for any potential additional costs. These possible records are to be proven at trial.

Jotun contests the customer's claim, and as a result of this position, no provision has been performed for a negative outcome of a lawsuit.

Environmental matters
A number of production facilities and product storage sites have been inspected regarding environmental conditions in the soil. For clean-up projects where implementation is considered to be probable and for which reliable estimates have been done provisions are made accordingly (ref. note 9). Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

All of Jotun's activities are carried out in accordance with local laws and regulations, and Jotun HSE requirements. These laws and regulations are subject to changes, and such changes may require that the company makes investments and/or incurs costs to meet more stringent emission standards or to take remedial actions related to e.g. soil contamination.

20 Contractual obligations and guarantees

Purchase obligations
Jotun A/S contractual purchase obligations are mainly related to ongoing investments in new headquarter and R&D centre and upgrade of the factory. Out of the total ongoing investment program NOK 504 million is contractual committed capital expenditures (CAPEX) at year-end. For purchase of raw materials there are no actual commitments for Jotun A/S. In general, these contracts can be terminated more or less without penalties.

Other obligations
Jotun A/S has guarantees covering tax withholding and other guarantees for subsidiaries amounted to approximately NOK 219 million in 2018 (2017: NOK 290 million).

21 Leases

Leasing commitment shows current and non-current commitments arising from leasing contracts for vehicles and premises. All leasing contracts included in this note are regarded as operating leases and lease amounts are presented as operating expenses in the income statement.

(NOK THOUSAND)	31.12.2018	31.12.2017
Operating lease expenses		
Vehicles	9 634	10 112
Premises and buildings	3 543	2 927
Land	2 191	2 191
Cost current year	**15 368**	**15 230**
Overview of future minimum lease payments related to operating leases:		
Cost next year	16 624	14 726
Cost next 2–5 years	19 311	19 503
Future minimum lease payments	**35 935**	**34 229**

22 Related parties

Parties are related if one party can influence the decisions of the other. If one party either controls, is controlled by or is under common control with the entity the two parties are related. During 2018 we purchased and sold goods and services to various related parties in which we hold a 100 per cent or less equity interest. Investments in subsidiaries are presented in note 16 and investments in joint ventures and associated companies are presented in note 17.

Terms and conditions of transactions with related parties
The transactions between related parties are purchases and sales of finished goods, raw materials and services. Jotun A/S has also considerable royalty income from subsidiaries, joint ventures and associated companies. Joint expenses are distributed in accordance with agreed cost contribution arrangements. Internal trading within the Group is carried out in accordance with arm's length principles.

Purchase of services from Group companies are mainly related to global segment positions and regional management included in the cost contribution arrangement. In addition, Jotun A/S purchase research and development services from regional laboratories. Parts of the research and development costs are capitalised, see note 6.

See also Jotun Group`s note 23 for more information about transactions within the Group.

(NOK THOUSAND)	Sales to	Purchases of goods from	Cost contribution income	Purchases of services	Loans to	Interest on loans to
2018						
Group companies	1 381 665	310 631	491 252	326 795	2 514 569	133 585
Joint ventures and associated companies	347 156	7 558	132 302	227 609	1 286	–
Total	**1 728 820**	**318 189**	**623 553**	**554 405**	**2 515 855**	**133 585**
2017						
Group companies	1 428 392	225 677	455 538	390 032	2 584 569	145 875
Joint ventures and associated companies	289 253	4 954	152 712	275 323	1 286	–
Total	**1 717 645**	**230 631**	**608 251**	**665 355**	**2 585 855**	**145 875**

For information on intercompany balances and guarantees as of 31.12.2018, see note 12 and 20.

23 Standard issued but not yet effective

The standard that is issued, but not yet effective, for the annual reporting period ending 31 December 2018 is disclosed below.

IFRS 16 Leases
In January 2016, the IASB published the final version of IFRS 16 Leases. The standard sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for almost all leases under a single on-balance sheet model similar to accounting for financial leases under IAS 17. The standard includes two recognition exemptions: leases of low-value assets and short-term leases. Jotun A/S will adopt IFRS 16 on 1 January 2019.

Upon commencement of a lease, Jotun is required to recognise a liability to make future payments (i.e. lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). In subsequent periods, Jotun is required to separately recognise an interest expense on the lease liability and depreciation expense on the right-of-use-asset.

Jotun A/S will adopt IFRS 16 using a simplified transition approach with no restatement of comparative amounts for the year prior to first adoption. The lease liability will be measured at net present value of future minimum payments. The right-of-use asset will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As such, there will be no effect on equity in the opening balance as of 1 January 2019.

Jotun A/S will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Jotun A/S will also elect to use exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months of the date of initial application, and lease contracts for which the underlying asset is of low value.

Jotun A/S has reviewed all leasing arrangements over the last year considering the new lease accounting rules in IFRS 16. The standard will affect the accounting for the company's operating leases. For lease commitments in the scope of IFRS 16, Jotun A/S expects to recognise right-of-use assets of NOK 66 million on 1 January 2019 and lease liabilities of NOK 66 million. Equity ratio will be reduced by less than 0,5 per cent due to a net increase in total assets, while equity remains unchanged.

Based on lease contracts as of 1 January 2019, the company expects net profit after tax to decrease by approximately 1 million for 2019 as a result of adopting the new rules. EBITA and financial cost will increase.

Operating cash flows will increase, and financing cash flows decrease, by approximately NOK 17 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

24 Events after the balance sheet date

No events have taken place after the balance sheet date that would have affected the financial statements or any assessments carried out.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Jotun A/S

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Jotun A/S comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the financial position as at 31 December 2018, the income statement, the statement of other comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the financial position as at 31 December 2018, the income statement, the statement of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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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 Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 13 February 2019
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

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

Board of Directors

Odd Gleditsch d.y., Chairman
Einar Abrahamsen
Birger Amundsen
Terje Andersen
Richard Arnesen
Nicolai A. Eger
Karl Otto Tveter
Per Kristian Aagaard

Corporate Assembly

Anders A. Jahre, Chairman
Richard Arnesen d.y.
Terje V. Arnesen
Kornelia Eger Foyn-Bruun
Anne Cecilie Gleditsch
Bjørn Ole Gleditsch
Thomas Hammer
Truls Hvitstein
Thomas Ljungqvist
Ingrid Luberth
Jens Bjørn Staff
Espen Wiik

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

Credits

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The paper used to print this report has the Nordic Eco-labeling - the Swan - and is also approved by the PEFC Council (Programme for the Endorsement of Forest Certifications schemes).

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