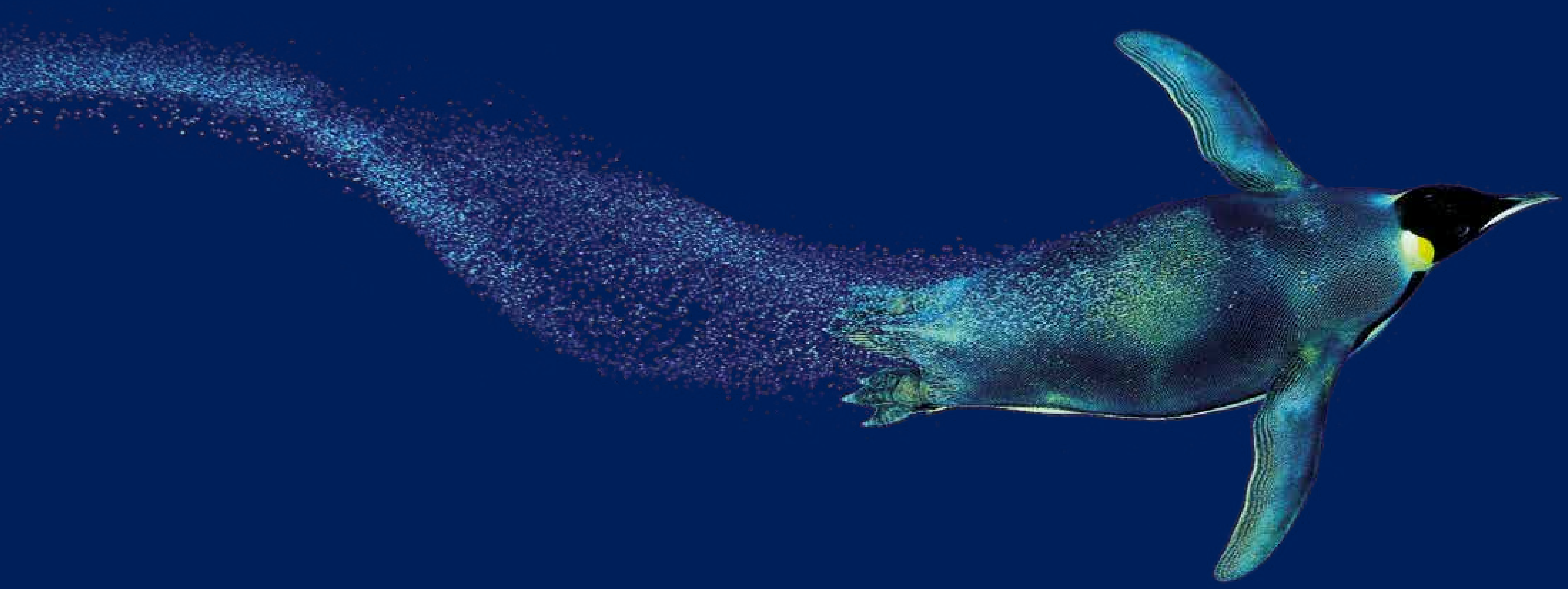
Jotun Protects Property

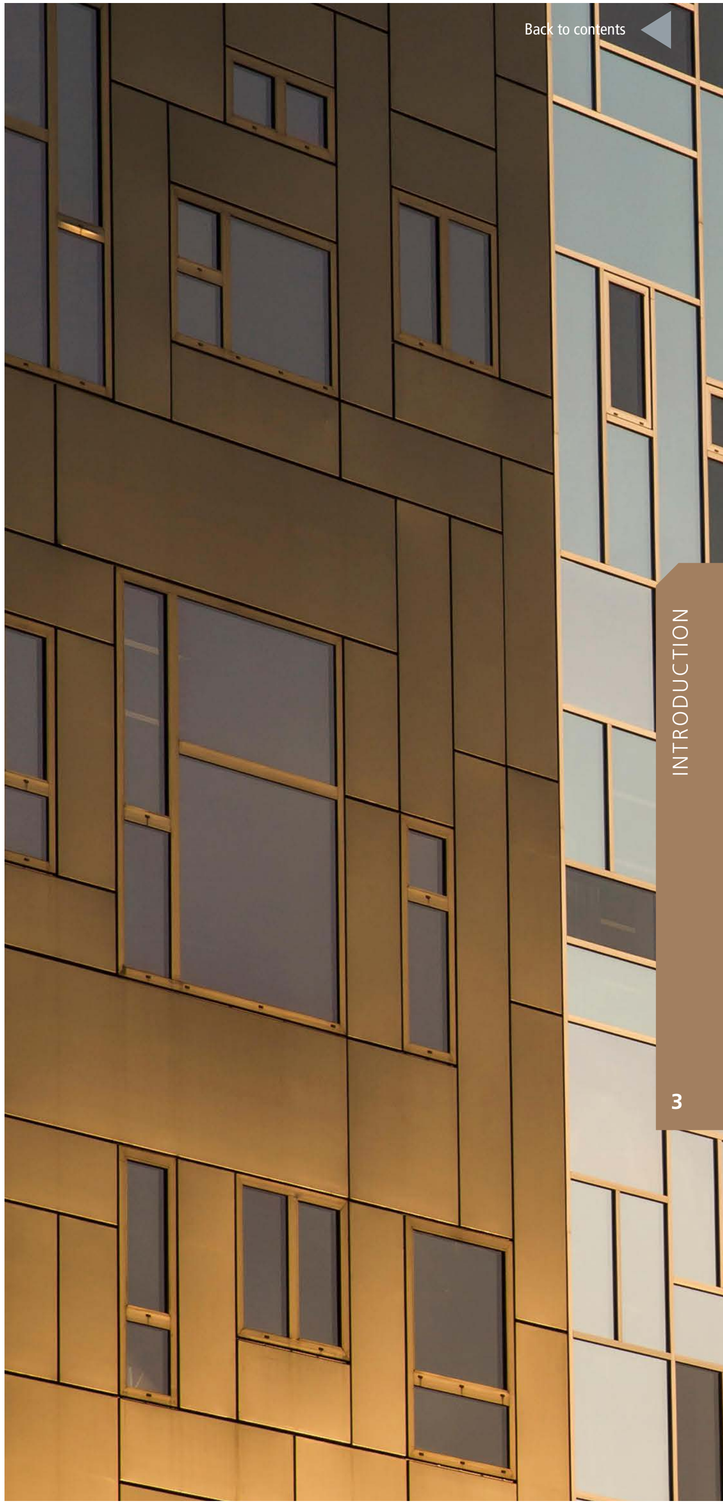


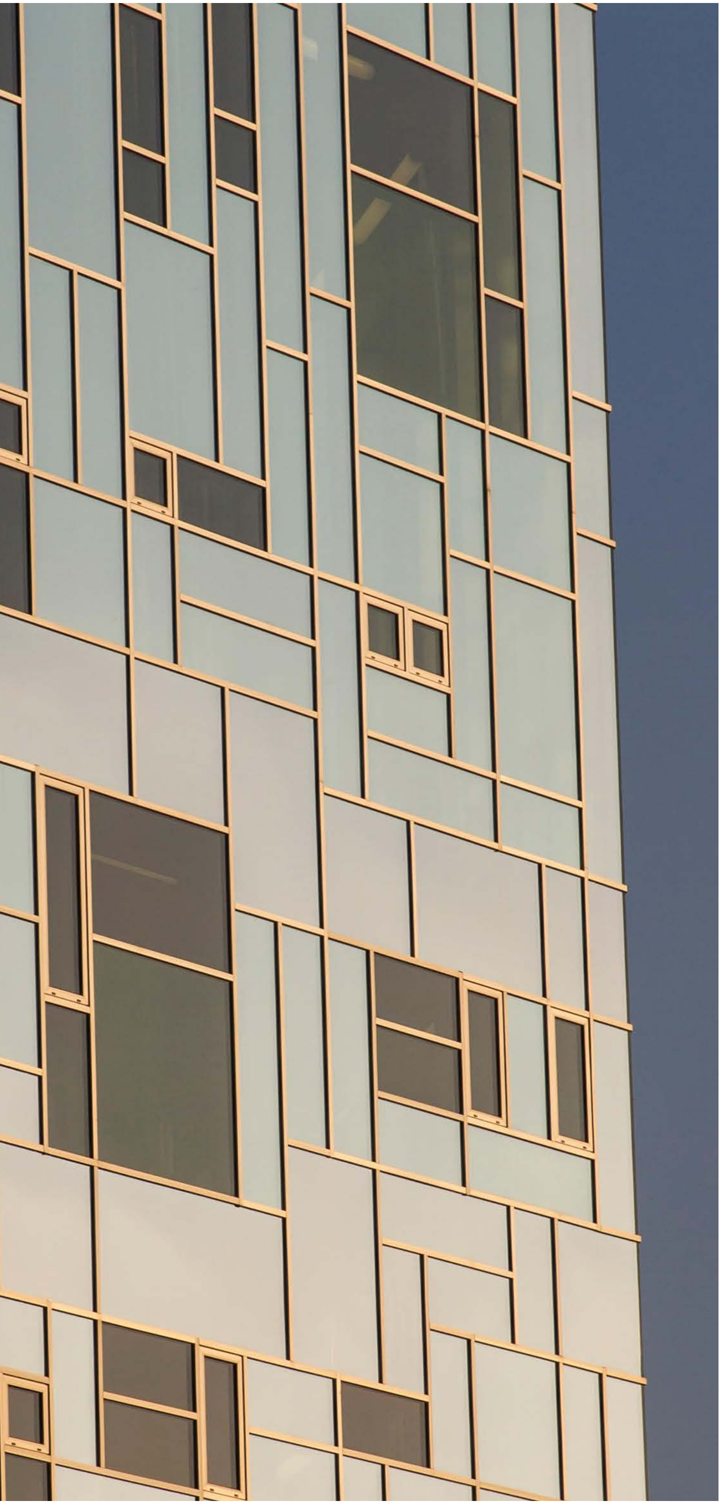
ANNUAL REPORT 2019

Contents

Group key figures

(NOK MILLION)	2019	2018	2017	2016	2015	2014	2013
Income statement							
Operating revenue	**19 652**	17 660	16 401	15 785	16 282	13 171	12 034
Sales revenue outside Norway, in %	**89**	88	88	88	88	85	83
Operating profit	**2 320**	1 361	1 354	1 763	2 064	1 314	1 258
Profit before tax	**2 079**	1 115	1 236	1 594	1 918	1 301	1 191
Net cash flow from operation activities	**2 448**	1 018	1 097	2 027	1 500	919	819
Financial positions							
Total assets	**19 136**	16 715	15 708	15 158	15 187	13 300	10 799
Investments in intangible and fixed assets	**1 464**	1 089	967	1 133	922	911	733
Total equity	**9 584**	8 469	8 254	8 035	7 932	6 739	5 515
Equity / assets ratio, in %	**50.1**	50.7	52.5	53.0	52.2	50.7	51.1
Number of employees in the Group, incl. 100 per cent in associates and joint ventures	**10 007**	9 872	9 789	9 819	9 842	9 676	8 991
Profitability							
Return on capital employed, in %	**18.6**	12.9	12.8	17.9	20.9	15.1	17.9
Return on equity, in %	**17.2**	8.1	9.8	14.1	17.9	14.0	15.5
Operating margin, in %	**11.8**	7.7	8.3	11.2	12.7	10.0	10.5



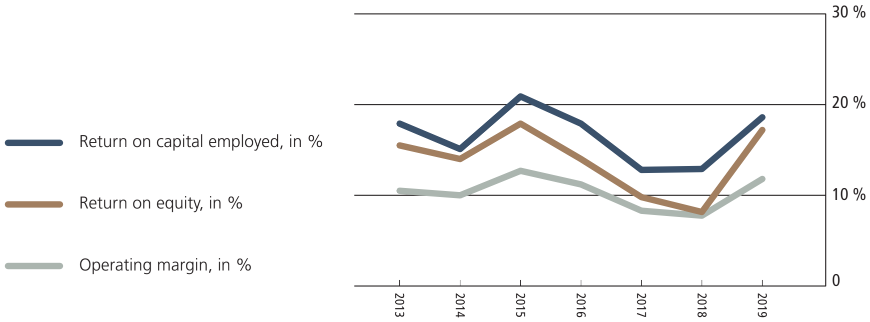


Profitability

18.6 %
Return on capital employed

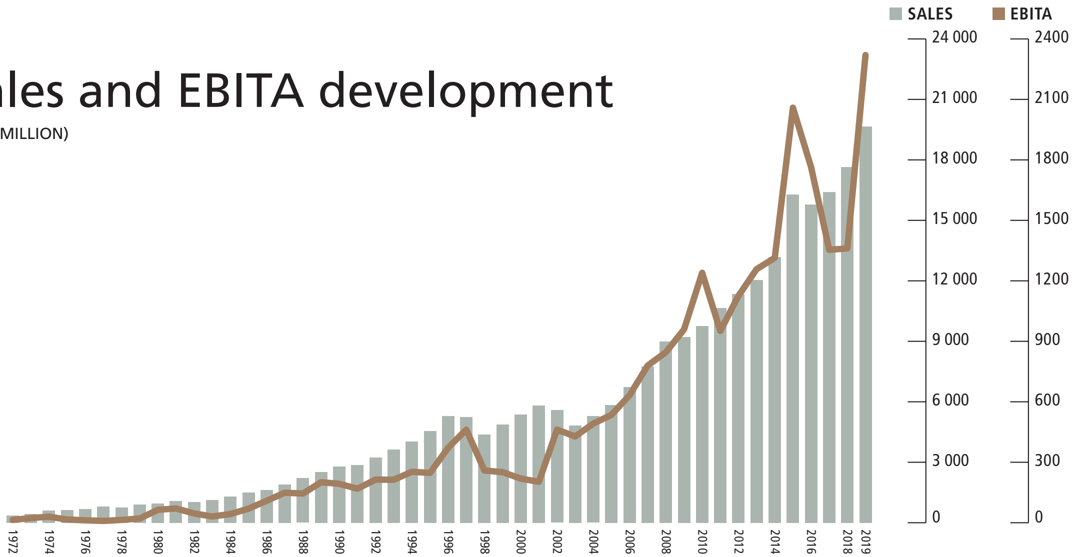
17.2 %
Return on equity

11.8 %
Operating margin



Sales and EBITA development

(NOK MILLION)



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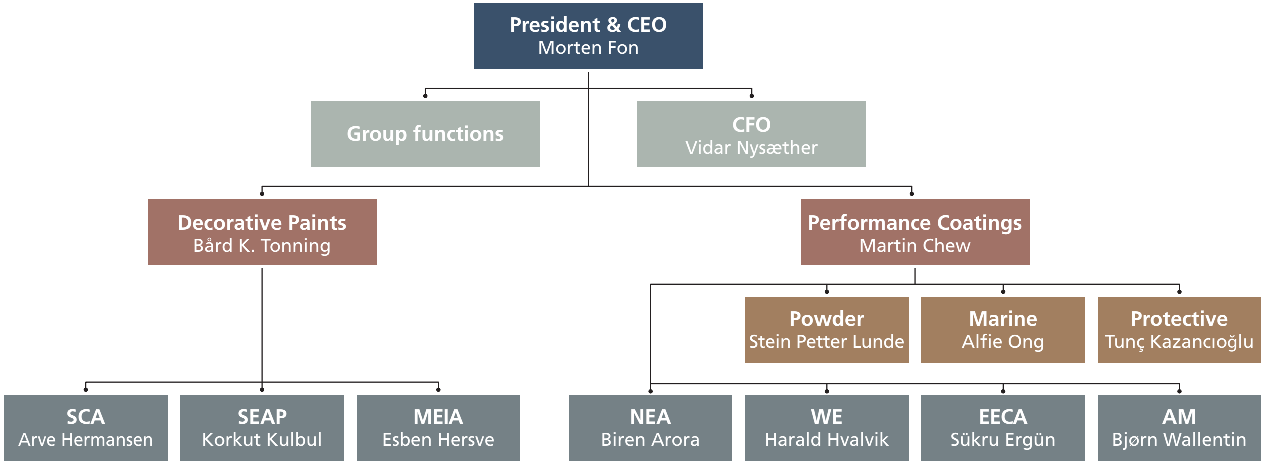
At a glance

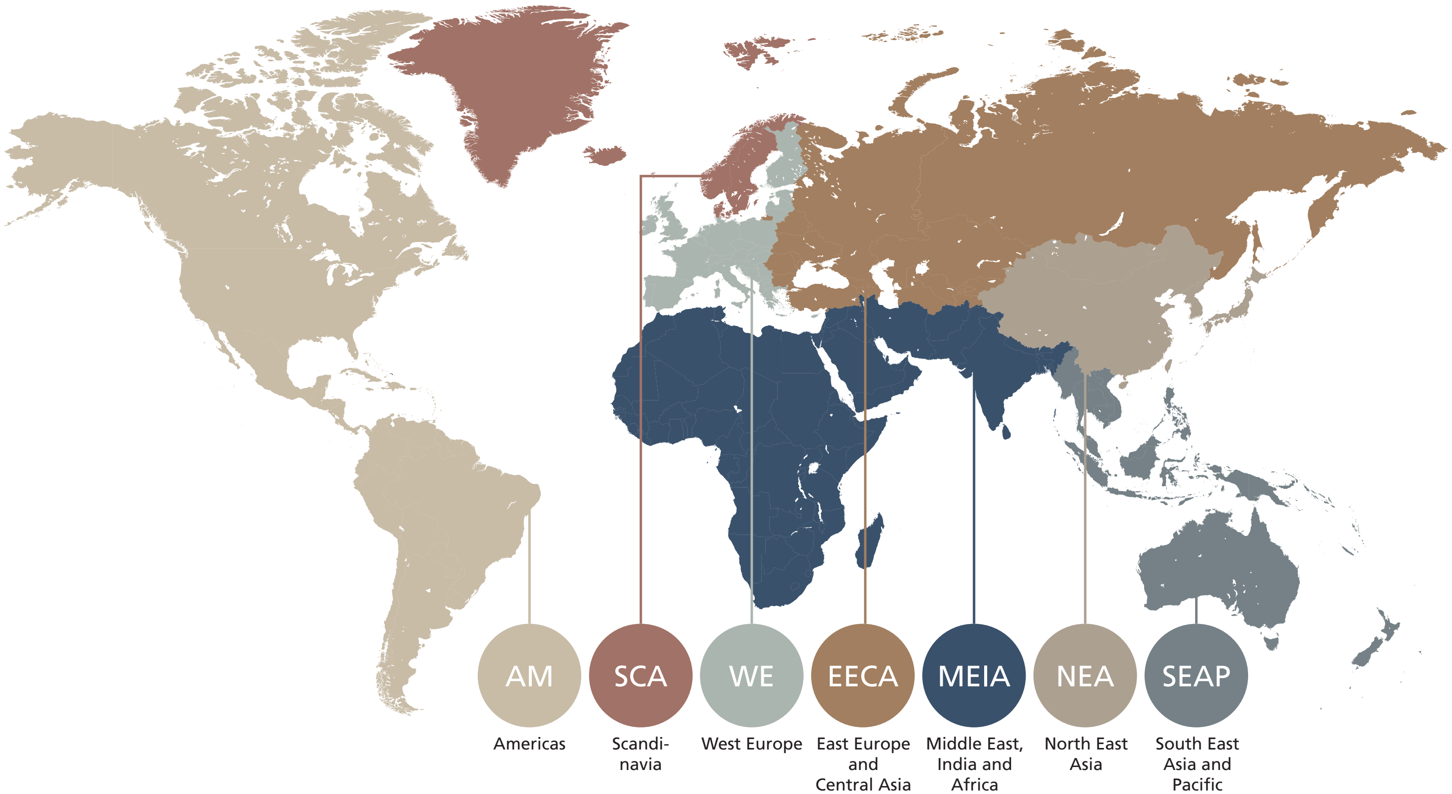
The Jotun Group is a matrix organisation divided into seven regions responsible for the sale of Decorative Paints and Marine, Protective and Powder Coatings. The company has 39 production facilities in 23 countries, 65 companies in 47 countries and is represented in more than 100 countries around the world.

100+ Countries

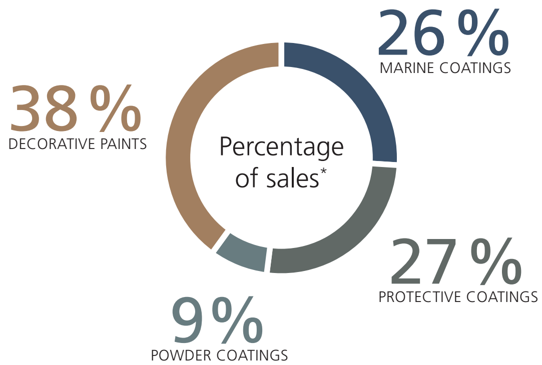
39 Factories

10 007 Employees





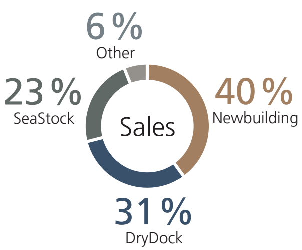
Four segments



* incl. 100 per cent in associates and joint ventures

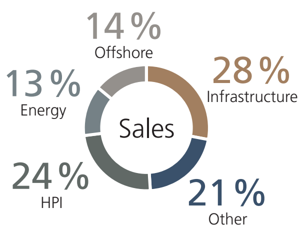
Marine Coatings

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.



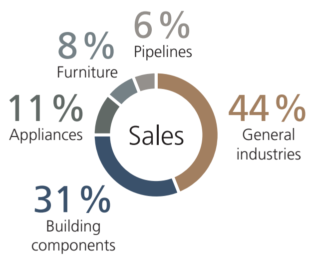
Protective Coatings

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



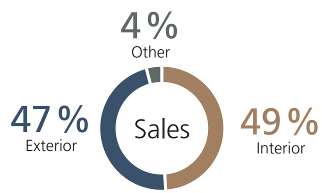
Powder Coatings

Jotun Powder Coatings is a leading supplier to companies active in industries related to appliances, furniture, building components, 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

AM AMERICAS

- Jotun Brazil increased sales in the Brazilian offshore maintenance market and was named the main supplier for offshore contractors, Modec and SBM
- Jotun Brazil secured contracts to supply protective coatings to 138 wind towers
- In addition to significant sales growth, Jotun Mexico was awarded contracts for the Baytown Chemical expansion project
- Jotun US completed a restructuring initiative, which has improved the company's market competitiveness
- In Marine Coatings, Jotun US achieved good sales growth in the third quarter of the year and secured protective coatings maintenance contracts for companies active in the offshore and hydrocarbon processing industries

1974 216 1

SCA SCANDINAVIA

- New, high speed, fully automated filling lines installed at the factory in Norway. This project represents the first phase of a factory upgrade to increase efficiency and production capacity
- Record sales and profitability in Decorative Paints due to increased demand for Jotun premium products and the successful launch of Demidekk Infinity (Sweden) and the relaunch of Lady Wonderwall and Jotaproff Prima Clean
- Marine Coatings secured frame agreement with Vard Group for newbuilding projects in Norway, Romania and Vietnam and signed a Hull Performance Solutions contract for 10 drydockings with Höegh Autoliners
- Protective Coatings secured a contract to supply coatings to Equinor's Johan Sverdrup Riser Platform module, designed by Kværner
- Powder Coatings secured multiple pipeline contracts for Equinor's North Sea offshore projects, Johan Castberg and Askeladd

1926 1132 2

WE WEST EUROPE

- In Spain, Jotun secured a national agreement with Bauhaus, the second largest building materials superstore chain in Spain
- Jotun Italy and Jotun Cyprus were awarded contracts for 120 scrubber installations for MSC Container Lines. Scrubbers help the shipping industry comply with new global limits on sulphur emissions
- Jotun Germany has entered into Germany's largest marine paint purchasing conglomerate, winning SeaStock contracts for about 200 vessels
- In the United Kingdom, Jotun secured a new contract with Northpoint Ltd., a market leader in coating solutions for both decorative and industrial purposes
- Jotun France reached an agreement with Petroineos Lavers Refinery to supply Jotachar 1709, a mesh-free passive fire protection solution

1969 796 3

EECA — EAST EUROPE AND CENTRAL ASIA

- Despite market challenges, Jotun EECA achieved a significant growth rate and increased sales by 15 per cent
- Jotun EECA increased the size of its powder coatings container boxes to lower costs, reduce waste and its carbon footprint
- Jotun Russia achieved high sales growth, driven by a 30 per cent sales increase in Protective segment and winning important contracts to supply a number of oil and gas projects
- Jotun kept its leading position in the project market and secured the Ataturk Cultural Center and Galataport projects in Turkey
- Jotun Romania secured a contract with Damen Shipyard to provide marine coatings for the world's largest diamond mining ship

1991 853 4

MEIA — MIDDLE EAST, INDIA AND AFRICA

- First phase of construction completed on new factory in the city of 10th Ramadan, Egypt
- Jotun secured water pipeline projects in Saudi Arabia and North Africa, valued at USD 12 million
- Jotun celebrated the regional launch (decorative paints) of Wonderwall Life and Fenomastic Zero
- Jotun won approval to set up local production outside Addis Ababa, Ethiopia
- Jotun secured a four-year maintenance contract for Abu Dhabi National Oil Company (ADNOC) in Abu Dhabi

1962 2813 14

NEA — NORTH EAST ASIA

- All four segments have had a solid performance in 2019 with good growth and high profitability
- In Marine Coatings, Jotun maintained its leading market position, with 29 per cent sales growth mainly due to increased newbuilding activity at South Korean shipyards and improved profitability in China
- Jotun achieved record high sales in Protective Coatings, with a double-digit growth rate and excellent profitability in both China and South Korea
- In China, Decorative Paints achieved the key milestone of breakeven on the bottom line, through a focused strategy in the premium retail market
- Improved results in Powder Coatings based on customer portfolio changes with good momentum towards the end of the year

1983 1943 4

SEAP — SOUTH EAST ASIA AND PACIFIC

- Successful launch of Majestic True Beauty across the SEAP Region, with events in Malaysia and Indonesia that attracted over 1 000 customers
- Jotun secured a contract to supply coatings for a Floating, Production, Storage, and Offloading (FPSO) vessel, which will be deployed at the Johan Castberg field in the North Sea
- Jotun supplied paints and powder coatings to several prestigious projects in SEAP, including the Thamrin Nine-Tower 1, the tallest tower building in Indonesia
- Jotun secured first phase of the Vincity project, the largest housing project in Vietnam. When completed, the multi-tower development will have 250 000 apartments
- Jotun Cambodia was the preferred supplier to the historic, award winning Raffles Le Royale, one of the most prestigious hotels in the region

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CHAIRMAN OF THE BOARD, ODD GLEDITSCH D.Y.

Managing unpredictability

By remaining true to Jotun's values, strategy and core mission, the company achieved strong results in 2019. By investing in the future while working to control costs, Jotun can achieve more balanced growth in the years ahead.

Over the last five years, Jotun's year-end results have been influenced by a complex set of macro-economic factors, from changing oil prices and trade policies, to fluctuations in currency values and raw material prices. In some years, this volatility has slowed Jotun's performance, while in other years, as in 2019, these conditions worked in our favour. While Jotun will always respond quickly to manage events that it cannot control, the company is developing its business to deliver more balanced and predictable growth and profitability.

Balanced growth

Jotun's Marine and Protective Coatings segments are developing more products and services geared towards asset maintenance. This contributes to reducing the business risk associated with steep drops in global trade and oil prices, which negatively impacts new constructions in the shipping and oil and gas industries. In addition, Jotun is making its maintenance products available to more customers by expanding distribution through dealers. By further diversifying Jotun's business through the development of high-quality maintenance products and services that enable customers to extend the lifecycle of assets, Jotun can achieve more predictable growth.

In periods when macro-economic factors work to the company's advantage, operating costs tend to rise. It is important that the company becomes more cost efficient to safeguard profitability, even when demand for paints and coatings declines. The Board is pleased to report that the company's record-high profitability in 2019 was partly due to good cost control.

Board of Directors, from left: Peter A. Ruzicka, Birger Amundsen, Per Kristian Aagaard, Nicolai A. Eger, Jannicke Nilsson (member from 2020), Terje Andersen and Richard Arnesen (2019). In front Odd Gleditsch d.y. (Chairman) and Einar Abrahamsen.

that not all new investments will pay off immediately, but by exercising patience and remaining true to Jotun values, strategy and core mission, we can achieve long-term value creation. This will benefit not only owners, but also employees, communities where we operate and society at large.

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 "Americas".

Jotun's business is organised into two areas: Decorative Paints and Performance Coatings.

Decorative Paints
Jotun develops, manufactures and distributes interior and exterior paints to consumers and professionals worldwide. In addition to direct sales, Jotun sells through a global network of about 8 500 dealers.

Performance Coatings

Marine Coatings:
Jotun is the world's leading provider of marine coatings to the newbuilding and maintenance markets. Jotun also supplies coating solutions for leisure boats and mega 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 65 companies in 47 countries, including 39 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 11 per cent is related to its activities in Norway while 89 per cent is related to the rest of the global network.

2. Review of the annual accounts

In 2019, the Group recorded total operating revenue of NOK 19 652 million, which is an increase of 11 per cent compared to 2018 (NOK 17 660 million). Excluding positive currency effects, mainly due to a weaker Norwegian krone, underlying revenue growth was seven per cent.

Increased revenue was achieved by continued good growth in Decorative Paints and a strong recovery in Protective Coatings. Strong sales in Marine Coatings were supported by a recovery in the newbuilding market, while low activity in key markets affected sales in Powder Coatings.

The Group achieved all-time high profit for the year driven by solid sales growth, higher gross margins and the company's successful efforts to control costs.

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the Group fulfils the requirements necessary to operate as a going concern, and that the 2019 financial statements have been prepared on the basis of this assumption.

Profits
The Group achieved an operating profit for the year of NOK 2 320 million, compared to NOK 1 361 million in 2018. The profit improvement is mainly explained by solid sales growth and higher gross margins, caused by previously implemented price increases in combination with slightly lower raw material costs. Net financial costs totalled NOK 242 million, resulting in a profit before tax of NOK 2 079 compared to NOK 1 115 million in 2018. Jotun's activities are subject to corporate tax in the countries in which the Group operates, and income tax amounted to NOK 529 million in 2019. This led to a profit for the year of NOK 1 549 million compared to NOK 674 million in 2018.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 639 million in 2019, compared to NOK 727 million in 2018.

Allocation of profit for the year:
In 2019, Jotun A/S posted profit for the year of NOK 639 million. The Board of Directors proposes the following allocation:

Proposed dividend	NOK 547 million
Transfer to equity	NOK 92 million

Financial position, capital structure and risk
Cash generated from operating activities improved by NOK 1 428 million to NOK 3 173 million. Increased cash flow from operating activities offset cash outflows tied to investments in non-current assets of NOK 1 464 million. At year-end, the Group had a positive cash position of NOK 1 903 million compared to NOK 1 012 million as of 31 December 2018.

The Group increased its investments in 2019 to NOK 1 464 million, from NOK 1 089 million in 2018. Investment activity in 2019 has mainly been related to the new headquarters and R&D centre in Sandefjord, Norway, acquisition of territorial rights to the Qatari market from Jotun U.A.E. Ltd. (L.L.C.), in addition to new production facilities in Egypt and Vietnam.

The net interest-bearing debt for the Group was NOK 2 581 million as of 31 December 2019, compared to NOK 2 526 million as of 31 December 2018. At year end, Jotun A/S had NOK 2 400 million in outstanding bonds, of which all were long-term. In addition, Jotun A/S had NOK 731 million in bank debt outstanding, of which NOK 163 million was short-term. External borrowing in the subsidiaries is primarily short-term and through local banks.

Jotun A/S has NOK 1 700 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 is in a sound financial position with an equity ratio of 50 per cent at the end of the year (51 per cent in 2018).

In its regular business operations, Jotun is exposed to financial risks relating to customer credit and fluctuations in raw material prices, currency exchange rates, and interest rates. Procedures and guidelines for managing these risks are established in the Group's Treasury policy. Companies in the Group primarily manage financial risks through their normal operations, for example by increasing prices, when possible, to compensate for higher raw material costs and utilizing credit management systems to reduce credit risk. In addition, the parent company Jotun A/S hedges currency risk related to net cash flows in foreign currencies using forward contracts, options and foreign currency loans. Currency risk related to the parent company's net investments in subsidiaries, associates and joint ventures, is generally not hedged. Jotun's procedures and measures are considered satisfactory in relation to the Group's exposure to financial risks.

3. The market

Decorative Paints

Jotun's strong performance in the Decorative Paints segment in 2019 was supported by improved gross margins due to the stabilisation of raw materials prices, solid growth in premium paints and growing success in the medium range market. While slow economic conditions in some countries in the Middle East and South East Asia reduced volumes, Jotun exceeded expectations in Egypt, Turkey, Cambodia and Myanmar.

In addition to a number of premium product launches, Jotun's success in 2019 was due in part to the introduction of a number of programmes to support dealers and professionals. For example, the company completed the implementation of a programme which provides shop owners with detailed financial data and incentives to make better business decisions. In addition, a shop sales staff training initiative is initiated to help dealers create a better shopping experience for consumers.

In markets where Jotun's business relies on professionals, the company implemented a painter training and loyalty programme. Jotun also works more closely with project owners, architects and consultants to ensure Jotun products are specified. While segment Decorative Paints will continue to target the premium market, the company has found success with some medium range products, which offer contractors good quality at more affordable prices. Jotun's product innovation and the development and implementation of internal and external programmes to support different stakeholders will help the Decorative Paints segment continue to thrive.

Protective Coatings

In 2019, Jotun achieved good results in the Protective Coatings segment supported by significant growth in North East Asia and solid growth in every other region. Jotun benefitted from increased activity in the oil and gas industry, which created demand for Jotun products in both the Offshore and Hydrocarbon Processing Industry (HPI) concepts. Rising demand for renewable energy helped Jotun support growth in the Energy Concept (mostly wind energy). Jotun's increased focus on high-performance, low-solvent steel protection products led to growth in the Infrastructure concept.

Jotun retained its leading market position supplying coatings to new construction projects in the Offshore industry. However, over the last five years, Jotun has invested resources to develop products targeting the maintenance market for existing facilities to achieve more predictable growth. Over the past two years, Jotun has launched customer-focused concepts engineered to meet the critical business needs of different stakeholders in the HPI concept. These include coatings for tank linings and a range of products engineered for extreme environments. In the Infrastructure concept, Jotun is a recognised leader in intumescent steel protection coatings, which have been applied to some of the world's most iconic buildings.

While Jotun will continue to pursue direct sales in all concepts, the company is seeking to expand its dealer network to make products available closer to the customer. Jotun's work to expand its distribution network, a more concept-specific approach to product innovation and enhanced marketing and sales has put the company in a strong position to achieve higher, more predictable growth in the years ahead.

Marine Coatings

Results and profitability for the Marine Coatings segment improved significantly in 2019, primarily driven by a strong recovery of the newbuilding market, especially in South Korea. In addition, Jotun's work to develop products and services to expand market share in the maintenance market was rewarded with strong sales growth, notably in West Europe and South East Asia.

To meet growing demand for improved antifouling performance, Jotun launched a range of antifouling products that enable a more predictable release of biocides over the lifetime of the coating. Jotun also works closely with shipyards to help them accelerate production and comply with environmental regulations. For example, in 2017, Jotun launched a unique, solvent-free primer that complies with emerging limits on solvent emissions in Europe and South Korea. In 2019, Jotun also signed a Memorandum of Understanding (MoU) with Hyundai Heavy Industries to facilitate a close cooperation to help the yard to manage Hazardous Air Pollutants (HAPs).

To support owners and ship managers, Jotun has developed value-adding digital services, including one that allows owners to outsource SeaStock management to Jotun. "Jotun Voyager" is an introduced tool which enables Jotun to gather and analyse information from multiple sources to help owners understand how different conditions impact hull performance. Jotun's close cooperation with owners and shipyards and continued development of innovative products and data-based services has placed the company in a strong position to build on its leading market share in the future.

Powder Coatings

Jotun's performance in the Powder Coatings segment was negatively impacted by adverse market conditions in three of the company's most important markets: Turkey, the UAE, and Saudi Arabia. Jotun maintained its leading market share in the mature Scandinavian markets and recorded growth in Russia and China, leading to modest sales growth in 2019.

While the sale of medium range products helps support volume, Jotun's development focus is on premium products, especially for building components, pipeline projects and durable, exterior products for a broad range of industrial applications. For example, in China, Jotun launched an innovative product range which allows architects to add higher metallic content finishes to building components. Other products previously launched to improve anti-corrosion and weathering properties of exterior industrial components are also gaining wider acceptance by manufacturers.

Jotun has invested in internal and external systems to leverage Jotun's expertise in service quality. Internally, Jotun launched an ambitious competence development programme to enable sales and technical service personnel to understand and identify challenges faced by customers. Externally, the company has created teams which include R&D, sales and technical personnel who work together to help customers achieve optimal results. While the company's results in Powder Coatings in 2019 did not meet expectations, Jotun is confident that steps taken to help Jotun differentiate from competitors and sharpen focus on key sub-segments will result in stronger growth and profitability in the coming years.

4. Research and development (R&D)

Jotun's R&D is headquartered in Sandefjord, Norway, with a global network of regional laboratories in the UK, Turkey, Malaysia, Thailand, US, Dubai, India, South Korea and China. These laboratories focus on regional product development, adapting or customising existing products, the testing of raw materials, quality assurance, and providing claims and verification services when required.

Over the past five years, Jotun chemists have increasingly focussed on meeting growing demand for more environmentally friendly paints and coatings and engineering products to meet new or pending regulations. For example, Jotun chemists developed the industry's first solvent-free steel primer (based on patented technology) to help shipyards comply with stricter limits on the use of Volatile Organic Compounds (VOCs). Furthermore, to help real estate developers add value to buildings, Jotun has developed solvent-free steel protection products and ultra-low VOC interior paint systems, supported by the necessary documentation, in order for them to gain points for green building certification.

Jotun has developed several products that add value for end users and supported the development of new concepts in the Protective Coatings segment that help companies active in the hydrocarbon processing industry save money and enhance overall operational efficiency. In 2019, Jotun broke ground on a new R&D centre in Dubai and with the scheduled opening of Jotun's headquarters and global R&D centre in Sandefjord, Norway in 2020, the company is in a strong position to accelerate the development and testing of new products in all segments in the years ahead.

5. Competence development

Jotun works across all segments and regions to develop individual and team competence with a unified approach to create a stronger, more flexible organisation. Jotun has three competence development pillars: The Jotun Academy, a vital resource for strengthening corporate culture and individual skills within key business areas; Digital Learning, an advanced suite of digital tools that provides point-of-work learning and helps employees keep pace with change; and Team Development, delivering workshops and tools to enhance team effectiveness. These provide a platform whereby structured, targeted training and support translates to lasting improvement and behavioural change.

In 2019, Jotun introduced a new Management Academy Toolbox. The toolbox provides a "one-stop-shop" resource, allowing users ease of access to knowledge, best practices and tools based on Jotun's Leadership Development Path. To ensure Jotun employees have the requisite computer skill and understanding, the company launched Digital Workplace training to achieve better information sharing, data security, individual competency, and enhanced operational efficiency. Also, Jotun launched a “Leadership Booster” campaign to help managers get a better understanding of strategy and how to implement it.

Other projects include the introduction of new IT and Project Management Academies, implemented improvements to Jotun Marketing and Management Academies and increased production of training videos. These steps and other planned initiatives will help Jotun strengthen its culture of continuous learning and improvements in individual and team competencies to meet the global business challenges.

6. Health, Safety, Environment and Quality (HSEQ)

Jotun’s goal is to conduct operations with zero injuries, fires, spills and claims – safeguarding employees and society while ensuring end users have access to quality products and services. Jotun achieves these goals via the HSEQ Management System, which creates a structure whereby every company within the Group assigns individuals or teams to take responsibility for one of 15 different elements, ranging from managing work permits to risk assessment, personnel safety to the environment.

As part of an ongoing drive for continual improvement, the 15th element was introduced in 2019: ‘Safety in Projects’ aims to establish a systematic approach addressing risk on construction projects. Work to fully integrate the module will begin in 2020, with new e-learning tools, audit schematics, and pilot auditing exercises in some countries.

Safety

Safety is a cornerstone of all Jotun operations. Jotun continually develops and improves the management system that sets uniform global standards, while supporting individual operations in their efforts to address regional 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 2019, there was a total of one major fire, ten minor fires and 14 potential fires. The major fire resulted in personal injury with burns on face, arms and neck. None of the remaining fires were major incidents and no injuries or serious damage to property.

Working conditions

Creating a safe work environment is a priority for the Board. The management system is continually developed in order to enhance health, safety, satisfaction and wellbeing at the workplace.

The number of injuries resulting in an absence of one day or more per one million working hours (Lost Time Injury Rate LTIR) was 2.2 (2.3 in 2018). The LTIR for Jotun A/S was 4.2 in 2019 compared with 0.5 in 2018. The increase is due to a number of unfortunate incidents, each individually followed up. Absence due to sickness for the Group in 2019 was 1.5 per cent, compared to 1.4 per cent in 2018. Absence due to sickness in Jotun A/S was 3.2 per cent in 2019 compared with 3.8 per cent in 2018.

Training

Competence development is critical for Jotun to achieve HSEQ objectives and build a culture of effective health and safety environmental practices. In addition to HSEQ 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 “HSEQ Day” every year, covering all aspects of HSEQ. In 2019, each employee in Jotun received an average of 11 hours of general HSEQ training. A total of 10 HSEQ audits were conducted in 2019, with a further 10 planned for 2020.

On site HSEQ

With different activities such as safety walks, risk assessments and audits, Jotun has comprehensive improvement initiatives for on-site HSEQ. To ensure that these activities lead to tangible, effective action to identify and address challenges, Jotun developed a new “Task Management System” in 2019. This system, which will undergo global implementation in 2020, enables managers to gather all the findings from the various activities on a single platform, allowing for easier and more effective delegation and follow-up. When implemented, the system will provide a comprehensive structure for improvement initiatives.

Enhanced reporting

In 2019, Jotun introduced a revised HSEQ reporting system, creating a more effective approach to document and act upon incidents, near misses, quality deviations, and service complaints. Jotun devised the system to strengthen quality and learn from experience, providing a tool for the network to focus on improvement and mitigate future risk. 2020 will see the broader implementation of the reporting system, with Group and regional support helping to facilitate local roll-out. Jotun’s long-term HSEQ strategy has been designed to enhance safety and quality throughout the Jotun value chain, protecting people and the environment while also delivering optimal standards for stakeholders worldwide.

Environment

Jotun, as a responsible corporate citizen, 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 at production sites, such as installing LED lights, solar panels and treating wastewater on-site, and introduces them internationally, while setting stringent standards on a Group level for all sites to follow.

In addition, many Jotun factories are equipped with solvent-abatement systems to reduce potential health risk for operators and improve overall environmental performance. All of Jotun factories meet or exceed requirements set by local regulations.

Carbon footprint
Jotun has been reporting on its carbon footprint by region since 2009, detailing Co2 output of each area and company, and providing a detailed picture of Jotun's overall environmental performance. Reported KPIs include waste in kg per tonnes produced (per cent), total waste (hazardous and non-hazardous), energy kWh per tonnes produced, and energy kWh per tonnes produced for powder coatings.

In 2019, Jotun recorded global emissions of 84 037 tons Co2-equivalents, marking an overall reduction of two per cent per ton produced. The total electrical consumption in 2019 was 140 kWh/tonnes produced, compared to 143 kWh in 2018.

The waste generated relative to the volume produced was 1.8 per cent in 2019 compared to 1.7 per cent in 2018.

There were no discharges to water or soil causing any significant pollution to the environment in 2019.

Jotun GreenSteps
Jotun GreenSteps is a programme that coordinates the company's efforts to support a more sustainable environment. Through the 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 from corrosion, wear and tear.

Jotun contributes to a more sustainable environment through product innovation, specification support and documentation. For example, Jotun offers heat reflective exterior paints and coatings to help owners of buildings in warm climates save on energy costs, thus reducing emissions. In the Marine Coatings segment, the company's Hull Performance concept help owners reduce drag on their hulls, cutting fuel costs and corresponding emissions. For owners of buildings, malls, airports and other high value structures, Jotun offers one of the industry's most complete range of solvent-free products to help them reduce their environmental footprint.

The concept, Green Building Solutions, is supported by standardised documentation (Environmental Product Declarations) helping owners, architects, consultants and specifiers to easily calculate requirements for green building certification. 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.

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 Jotun operates.

Governing standards
Effective governance ensures Jotun can fulfil its objective of operating as a good corporate citizen, meeting defined company standards and enhancing global reputation. The Group has implemented clear and responsible governance structures throughout Jotun, with Board's decisions communicated clearly throughout the organisation to ensure central strategy translates to local impact. The Board oversees the Group Management team, responsible for overseeing regional and local management teams that work to adhere to standards and contribute to the success of Group strategy.

Jotun conducts a comprehensive programme of reviews and audits to confirm that Group policies are applied, and individual businesses are performing in line with expectations through business reviews, financial audits, Human Resources (HR) reviews, Health, Safety, Environment and Quality (HSEQ) audits, supplier audits and CR reports.

Fighting corruption
Jotun remains committed to working against corruption. Jotun builds a culture of transparency through a variety of means, most notably through a robust anti-corruption policy and training programme. Anti-corruption training is included in the induction programme for new employees as well as in Jotun Academy trainings. Emphasis is placed on e-learning courses and regular classroom 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 guidelines to enhance clarity and embedding them throughout the global organisation. Regional compliance teams are established to ensure each case receives the attention it deserves, while safeguarding whistle-blowers. By working actively to fight corruption, Jotun serves as a model example of transparency and encourages ethical behaviour with customers and suppliers alike.

Making a difference
Jotun works globally and locally to support charitable causes. The Group has a long-term relationship with the International Committee of the Red Cross (ICRC). The ICRC is a global organisation with a vast network of local operations, enabling it to centrally coordinate efforts that extend to crisis situations, worldwide. This approach aligns with the

Group's overall desire to act globally and impact locally. ICRC focuses on protecting human life and rights, aiding those facing hardships or dealing with disaster, irrespective of race, religion or ideology. Jotun works closely with ICRC to target acute situations in the countries where the Group has a presence.

Since 2015, the Group has also been working with Norwegian People's Aid, a charitable organisation active in clearing land of mines and Explosive Remnants of War (ERWs) from conflict zones using specially trained mine-detection dogs. Most of the financing for the NPA Dog Training Center in Bosnia and Herzegovina comes from the Norwegian government, but the organisation also seeks support from the private sector. Jotun has sponsored the training for two dogs, one in active service in Bosnia and Herzegovina and the other being trained in Cambodia.

In addition to initiatives managed by the Group, each of Jotun's 47 companies are required to allocate a portion of their revenue in support of a local charity. In some countries, Jotun companies provide support in response to a specific event (such as relief for flood or earthquake victims). In others, Jotun companies participate in fund drives for various causes, provides funds or paint to upgrade schools, playgrounds, orphanages, parks and other community sites.

8. Diversity and inclusion

The Board believes that diverse, inclusive working environments with opportunities for career mobility, provide benefits for all stakeholders. Different cultural, professional, ethnic, gender and age backgrounds give fresh perspectives, helping the company tackle challenges and opportunities with a more open, informed and innovative approach. This translates to better solutions and direct competitive advantage. In addition, a diverse and inclusive organisation promotes a sense of involvement, unity and commitment, with a desire to add value wherever possible.

Recruiting policy
Jotun's values (Loyalty, Respect, Care 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 – leadership training, Business Review sessions, the intranet and others.

Embracing diversity
With 89 nationalities represented within the Group, Jotun is a truly international company with respect for differences as a fundamental part of the corporate culture. However, encouraging more diversity remains a priority area for the company to develop, strengthen and improve going forward. Jotun works to ensure that the best candidates, regardless of background, prosper within this environment, while underrepresented groups are encouraged to join and further strengthen the organisation. In 2020, the company will include diversity and inclusion reporting into business reviews, putting more positive pressure on local companies to consider all candidates, regardless of age, nationality or gender.

Diversity is closely linked to Jotun values and the success of our business strategy, allowing us to tackle different segments, markets and challenges with innovation, knowledge and a unique strength in depth. The Board remains committed to building on this platform, ensuring that individual companies support positive development, while local action plans are tailored and implemented to continue adding value.

Mobility and job rotation
To develop careers and lay foundations for the next generation of company management, Jotun encourages employees to gain experience across segments, borders and culture. This is achieved by the creation and promotion of strategic recruitment, development of competence and mobility programmes.

Accommodating special needs
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.

Addressing the gender gap
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.

Three of eight senior management positions that report to the President & CEO are female. The total share of female employees in Jotun A/S is 31 per cent (unchanged since 2018). Of those with personnel responsibility in Jotun A/S, 31 per cent are women (29 per cent in 2018). Globally, women count for 19 per cent of the total workforce (unchanged from 2018). 22 per cent of the Group's managers are women (up from 21 per cent in 2018).

9. Future prospects

The Board recognises that as an international company, Jotun is subject to a broad range of both global and local market forces that can have a significant influence on year end results. At the same time, events beyond the company's control, such as raw material prices, the price of oil and currency fluctuations, can impact profitability, representing a business risk.

To mitigate these risk, steps are taken to ensure more predictable results by controlling manageable costs, expanding Jotun's dealer network in all segments and developing specialised products and services that are in demand, even when market forces do not work to the company's advantage. The Board will continue to monitor business risk and finance initiatives that will not only generate more volume and profitability, but also result in more predictable growth.

Growing concerns about climate change have put pressure on the organisation to improve its own environmental performance and develop products and services that help end users in all segments reduce environmental impacts. The Board will continue to support investments in research and development and initiatives that reduce Jotun's environmental footprint in factories, such as solvent abatement systems, energy-saving equipment and tools to track carbon emissions. While there is more work to be done, the Board is satisfied with Jotun's progress in this area.

Looking ahead, the Board anticipates further growth in the Decorative Paints and Protective Coatings segments. Declines in newbuilding orders in 2020 may impact growth opportunities in the Marine Coatings segment. In the Powder Coatings segment, the Board is confident that the launch of specialised products and the company's strategic focus plans will yield better results. Short term, the Corona virus will affect sales and profits in China as well as other Asian markets. Longer term, increased trade political and geopolitical tensions as well as prospects for lower global growth create increased uncertainty. Otherwise, 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.

Sandefjord, Norway, 13 February 2020
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Peter Arne Ruzicka

Per Kristian Aagaard

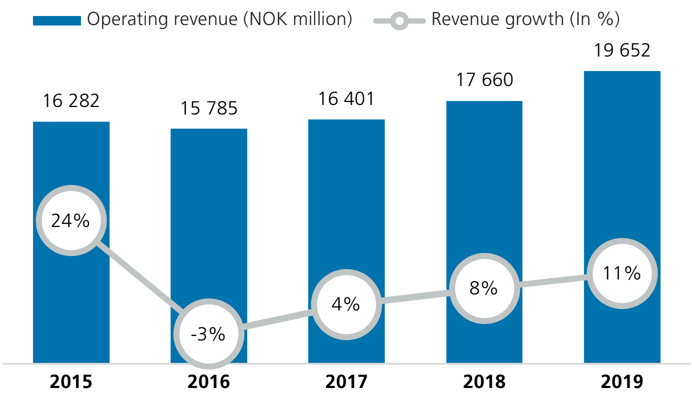
Morten Fon
President & CEO

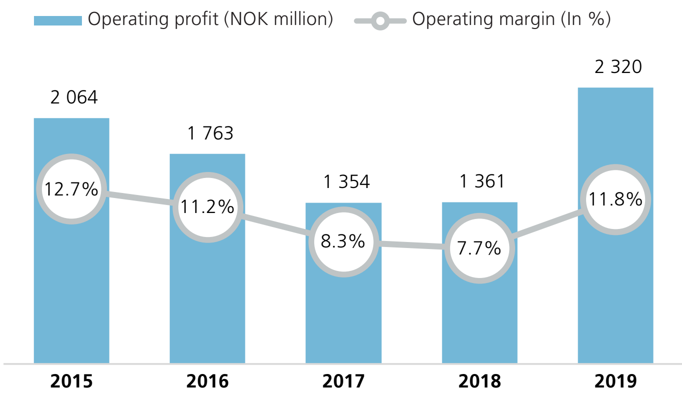
Consolidated income statement

(NOK THOUSAND)	Note	2019	2018
Operating revenue	2.1	19 651 917	17 659 863
Share of profit from associates and joint ventures	2.2, 5.5	496 756	383 747
Cost of goods sold	2.1	-10 440 914	-9 913 967
Payroll expenses	2.3, 5.2	-3 128 356	-2 829 570
Other operating expenses	2.4, 5.3	-3 449 205	-3 409 164
Depreciation, amortisation and impairment	3.2, 3.3	-809 720	-530 095
Operating profit		**2 320 477**	**1 360 814**
Net financial items	4.3	-241 572	-245 736
Profit before tax		**2 078 905**	**1 115 078**
Income tax expense	5.1	-529 421	-441 513
Profit for the year		**1 549 483**	**673 566**
Profit for the year attributable to:			
Equity holders of the parent company		1 468 020	605 138
Non-controlling interests	5.7	81 463	68 427
Total		**1 549 483**	**673 566**

Consolidated statement of comprehensive income

(NOK THOUSAND)	Note	2019	2018
Profit for the year		**1 549 483**	**673 566**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	5.2	-8 290	8 171
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain / loss (-) on hedge of net investments in foreign operations (net of tax)		35 269	-27 049
Currency translation differences in foreign operations		3 747	19 858
Other comprehensive income for the year, net of tax		**30 726**	**980**
Total comprehensive income for the year		**1 580 210**	**674 545**
Total comprehensive income attributable to:			
Equity holders of the parent company		1 487 194	596 135
Non-controlling interests	5.7	93 015	78 410
Total		**1 580 210**	**674 545**





Consolidated statement of financial position

(NOK THOUSAND)	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Deferred tax assets	5.1	360 431	287 006
Other intangible assets	3.2	712 441	523 310
Property, plant and equipment	3.3	6 489 083	5 288 252
Investments in associates and joint ventures	3.4, 5.5	1 485 922	1 532 513
Share investments	5.9	16 046	18 026
Other non-current financial receivables	4.1, 5.9	73 217	94 242
Total non-current assets		**9 137 139**	**7 743 349**
Current assets			
Inventories	3.5	2 829 761	2 840 690
Trade and other receivables	3.6, 5.9	5 265 691	5 118 958
Cash and cash equivalents	4.2, 5.9	1 902 945	1 011 564
Total current assets		**9 998 398**	**8 971 212**
Total assets		**19 135 537**	**16 714 561**

(NOK THOUSAND)	Note	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity			
Share capital	5.8	102 600	102 600
Other equity		9 201 969	8 142 274
Non-controlling interests	5.7	279 638	224 390
Total equity		**9 584 207**	**8 469 264**
Non-current liabilities			
Pension liabilities	5.2	220 651	197 688
Deferred tax liabilities	5.1	37 852	37 465
Provisions	3.8	273 776	40 673
Interest-bearing debt	4.1, 5.9	3 360 721	2 252 768
Other non-current liabilities		45 638	36 690
Total non-current liabilities		**3 938 639**	**2 565 284**
Current liabilities			
Interest-bearing debt	4.1	1 196 783	1 379 401
Trade payables	5.9	2 114 446	2 030 904
Tax payable	5.1	265 632	149 837
Other current liabilities	3.7, 3.8, 5.9	2 035 832	2 119 872
Total current liabilities		**5 612 692**	**5 680 013**
Total liabilities		**9 551 330**	**8 245 297**
Total equity and liabilities		**19 135 537**	**16 714 561**

Sandefjord, Norway, 13 February 2020
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

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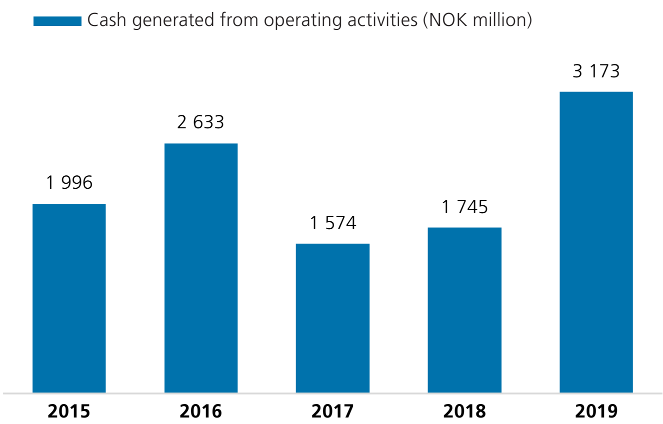
Peter Arne Ruzicka

Per Kristian Aagaard

Morten Fon
President & CEO

Consolidated statement of changes in equity

(NOK THOUSAND)	Note	Share capital	Other equity	Translation differences	Total	Non-controlling interests	Total equity
		EQUITY HOLDERS OF THE PARENT COMPANY					
Equity as of 1 January 2018		**102 600**	**7 083 558**	**890 082**	**8 076 240**	**178 117**	**8 254 357**
Dividends	5.8		-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**
Dividends	5.8		-427 500		-427 500	-57 737	-485 237
Profit for the year			1 468 020		1 468 020	81 463	1 549 483
Other comprehensive income			26 979	-7 805	19 174	11 552	30 726
Share capital increase						19 971	19 971
Equity as of 31 December 2019		**102 600**	**8 309 817**	**892 152**	**9 304 569**	**279 638**	**9 584 207**



Consolidated statement of cash flows

(NOK THOUSAND)	Note	2019	2018
Cash flow from operating activities			
Operating profit		2 320 477	1 360 814
Adjustments to reconcile operating profit to net cash flows:			
Share of profit from associates and joint ventures	2.2, 5.5	-496 756	-383 747
Dividend paid from associates and joint ventures	5.5	556 374	557 991
Depreciation, amortisation and impairment	3.2, 3.3	809 720	530 095
Change in accruals, provisions and other		35 500	142 083
Working capital adjustments:			
Change in trade and other receivables		-146 733	-314 576
Change in trade payables		83 542	117 428
Change in inventories		10 929	-264 927
Cash generated from operating activities		**3 173 054**	**1 745 161**
Interest received	4.3	33 434	23 413
Interest paid	4.3	-236 206	-165 313
Other financial items	4.3	-38 800	-103 836
Income tax payments	5.1	-483 571	-481 784
Net cash flow from operating activities		**2 447 910**	**1 017 641**
Cash flows used for investing activities			
Proceeds from sale of property, plant and equipment	3.2	13 128	32 912
Purchase of property, plant and equipment	3.2	-1 175 937	-911 435
Purchase of intangible assets	3.1	-288 057	-177 742
Share capital increase in non-controlling interests		19 971	13 400
Net cash flow used for investing activities		**-1 430 895**	**-1 042 865**
Cash flows from financing activities			
Proceeds from borrowings	4.1	1 980 234	1 394 688
Repayment of borrowings	4.1	-1 491 354	-914 757
Payment of principal portion of lease liabilities	5.4	-150 271	-
Dividend paid to equity holders of the parent company	5.8	-427 500	-427 500
Dividend paid to non-controlling interests		-57 737	-45 538
Net cash flow from financing activities		**-146 628**	**6 893**
Net increase / decrease (-) in cash and cash equivalents		**870 387**	**-18 331**
Net currency translation effect		20 994	2 729
Cash and cash equivalents as of 1 January	4.2	1 011 564	1 027 165
Cash and cash equivalents as of 31 December	4.2	**1 902 945**	**1 011 564**

Notes for the Group

The notes are grouped into five sections and contain relevant financial information as well as a description of the accounting policies applied for the respective accounts included in the individual note.

Basis of Preparation

Jotun A/S is a limited liability company incorporated in Norway. The Group's headquarter is in Sandefjord, Norway, and the Group including associates and joint ventures employs around 10 000 people in 47 countries.

The Group consists of the parent company Jotun A/S and its subsidiaries. The consolidated financial statements consist of the Group as well as the Group's net interests in associates and joint ventures.

1.1 Accounting policies

Accounting policies, estimates and judgements are incorporated into the individual notes with the exception of general information described in this section.

The consolidated financial statements are prepared based on the historical cost principle, except for financial assets and liabilities which are recognised at fair value.

The consolidated financial statements have been prepared on the basis of the going concern assumption.

Statement of compliance

The 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), as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act.

Debt and equity instruments in the Group are not traded in a public market. Consequently, operating segment reporting according to IFRS 8 does not apply for the Group.

Basis for consolidation

The 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 fully consolidated from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as Jotun A/S. All intercompany balances, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full.

Interests in associates and joint ventures

The Group has interests in associates and joint ventures. An associate is an entity in which the Group has significant, but not controlling influence, with an ownership normally between 20 and 50 per cent. A joint venture is a jointly controlled entity, normally with a fifty-fifty ownership.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the Group presents its share of the companies' results after tax on a separate line in the income statement. Share of equity is reported as investments in associates and joint ventures in the balance sheet.

The financial statements of associates and joint ventures are prepared for the same reporting period and based on the same accounting policies as for the Group.

Non-controlling interests

The non-controlling interests are presented separately in the consolidated financial statements representing the minority's share of equity and profit.

Foreign currency transactions

In the individual financial statements for each entity in the Group, transactions in foreign currency are initially recorded at the functional currency rates prevailing at the date of transaction. Monetary items in 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.

Translation of foreign operations to NOK

The Group's presentation currency is Norwegian Krone (NOK). This is also Jotun A/S' functional currency. Each entity in the Group determines its own functional currency, and the majority of financial statements are denominated in other currencies than 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 monthly at the average exchange rate for the month. Exchange rate differences are recognised in other comprehensive income.

1.2 New accounting policies

The Group has applied IFRS 16 Leases for the first time in 2019. Several other IFRS amendments and interpretations apply for the first time in 2019, but do not have any impact on the consolidated financial statements for the Group.

IFRS 16 Leases

The Group has implemented IFRS 16 Leases effective for the annual reporting period beginning 1 January 2019. IFRS 16 Leases supersedes IAS 17 Leases, and the standard sets out principles for the recognition, measurement, presentation and disclosure of leases. The new standard requires lessees to account for most leases on the balance sheet. See Note 5.4 for further details.

1.3 Estimates and judgements

In preparing the consolidated financial statements, Management makes various accounting estimates and assumptions that form the basis of the presentation, recognition and measurement of Jotun's assets and liabilities.

Determining the carrying amounts of some assets and liabilities requires estimates and assumptions concerning future events. Estimates and assumptions are based on historical experience and other factors, which Management assesses to be reasonable, but which by their nature involve uncertainty and unpredictability. These assumptions may have to be revised as unexpected events or circumstances may occur.

The areas that involve a high degree of judgement and are material to the financial statements are described in more detail in the relevant notes.

1.4 Events after the balance sheet date

New information regarding the Group'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 Group's financial position at the end of the reporting period, but which will affect the Group's financial position in the future, are disclosed if significant.

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

Back to Notes for the Group

SECTION 2
This section includes notes related to the consolidated income statement

Results for the Year

19 652
Operating revenue
(NOK million)
2018: 17 660

2 320
Operating profit
(NOK million)
2018: 1 361

11.8 %
Operating margin
2018: 7.7 %

In 2019, Jotun achieved record operating revenue and profit. The increase in operating income is driven by strong improvements in all segments, except Powder Coatings which was affected by low activity in key markets.

Still, all segments and regions reported growth in operating income. Operating profit increased by 70 per cent in 2019 compared to last year. The improvement is explained by solid sales growth as well as higher gross margins.

Favorable macro-economic trends, including positive currency effects and lower raw material prices, also contributed positively to the strong performance in 2019.

2.1 Operating revenue

Total operating revenue consists of revenue from the sale of paints and coatings, classified as revenue from contracts with customers, as well as other revenue, which includes royalty income, miscellaneous grants and refunds and profit from sale of fixed assets.

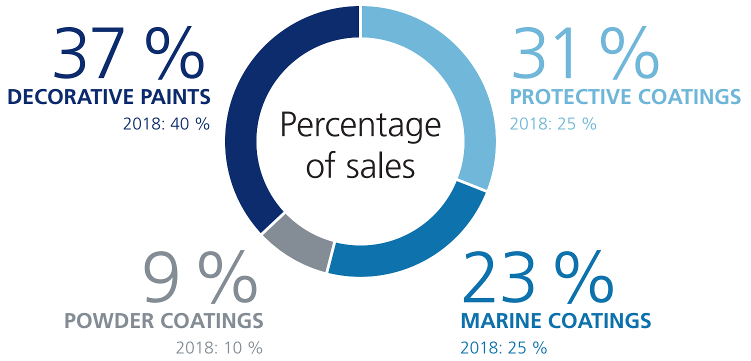
(NOK THOUSAND)	2019	2018
Revenue from contracts with customers	18 251 054	16 332 596
Revenue from contracts with customers - associates and joint ventures	971 236	972 747
Total revenue from contracts with customers	**19 222 290**	**17 305 343**
Other revenue	134 691	108 948
Other revenue from associates and joint ventures	294 936	245 572
Total operating revenue	**19 651 917**	**17 659 863**

(NOK THOUSAND)	2019	2018
South East Asia and Pacific	5 151 995	4 523 616
North East Asia	3 266 655	3 038 784
Middle East, India and Africa	3 181 554	2 797 092
Scandinavia	2 903 371	2 803 551
West Europe	2 327 587	2 080 456
East Europe and Central Asia	1 829 158	1 599 219
Americas	561 970	462 625
Total revenue from contracts with customers	**19 222 290**	**17 305 343**

(NOK THOUSAND)	2019	2018
Decorative Paints	7 200 812	6 559 542
Protective Coatings	5 957 615	5 101 379
Marine Coatings	4 350 121	3 969 072
Powder Coatings	1 713 742	1 675 350
Total revenue from contracts with customers	**19 222 290**	**17 305 343**
Cost of goods sold	10 440 914	9 913 967
Gross profit	**8 781 376**	**7 391 376**

Cost of goods sold comprises raw materials and packaging materials. The five largest raw materials categories account for more than 50 per cent of total cost of goods sold. These categories are titanium dioxide, emulsions, epoxy resins, solvents and metals. Cost of conversion is reported as part of manufacturing costs as described in Note 2.4.

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



Protective Coatings' share of total revenue has increased from 25 to 31 per cent, driven by strong sales growth particularly in North East Asia.

Accounting policy

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

Variable considerations such as rebates, bonuses, discounts and payments to customers, are accrued for when performance obligations are met and related revenue is recognised. Variable considerations are only recognised when it is highly probable that they will not be subject to significant reversal.

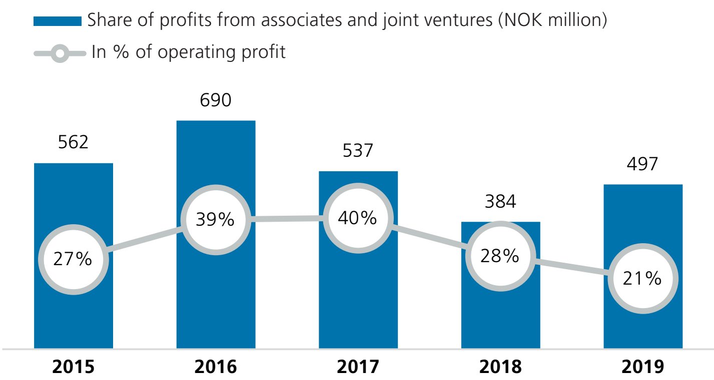
The Group does not have any contracts where the period between the transfer of the goods to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value.

2.2 Share of profits from associates and joint ventures

The table below shows share of profit after tax from associates and joint ventures. Share of equity in these companies are recognised as non-current assets specified in Note 3.4.

(NOK THOUSAND)	Country	Ownership interest	2019	2018
Associates				
Red Sea Paints Co. Ltd.	Saudia Arabia	40.0 %	-	-103
Jotun Saudia Co. Ltd	Saudia Arabia	40.0 %	169 006	141 066
Jotun Yemen Paints Ltd	Yemen	34.4 %	-	-
Jotun U.A.E Ltd. (LLC)	U.A.E.	41.5 %	163 188	180 517
Jotun Abu Dhabi Ltd. (LLC)	U.A.E.	51.6 %	57 530	47 640
Jotun Powder Coatings Saudia Arabia Co. Ltd.	Saudia Arabia	46.6 %	5 368	11 778
Jotun Powder Coatings U.A.E. Ltd (LLC)	U.A.E.	47.0 %	35 531	24 057
Total associates			**430 623**	**404 954**
Joint Ventures				
Chokwang Jotun Ltd.	South Korea	50.0 %	22 926	-24 633
Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	China	50.0 %	-519	-54 897
Jotun COSCO Marine Coatings (H.K.) Ltd.	China	50.0 %	43 725	58 323
Total joint ventures			**66 132**	**-21 207**
Total associates and joint ventures			**496 756**	**383 747**

Red Sea Paints Co. Ltd. and Jotun Saudia Co. Ltd. merged in 2018. The significant improvement in South Korea and China is related to a recovery in the shipbuilding industry after a cyclical downturn. Further financial details for the Group's share of profit in associates and joint ventures is set out in Note 5.5.



2.3 Payroll expenses

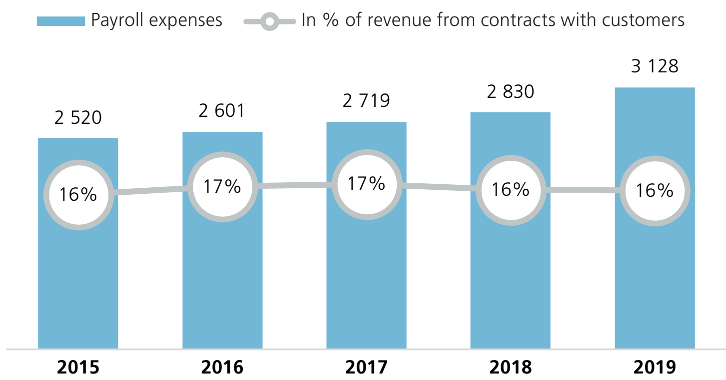
Payroll expenses are the total disbursements relating to remuneration of personnel employed by the Group. These expenses comprise direct salaries and holiday pay, bonuses, pension costs and public taxes/charges relating to the employment of personnel.

(NOK THOUSAND)	2019	2018
Wages including bonuses	2 500 573	2 266 723
Social costs	345 053	281 217
Pension costs defined contribution plans	153 896	177 985
Pension costs defined benefit plans, ref. Note 5.2	16 491	17 372
Other personnel costs	112 342	86 272
Total	**3 128 356**	**2 829 570**
Average full-time equivalents employees	7 200	7 069

The 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 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.

The Group's pension plans are primarily defined contribution plans. For further information see Note 5.2.

For further information regarding remuneration to the President & CEO and Board of Directors see Note 5.3.



JOTUN GROUP

2.4 Other operating expenses

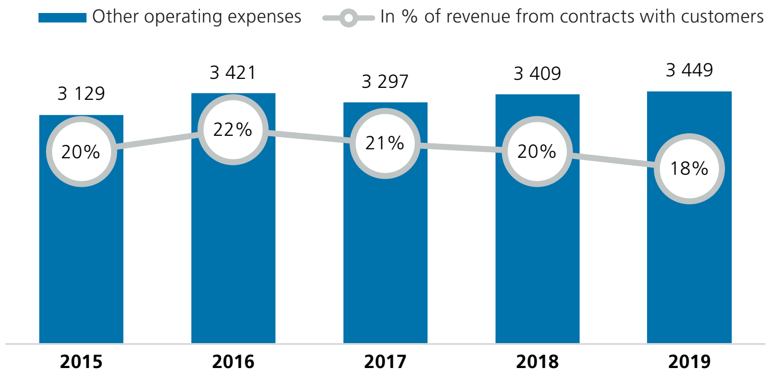
Other operating expenses comprise all operating expenses that are not related to cost of goods sold, payroll expenses and capital costs such as depreciation, amortisation and impairment. The main items of other operating expenses have been grouped in the table below.

(NOK THOUSAND)	2019	2018
Manufacturing	405 676	391 559
Warehouse	168 016	148 035
Transportation	539 218	501 583
Sales and marketing	1 160 212	1 079 290
Technical service	143 328	131 927
Research and Development	235 732	215 824
General and administrative	565 172	595 900
Other*	231 849	345 046
Total	**3 449 205**	**3 409 164**

*Other consists mainly of product liability claims and losses on accounts receivable. See Note 3.8 and 3.6 for further details.

Manufacturing costs include change in cost of conversion related to finished goods.

Research and Development consists of costs from projects in a research phase and development costs related to cancelled projects. Total Research and Development costs including payroll expenses are NOK 496 million (2018: NOK 491 million) of which NOK 77 million has been capitalised as intangible assets specified in Note 3.2.



SECTION 3

The notes in this section provide details of the assets and related liabilities that form the basis for the Group's activities.

Invested Capital and Working Capital Items

30.0 %
Operating working capital / revenue
2018: 30.0 %

12 416
Capital employed
(NOK million)
2018: 11 156

1 464
Investments in intangible and fixed assets
(NOK million)
2018: 1 089

In 2019, Jotun increased its efforts to improve working capital, through process optimisation and improved follow-up of customer credits.

While accounts receivable and inventories relative to operating revenue were reduced, tightening of supplier payment terms resulted in operating working capital in per cent of revenue remaining unchanged.

The increase in capital employed is mainly driven by investments in a new headquarter and R&D centre in Sandefjord, Norway, as well as new production and warehouse facilities in Egypt and Vietnam.

3.1 Overview

The table shows investments in working capital items and invested capital. Capital employed is the total of net working capital and invested capital, which is the basis for generation of operating profit before interest and tax (EBIT). Return on capital employed (ROCE) is the ratio of EBITA to capital employed, and is used to measure the Group's profitability and capital efficiency.

(NOK THOUSAND)	Note	31.12.2019	31.12.2018	Change
Inventories	3.5	2 829 761	2 840 690	-10 929
Accounts receivable	3.6	4 694 109	4 549 587	144 522
Trade payables	5.9	-2 114 446	-2 030 904	-83 542
Operating working capital		**5 409 424**	**5 359 374**	**50 051**
Bank drafts	3.6	149 411	111 653	37 758
Other receivables	3.6	422 171	457 718	-35 547
Public charges and holiday pay	3.7	-288 626	-280 965	-7 661
Other accrued expenses	3.7	-1 054 445	-1 046 183	-8 262
Current provisions	3.7, 3.8	-369 636	-514 924	145 289
Other working capital		**-1 141 125**	**-1 272 702**	**131 577**
Net working capital		**4 268 299**	**4 086 672**	**181 628**
Intangible assets	3.2	712 441	523 310	189 131
Property, plant and equipment	3.3	6 489 083	5 288 252	1 200 831
Investments in associates and joint ventures	3.4	1 485 922	1 532 513	-46 592
Non-current provisions	3.8	-273 776	-40 673	-233 103
Pension liabilities	5.2	-220 651	-197 688	-22 963
Other non-current liabilities		-45 638	-36 690	-8 948
Invested capital		**8 147 380**	**7 069 024**	**1 078 356**
Capital employed		**12 415 680**	**11 155 696**	**1 259 984**
Net deferred tax	5.1	322 579	249 541	73 038
Tax payable	5.1	-265 632	-149 837	-115 795
Share investments	5.9	16 046	18 026	-1 980
Prepaid dividend from associates and joint ventures	3.7	-323 124	-277 800	-45 325
Other invested capital		**-250 131**	**-160 069**	**-90 061**
Invested capital and working capital items		**12 165 549**	**10 995 626**	**1 169 923**
Net interest-bearing debt	4.1	-2 581 342	-2 526 364	-54 979
Total equity		**9 584 207**	**8 469 264**	**1 114 943**

3.2 Intangible assets

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

Territorial rights to the Qatari market were acquired by Jotun A/S from Jotun U.A.E. Ltd. (LLC) for NOK 237 million. After eliminations, NOK 138 million has been capitalised as intangible assets.

Accounting policy

Intangible assets are measured at cost, net of accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets with limited economic lives are calculated on a straight-line basis over the estimated useful life. 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 unlimited useful lives are not amortised but tested for impairment annually. The methodology for impairment testing is described in Note 3.3.

All intellectual property rights are owned by Jotun A/S. Development costs are capitalised only if the product is technically and commercially feasible and the business case demonstrates a probability for future economic benefit. Capitalised development costs mainly include internal payroll costs in addition to purchased materials and services used in the development programs. Amortisation of assets with limited useful life begins when development is complete, and the asset is available for use.

(NOK THOUSAND)	Development cost	IT applications and other intangibles	Total
Cost			
Balance as of 1 January 2018	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**
Additions	77 242	210 814	**288 057**
Disposals	-	-498	**-498**
Reclassifications	-5 641	-19 221	**-24 863**
Foreign currency translation effect	-	5 548	**5 548**
Balance as of 31 December 2019	395 247	755 168	**1 150 416**
Amortisation and impairment			
Balance as of 1 January 2018	-53 662	-246 203	**-299 866**
Amortisation	-15 800	-47 337	**-63 138**
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**
Amortisation	-17 848	-53 797	**-71 645**
Disposals	-	363	**363**
Reclassifications	-	-3 907	**-3 907**
Foreign currency translation effect	-	-3 924	**-3 924**
Balance as of 31 December 2019	-87 602	-350 373	**-437 975**
Net book value			
Balance as of 31 December 2019	307 645	404 796	**712 441**
Balance as of 31 December 2018	253 892	269 418	**523 310**
Estimated useful life	8-10 years	3-8 years	

3.3 Property, plant and equipment

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

A major part of the amount under Construction in progress relates to the new headquarters and R&D centre in Norway and production and warehouse facilities in Egypt and Vietnam.

Impairment for 2019 is related to the ongoing restructuring of Jotun Paints Inc. in the US. Due to the close down of the factory, the fixed assets have been written down to estimated net sales price.

The accounting standard IFRS 16 Leases was implemented 1 January 2019. This has impacted accounting for leases as it requires lease contracts to be recognised in the balance sheet. As of December 2019, the Group has recognised leased assets (Right-of-Use assets) amounting to NOK 593 million and a total lease liability amounting to NOK 445 million.
See Note 5.4 for further information.

(NOK THOUSAND)	Land	Buildings	Electrical installations	Machinery, vehicles and equipment	Construction in progress	Right of Use assets	Total
Cost							
Balance as of 1 January 2018	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 / Terminations	-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**
Recognition of Right of Use assets	-115 225	-	-	-	-	632 000	**516 775**
Balance as of 1 January 2019	334 245	3 592 857	408 755	3 934 621	981 844	632 000	**9 884 323**
Additions	-1 180	371 169	102 865	322 555	380 527	97 301	**1 273 238**
Disposals / Terminations	-	-56 164	-1 437	-32 137	1 541	-12 988	**-101 185**
Reclassifications	-	-29 657	34 754	-7 322	27 089	-	**24 863**
Foreign currency translation effect	16 013	71 583	-5 970	84 171	9 342	6 936	**182 075**
Balance as of 31 December 2019	349 078	3 949 788	538 967	4 301 888	1 400 343	723 250	**11 263 315**
Depreciation and impairment							
Balance as of 1 January 2018	-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**
Depreciation	-1 065	-141 987	-42 250	-329 041	-	-127 062	**-641 404**
Depreciation on disposals	-	37 729	1 386	47 231	-	-	**86 347**
Impairment	-	-77 636	-5 014	-9 126	-	-4 894	**-96 671**
Reclassifications	4 911	3 874	-3 874	3 907	-	-	**8 817**
Foreign currency translation effect	-279	-6 911	-7 120	-38 957	-	1 241	**-52 025**
Balance as of 31 December 2019	-11 467	-1 635 423	-228 890	-2 767 736	-	-130 714	**-4 774 232**
Net book value							
Balance as of 31 December 2019	337 611	2 314 365	310 077	1 534 152	1 400 343	592 535	**6 489 083**
Balance as of 31 December 2018	434 435	2 142 365	236 738	1 492 870	981 844	-	**5 288 252**
Estimated useful life	unlimited	25-33 years	10-14 years	3-10 years			

Accounting policy

PP&E are stated at cost less accumulated depreciation and impairment charges. Costs include expenditures that are directly attributable to the purchase of the asset, including borrowing cost of investment projects under construction.

PP&E are depreciated over estimated useful life after deduction of estimated residual value. Depreciation methods, useful lives and residual values are reassessed annually. Changes to the estimated residual value of useful life are accounted for as a change in estimate.

Costs of major maintenance activities are capitalised and depreciated over the estimated useful life. Maintenance costs which cannot be separately defined as a component of PP&E are expensed in the period in which they occur.

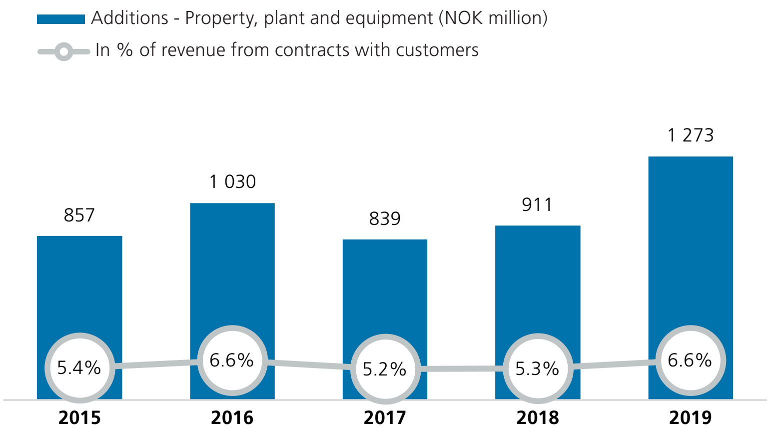
Estimate and judgement

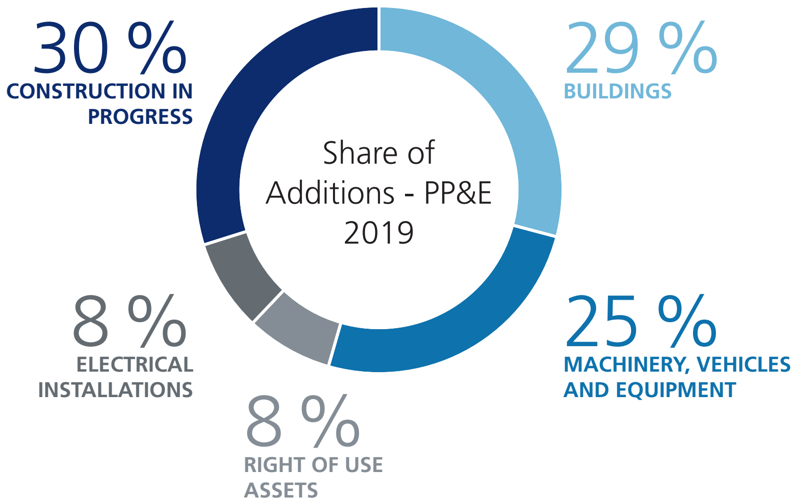
The Group assess the carrying value of intangible assets and PP&E whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

If the carrying value of an asset exceeds its estimated recoverable amount, an impairment loss is recognised in the income statement.

The assessment for impairment is performed for assets generating largely independent cash inflows.

The Group reverses impairment losses in the income statement if and to the extent this is substantiated by a change in the estimates used to determine the recoverable amount



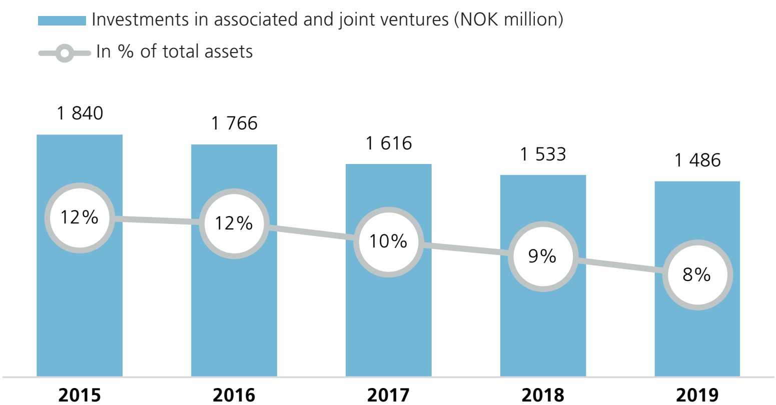


3.4 Investments in associates and joint ventures

The table below shows share of equity in associates and joint ventures. Share of result after tax in these companies are recognised as operating income specified in Note 2.2.

(NOK THOUSAND)	Country	Ownership interest	31.12.2019	31.12.2018
Associates				
Jotun Saudia Co. Ltd	Saudia Arabia	40.0 %	308 353	386 475
Jotun Yemen Paints Ltd	Yemen	34.4 %	-561	-553
Jotun U.A.E. Ltd. (LLC)	U.A.E.	41.5 %	312 407	333 586
Jotun Abu Dhabi Ltd. (LLC)	U.A.E.	51.6 %	109 527	105 144
Jotun Powder Coatings Saudia Arabia Co. Ltd.	Saudia Arabia	46.6 %	87 496	94 165
Jotun Powder Coatings U.A.E. Ltd (LLC)	U.A.E.	47.0 %	68 359	77 106
Total associates			**885 581**	**995 924**
Joint Ventures				
Chokwang Jotun Ltd.	South Korea	50.0 %	234 113	215 766
Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	China	50.0 %	232 512	233 185
Jotun COSCO Marine Coatings (H.K.) Ltd.	China	50.0 %	133 716	87 638
Total joint ventures			**600 341**	**536 589**
Total associates and joint ventures			**1 485 922**	**1 532 513**

Further financial details for the Group's investments in associates and joint ventures are set out in Note 5.5.



3.5 Inventories

Inventories comprise the Group's stock of raw materials used for production, finished goods and purchased goods for resale. Packaging to be used for sold goods is included. Any profit from intercompany sales has been eliminated.

(NOK THOUSAND)	31.12.2019	31.12.2018
Raw materials	1 183 887	1 239 044
Finished goods	1 785 205	1 735 380
Allowance for obsolete goods	-139 331	-133 734
Total	**2 829 761**	**2 840 690**

Accounting policy

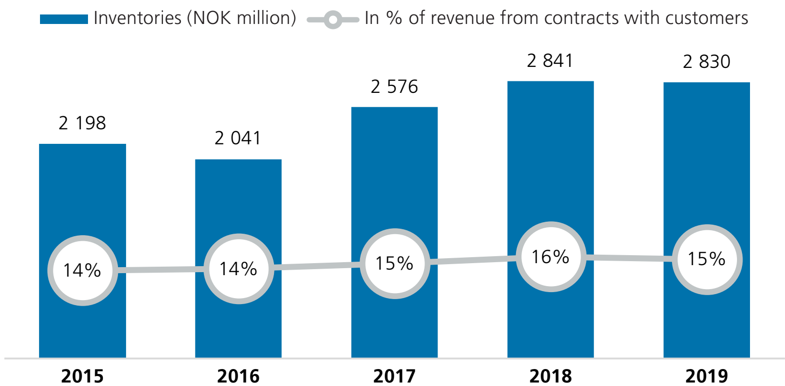
Inventories are stated at the lower of cost and net sales value. The cost incurred in bringing each product to its present location and condition is accounted for as follows:

1) The cost of raw materials is determined using the weighted average cost method as an overall principle for the Group. This involves the computation of an average unit cost by dividing the total cost of units by the number of units.

2) The cost of finished goods includes cost of direct materials and cost of conversion such as labour and a proportion of manufacturing overhead based on normal operating capacity, and excludes any borrowing costs. Change in cost of conversion is reported as manufacturing costs, see Note 2.4.

Estimate and judgement

Net sales value is the estimated selling price, less estimated costs of completion and the estimated costs necessary to make the sale. The Group's products are sold in markets where there are limited observable market references available, requiring use of judgement in determining net sales value. Management has used its best estimate in setting net sales value for inventories. Allowances are made for inventories with a net sales value less than cost.



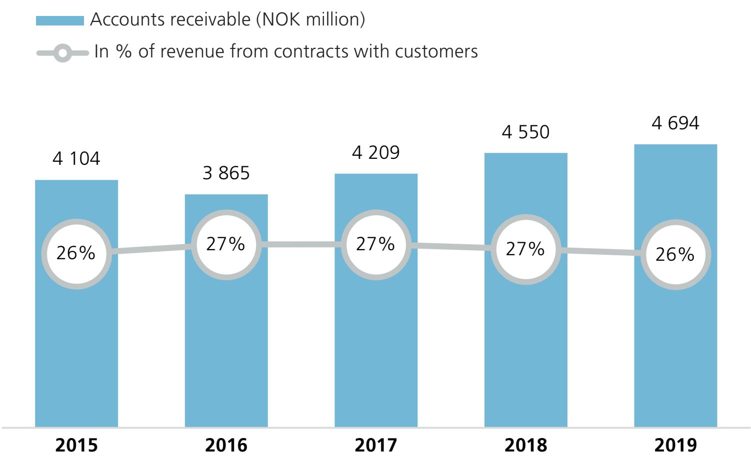
3.6 Trade and other receivables

Trade and other receivables are presented net of allowance for bad debt. Changes in allowance for bad debt, including realised losses, are classified as other operating expenses in the income statement, ref. Note 2.4. Bank drafts are received as payment of accounts receivable and have a maturity period of more than three months. Received bank draft are used to pay suppliers, ref. Note 3.10.

(NOK THOUSAND)	31.12.2019	31.12.2018
Accounts receivable	4 694 109	4 549 587
Bank drafts	149 411	111 653
Trade receivables	4 843 520	4 661 240
Other receivables	422 171	457 718
Total	**5 265 691**	**5 118 958**

The change in allowance for bad debt is shown in the following table:

(NOK THOUSAND)	2019	2018
Balance as of 1 January	189 246	198 606
Allowances for bad debt made during the period	99 131	61 111
Realised losses for the year	-99 631	-70 471
Balance as of 31 December	**188 746**	**189 246**



Aging of account receivable

(NOK THOUSAND)	31.12.2019	31.12.2018
Not due	3 242 945	3 029 808
Less than 30 days	611 809	627 454
30-60 days	299 527	290 061
60-90 days	133 939	189 221
More than 90 days	594 634	602 287
Allowance for bad debt	-188 746	-189 246
Total	**4 694 109**	**4 549 587**

Accounting policy

Accounts receivable are recognised at transaction price. Allowances are made for anticipated losses on receivables based on relevant information available at the time of reporting, including historical, current and future information in accordance with an expected loss model.

Estimate and judgement

Allowances have been made for bad debt, which cover uncertain receivables to a reasonable extent. The Management continues to assess the credit risks in order to ensure the credit risk never exceeds the allowance for bad debt. For further description of credit risk, see Note 4.4.

3.7 Other current liabilities

Other current liabilities are other payables, such as unpaid government charges and taxes, unpaid wages and holiday pay and other accruals and provisions.

(NOK THOUSAND)	31.12.2019	31.12.2018
Public charges and holiday pay	288 626	280 965
Prepaid dividend from associates and joint ventures	323 124	277 800
Other accrued expenses	1 054 445	1 046 183
Total current provisions, ref. Note 3.8	369 636	514 924
Total	**2 035 832**	**2 119 873**

Prepaid dividend from associates or joint ventures are recognised as current liability until the final approval by the General Assembly subsequent year. Other accrued expenses are related to commissions, bonuses to employees and other accrued expenses.

3.8 Provisions

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

2019

(NOK THOUSAND)	Claims	Environmental	Other	Total
Balance as of 1 January	443 411	63 241	48 946	555 597
Provisions arising during the year	203 220	4 000	69 147	276 367
Utilised	-105 958	-8 467	-29 058	-143 483
Unused amounts reversed	-45 851	-337	-1 768	-47 956
Currency translation effects	1 817	-	1 068	2 884
Balance as of 31 December	**496 639**	**58 437**	**88 335**	**643 410**
Current, ref. Note 3.7	291 149	937	77 550	369 636
Non-current	205 490	57 500	10 786	273 776
Total	**496 639**	**58 437**	**88 335**	**643 411**

2018

(NOK THOUSAND)	Claims	Environmental	Other	Total
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 effect	179	292	-2 812	-2 342
Balance as of 31 December	**443 411**	**63 241**	**48 946**	**555 597**
Current, ref. Note 3.7	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**

Other provisions include obligations relating to the ongoing restructuring and close down of the factory of Jotun Paints Inc. in the US. The provision is expected to be utilised within the next year.

Product liability claims are reported as other operating expenses, ref. Note 2.4.

Accounting policy

A provision for a liability is made when a legal or constructive obligation exists, payment is probable (more likely than not), and the liability is possible to estimate. If any of the recognition criteria are not met, the liability is considered a contingent liability and no provision shall be recorded, but instead described in Note 3.9.

Estimate and judgement

Product liability claims consist of various 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, and all will have been payable within five years after the reporting date.

The 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.

3.9 Contingent liabilities

Product liability claims and disputes
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. The Group contests the customer's claim, and as a result of this position, no provision has been made for a negative outcome of a lawsuit.

Environmental matters
The Group is through its operation exposed to environmental and pollution risk. Several production facilities and product warehouse sites have been inspected regarding environmental conditions in the soil. For sites where clean-up costs are probable and reliable estimates of the costs have been made, provisions are recorded 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 the full scope of conditions at some sites has yet to be determined. The related amount of potential, future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

Jotun's activities are carried out in accordance with local laws and regulations, and the Group's HSE requirements. Changes in laws and regulations may require the Group to make investments and incur costs to meet future compliance requirements.

Accounting policy

As stated in Note 3.8, contingent liabilities are potential liabilities that do not meet the recognition criteria for provisions and are hence not recorded in the balance sheet. IFRS accounting standards, however, require disclosure of such information in the notes.

3.10 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 programme ongoing in the Group. Out of the total ongoing investment programme, NOK 1 343 million is contractually committed capital expenditure (CAPEX) at year-end. These contractual commitments mainly relate to projects in Egypt, Dubai, Vietnam and 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
Jotun A/S has guarantees covering tax withholding and other guarantees for its subsidiaries. These amounted to approximately NOK 208 million in 2019 (2018: NOK 219 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 448 million (2018: NOK 553 million) have been used as payment as of 31 December 2019.

SECTION 4

This section includes notes related to Jotun's capital structure and financial items, including financial risks.

Capital Structure and Financial Items

50.1 %
Equity / asset ratio, in %
2018: 50.7 %

0.8
Net debt / EBITDA
2018: 1.3

18.6 %
Return on capital employed
2018: 12.9 %

Jotun is in a sound financial position with an equity ratio above 50 per cent, well above the loan covenant requirement of minimum 25 per cent. Implementation of IFRS 16 Leases effective from 1 January 2019 has affected the ratio negatively by approximately 1.3 per cent.

The strong financial performance in 2019 led to a reduction of the Group's leverage ratio (Net debt/ EBITDA) to 0.8, significantly below the loan covenant requirement of maximum 4.0.

As a consequence of Jotun's global footprint in its operations, investments and financing, Jotun is exposed to financial risks related to currency exchange rates, interest rates, raw material prices and customer credit. These risks are primarily handled through the companies normal operations and in accordance with the Group's Treasury policy.

Back to Notes for the Group

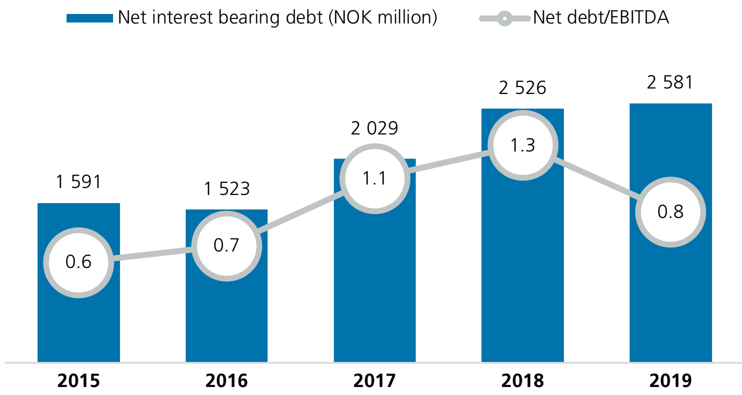
4.1 Interest-bearing debt

The Group's main sources of financing are from 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 3-5 years.

In 2019, the Group increased bond funding from NOK 1 555 million to NOK 2 400 million. The loan from Nordic Investment Bank (NIB) of USD 120 million is maintained and semi-annual instalments began in 2018.

As of 31 December 2019, there were no drawings on the committed credit facilities.

(NOK THOUSAND)	31.12.2019	31.12.2018	Currency	Term	Due
Non-current interest-bearing debt					
Bond 2014-21	400 000	400 000	NOK	Fixed rate 3.9%	2021
Bond 2018-22	750 000	500 000	NOK	NIBOR + 0.7 %	2022
Bond 2018-24	650 000	500 000	NOK	NIBOR + 0.9 %	2024
Bond 2019-23	600 000	-	NOK	NIBOR + 0,9 %	2023
Bank debt (NIB), unsecured	569 107	723 274	USD	US LIBOR + 1.2 %	2024
Other Bank debt unsecured	57 609	115 145			
Other Bank debt secured	-	14 349			
Total excl. lease liability	**3 026 715**	**2 252 768**			
Lease liability	334 006	-			
Total	**3 360 721**	**2 252 768**			
Current interest-bearing debt					
Bond 2014-19	-	155 000			
Bank debt (NIB), unsecured	162 602	160 728			
Other bank debt unsecured	894 305	954 262			
Other bank debt secured	28 565	109 411			
Total excl. lease liability	**1 085 472**	**1 379 401**			
Lease liability	111 311	-			
Total	**1 196 783**	**1 379 401**			
Total interest-bearing debt excl. lease liability	**4 112 188**	**3 632 168**			
Total lease liability	445 317	-			
Total interest-bearing debt	**4 557 504**	**3 632 169**			
Non-current interest-bearing receivables	73 217	94 242			
Cash and cash equivalents	1 902 945	1 011 564			
Net interest-bearing debt	**2 581 342**	**2 526 363**			



Change in interest-bearing debt balance

				Non-cash changes		
(NOK THOUSAND)	31.12.2018	Lease liability 01.01.2019	Cash	Reclass. & other	FX	31.12.2019
Non-current interest-bearing debt	2 252 768	394 059	917 600	-225 248	21 543	3 360 721
Current interest-bearing debt	1 379 401	114 485	-324 627	9 304	18 220	1 196 783

Maturity profile interest-bearing debt and unutilised credit facilities

(NOK THOUSAND)	Total	2020	2021	2022	2023	2024	>2024
Total interest-bearing debt excl. lease liability							
2019	**4 112 188**	**1 085 472**	**595 209**	**927 782**	**769 230**	**734 496**	**-**
2018	3 632 169	1 379 401	180 919	560 767	660 767	238 411	611 905
Unutilised credit facilities							
2019	**1 700 000**	**-**	**600 000**	**400 000**	**600 000**	**-**	**100 000**
2018	1 300 000	-	-	600 000	-	600 000	100 000

4.2 Cash and cash equivalents

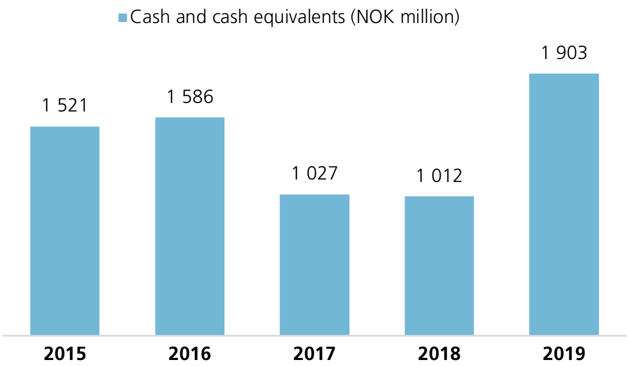
(NOK THOUSAND)	31.12.2019	31.12.2018
Cash deposits	1 393 784	907 285
Short-term investments	509 162	104 278
Total	**1 902 945**	**1 011 564**

Cash deposits in 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 2019 was NOK 190 million (2018: NOK 92 million).

Surplus cash in subsidiaries not participating in the cash pool is accessible through dividend distribution and/or repayment of debt to Jotun A/S. Increased cash and cash equivalents is due to improved financial performance.

Accounting policy

Cash includes cash in hand and cash deposits in banks. Cash equivalents are short-term liquid investments which are convertible into a known amount of cash on short notice and have a maximum term to maturity of three months.



4.3 Net financial items

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

Financial income

(NOK THOUSAND)	2019	2018
Fair value changes financial instruments	17 752	-
Interest income	33 434	23 413
Dividend	2 601	2 573
Net foreign exchange gain	13 362	4 062
Other financial income	18 446	14 976
Total	**85 595**	**45 024**

Financial cost

(NOK THOUSAND)	2019	2018
Fair value changes financial instruments	-	-27 686
Interest costs	-236 206	-165 313
Net foreign exchange loss	-43 020	-58 119
Other financial costs	-47 942	-39 643
Total	**-327 168**	**-290 760**
Net financial items	**-241 572**	**-245 736**

Exchange gains and losses related to forwards and options in Jotun A/S have affected the net financial Items with the following amounts:

(NOK THOUSAND)	2019	2018
Unrealised gain/loss (-)	17 752	-27 686
Realised gain/loss (-)	-35 953	2 951

Unrealised part is reported as fair value changes financial instruments, while the realised part is reported as foreign exchange gain or loss.

4.4 Financial risk management

Financial risks include raw material price risk, foreign currency risk, customer credit risk, interest rate risk and liquidity risk managed by the Group Treasury according to policy.

Raw material price risk
Raw material risk is the risk of fluctuating raw material prices affecting costs of goods sold, which represent more than 50 per cent of total costs. The main raw materials purchased by the Group are described in Note 2.1. Currently, The Group does not hedge this type of risk as availability of effective hedging instruments is limited. As increases in raw material prices cannot be compensated for immediately through increased product prices, profits will be negatively impacted for a period of time. The time horizon for Group-wide implementation of price increases is generally 9-12 months.

Costs of goods sold was NOK 10 billion in 2019 of which NOK 5 billion were costs for the top five raw materials. A ten per cent increase in commodity prices will result in an increase in cost of goods sold by NOK 1 billion.

Foreign currency risk
The Group's consolidated financial statement is exposed to a currency risk related to translation of local currencies to NOK. In 2019, sales and operating profit outside Norway was NOK 16.3 billion and NOK 2.2 billion respectively. A ten per cent appreciation in NOK will result in a reduction in sales of NOK 1 633 million and profit of NOK 222 million.

In addition to share capital, Jotun A/S finances the majority of its subsidiaries with intercompany loans in local currencies. Intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future are accounted for as part of the net investment in foreign operations. Exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Jotun A/S has a USD 83.3 million loan which serves as a natural hedge of net investment in foreign operations. Gains or losses on the hedging instrument related to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

A gain of NOK 35.3 million on hedge of net investments was recognised in other comprehensive income in 2019 (2018: loss NOK 27 million).

Credit risk
The management of customer credit risk related to accounts receivable and other operating receivables is handled as part of the business risk.

The 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.

Outstanding customer receivables are regularly monitored based on defined credit limits, and credit risk assessments are performed.

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.

The need for bad debt allowances is analysed on an individual customer basis. The maximum exposure to credit risk at the reporting date is the carrying value of each aging class of accounts receivable disclosed in Note 3.6. Customer receivables are unsecured, which means that customers are not required to post collateral.

Given the geographical distribution of customers with few large single accounts, credit risk in the Group is viewed as low and well diversified. The Group's customers are spread across several jurisdictions and industries and operate in largely independent markets.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt with floating interest rates. Jotun manages its interest rate risk by monitoring the impact on net profit. The Group has a relatively low leverage ratio. Consequently, the majority of the debt is with floating interest rate apart from lease liability and a NOK 400 million bond issued in 2014 (ref. Note 4.1).

The Group has long-term interest-bearing debt of NOK 2 627 million with floating interest rate. A three per centage point increase in interest rate will affect the financial items by NOK 79 million.

Funding and liquidity risk
It is the Group's policy that long-term debt and credit facilities shall have a minimum average time to maturity of two years. In addition, the target is to maintain a strategic financing reserve equivalent to five per cent of the Group's operating revenue.

The Group estimates its future cash flow by forecasting. Cash flow from operations has seasonal cycles, especially due to the sales of exterior decorative paints in Scandinavia. 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. Jotun A/S repatriates' cash through both ordinary and interim dividends based on target equity ratios for its subsidiaries.

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SECTION 5

This section includes other statutory notes not related to previous sections

Other Disclosures

529

Income tax expense

(NOK million)

2018: 442

25 %

Effective tax rate based on profit before tax

2018: 40 %

547

Proposed dividend

(NOK million)

2018: 428

5.1 Taxation

Income taxes refer to taxation of the profits of the different companies in the Group. Value added tax, property tax, custom duties and similar indirect taxes are not included in the tax expense. Income taxes are computed based on profit before tax and broken into current taxes and changes in deferred taxes. Deferred tax assets and liabilities are the result of temporary differences between financial and tax accounting.

The major components of the income tax expense are:

(NOK THOUSAND)	2019	2018
Current income tax charge:		
Tax payable	599 366	485 659
Deferred tax:		
Relating to original and reversal of temporary differences	-69 945	-44 146
Income tax expense reported in the income statement	**529 421**	**441 513**

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate
The difference between the Group's nominal and effective tax rate is mainly due to non-deductible expenses, non-refundable withholding taxes on dividends and tax losses carried forward from operations without recognition of deferred tax assets. In addition, the tax expense is driven by local income tax from associates where taxes are liable by Jotun A/S as a foreign shareholder. In 2018, the effective tax rate was negatively affected due to reassessment of the Group's pricing of internal transactions for the years 2014 - 2017. The reassessment was required by the Norwegian Tax Authorities. The decision was appealed and partly accepted by the authorities.

In the following table, reported income tax is reconciled with the calculated tax expense based on the Norwegian tax rate of 22 per cent (23 per cent in 2018). The main components are specified.

(NOK THOUSAND)		2019		2018
Profit before tax as reported in the income statement		2 078 905		1 115 078
Share of profit of associates and joint ventures net of tax		-496 756		-383 747
Profit before tax excluding associates and joint ventures		**1 582 149**		**731 332**
Income taxes at Norwegian statutory tax rate	22 %	348 073	23 %	168 206
Non refundable foreign withholding tax	2 %	26 512	5 %	33 819
Corrections previous years	-1 %	-7 914	7 %	49 955
Tax effect related to equity accounted companies	3 %	44 874	8 %	61 061
Non-deductible expenses and non-taxable income	4 %	56 413	10 %	75 756
Unused tax losses not recognised as deferred tax assets	4 %	67 779	10 %	75 505
Difference between tax rates in Norway and abroad	0 %	-6 316	-3 %	-22 789
Total income tax expense		**529 421**		**441 513**
Effective tax rate excluding profit from associates and joint ventures		33 %		60 %
Effective tax rate based on profit before tax		25 %		40 %

Specification of total tax payable

(NOK THOUSAND)	31.12.2019	31.12.2018
Tax payable for the year	599 366	485 659
Prepaid taxes	-274 641	-315 386
Withholding taxes receivable	-95 717	-87 706
Other tax payable	36 623	67 270
Total tax payable	**265 632**	**149 837**

Specification of deferred tax
Deferred tax is generally recognised for all 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.

(NOK THOUSAND)	31.12.2019	31.12.2018
Non-current assets	303 872	360 440
Current assets	-311 820	-215 410
Liabilities	-1 313 848	-1 094 480
Tax loss carried forward	-71 123	-105 005
Net temporary differences	**-1 392 919**	**-1 054 454**
Net deferred tax presented in the consolidated statement of financial position		
Deferred tax assets	360 431	287 006
Deferred tax liabilities	-37 852	-37 465
Net deferred tax	**322 579**	**249 541**

Specification of tax loss carried forward and unused tax credits

(NOK THOUSAND)	31.12.2019	31.12.2018
2019	-	114 554
2020	74 242	85 127
2021	124 522	88 636
2022	61 059	47 735
2023	11 776	472 106
2024 and after	525 994	-
Without expiration	842 025	736 049
Total tax loss carried forward	**1 639 617**	**1 544 207**
Calculated nominal tax effect of tax loss carried forward	494 155	453 988
Not recognised deferred tax assets (unused tax credits)	-476 943	-434 163
Deferred tax assets recognised from tax loss carried forward	**17 212**	**19 825**

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 US, Brazil, India, Spain, South Africa and Pakistan have substantial tax reducing temporary differences and tax losses carried forward that have not been recognised due to uncertainty about future taxable profit available to utilise the credits.

Accounting policy

Current income tax
Current income tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax 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. 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.

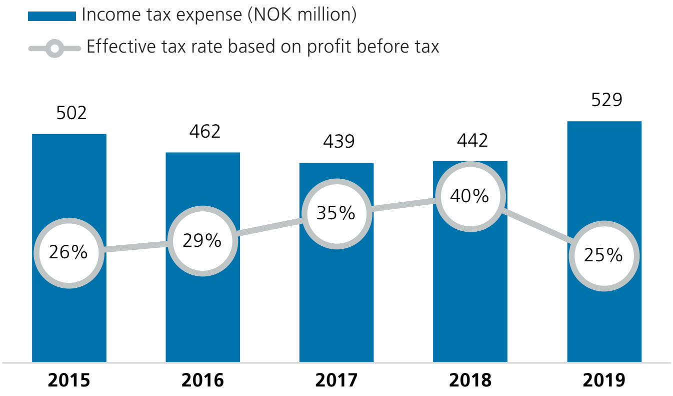
Deferred tax
Deferred tax assets and deferred tax liabilities are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax assets and deferred tax liabilities are recognised at their nominal value and classified as non-current liabilities and non-current assets in the balance sheet. Deferred tax liabilities and deferred tax assets are offset as far as possible as permitted by taxation legislation and regulations. 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 losses and temporary differences can be utilised.

Estimate and judgement

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.

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. The 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.



5.2 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 a few, remaining defined benefit pension plans with net pension obligation. Costs related to these plans account for less than 15 per cent of total pension costs in 2019.

Summary of pension costs

(NOK THOUSAND)	2019	2018
Pension costs defined contribution plans and other severance schemes	153 896	177 985
Pension costs defined benefit plans	16 491	17 372
Total pension costs recognised in the income statement, ref. Note 2.3	**170 387**	**195 357**
Actuarial gain / loss (-) recognised in other comprehensive income (net of tax)	**-8 290**	**8 171**

The 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 59 per cent and 28 per cent, respectively, of the Group's net pension obligation as of 31 December 2019. In Norway, net pension obligations are primarily related to previous early retirement schemes for the 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 85 per cent of the other severance scheme obligation.

Actuarial assumptions

	Norway		Indonesia	
	2019	2018	2019	2018
Discount rate in %	1.3	2.0	7.3	9,1
Expected return in %	1.3	2.0	5.0	5.0
Wage adjustment in %	2.25	2.75	6.0	6.0
Inflation / increase in social security basic amount (G) in %	2.0	2.5	3.0	3.2
Pension adjustment in %	0.7-2.25	0.8-2.75	-	-

Schemes with net pension obligations

	Pension plan assets		Defined benefit obligations		Net pension obligations	
(NOK THOUSAND)	2019	2018	2019	2018	2019	2018
Balance as of 1. January	**365 866**	**369 641**	**-486 906**	**-502 441**	**-121 040**	**-132 798**
Translation difference at the beginning of the period	15 442	1 125	-17 806	-390	-2 364	735
Recognised in the income statement						
Pension earnings for the year	-	-	-12 159	-14 278	-12 159	-14 278
Interest income / cost (-)	-	-	-15 382	-13 783	-15 382	-13 783
Expected return on pension plan assets	11 050	9 852	-	-	11 050	9 852
Recognised in the income statement	11 050	9 852	-27 541	-28 061	-16 491	-17 372
Actuarial gain / loss (-) recognised in other comprehensive income	45 176	-15 331	-55 093	25 436	-9 916	10 106
Other movements						
Benefits paid	-12 684	-14 871	20 923	29 036	8 240	14 166
Contribution paid to pension schemes	14 992	15 450	-	-	14 992	15 450
Transfer to / from schemes with net pension liabilities	-	-	-8 921	-10 486	-8 921	-10 486
Net pension obligation defined benefit plans	**439 845**	**365 866**	**-575 343**	**-486 906**	**-135 499**	**-121 040**
Other severance schemes	-	-	-85 153	-76 649	-85 153	-76 649
Balance as of 31 December	**439 845**	**365 866**	**-660 496**	**-563 555**	**-220 651**	**-197 688**

Breakdown of net pension liabilities in funded and unfunded schemes

(NOK THOUSAND)	31.12.2019	31.12.2018
Present value of funded pension obligations	-473 388	-392 704
Pension plan assets	439 845	365 866
Net funded pension obligations	-33 543	-26 838
Present value of unfunded pension obligations	-187 107	-170 851
Capitalised net pension assets / liabilities (-)	**-220 651**	**-197 688**

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. Contributions to pension plan assets during 2020 are expected to be approximately NOK 15.1 million.

Breakdown of pension plan assets (fair value)

	31.12.2019	31.12.2018
Cash and cash equivalents in %	1.1	0.5
Bonds in %	52.7	66.8
Shares in %	41.3	27.3
Property in %	4.8	5.4
Total pension plan assets	**100.0**	**100.0**

Accounting policy

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 correspond to an agreed percentage of the employee's salary in accordance with local pension arrangements. In Norway, the rate is five per cent of annual basic salary, limited upwards to twelve times the social security basic amount. In addition, 18.1 per cent contribution is made for annual basic salary between 7.1-12 times the social security basic amount. The pension contributions are expensed when 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 Group companies are 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 income statement as they occur. Gains or losses linked to changes or terminations of pension plans are also recognised in the 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.

Estimate and judgement

Defined benefit plans are calculated based on a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future wage adjustment, etc. could have a substantial impact on the estimated pension liability. Similarly, changes in 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.

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.

As a rule, parameters such as wage growth, growth in G and inflation are set in accordance with recommendations in the various countries.

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.

5.3 Remunerations

Remuneration of the President & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
President & CEO	5 553	808	276	2 597	9 234

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.

The Group has no obligation to give the President & CEO or the Chairman of the Board of Directors 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 six 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 of Directors or Corporate Assembly.

Remuneration of the Board of Directors and Corporate Assembly

(NOK THOUSAND)	2019	2018
Board of Directors	3 384	2 820
Corporate Assembly	173	165
Total	**3 557**	**2 985**

Shares controlled by members of the Board of Directors and the Group Management are specified in Note 5.8.

Exernal auditor remuneration

(NOK THOUSAND)	2019	2018
Statutory audit	14 111	12 364
Other attestation services	229	266
Tax services	3 085	2 980
Other services	2 181	1 407
Total	**19 607**	**17 016**

5.4 Leases

The Group has lease contracts for various assets (land, buildings, machinery and equipment and transport vehicles) used in its operations.

Transition to IFRS 16 Leases
The Group has applied the simplified transition approach with no restatement of comparative amounts for the year prior to first adoption. Jotun has elected to use the following exemptions proposed by the standard:

- Not to reconsider if existing contracts are, or include, a lease
- Not to recognise lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value

Liabilities are measured as the present value of the remaining lease payments, discounted using Jotun's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.08 per cent. Lease payments are allocated between the liability and financial cost. The financial cost is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Accounting policy

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract includes a right to control the use of an identified asset for a period of time in exchange for a financial consideration.

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities for payment obligations for leases and right-of-use assets representing the value of the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. When assessing the life of the leases, the Group considers the non-cancellable lease term and options to extend the lease where Jotun is reasonably certain to extend. Extension options are assessed for all lease's premises. For other assets, the life Is equal to the non-cancellable lease period and extensions are not considered for these.

Right-of-use assets are also subject to impairment, using the same method as for Property, plant and equipment, see note 3.3.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as operating expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments. The Group's lease liabilities are included in interest-bearing debt, see Note 4.1.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to all short-term leases, which are leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Cash flow
The Group has classified the principle portion of lease payments within financing activities and the interest portion within operating activities in the statement of cash flow.

Estimate and judgement

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Right-of-Use assets:

(NOK THOUSAND)	Land	Buildings	Machinery, vehicles and equipment	Total
Cost				
Balance as of 1 January 2019	318 186	189 873	123 940	632 000
Additions	-	40 075	57 226	97 301
Terminations	-9 175	-2 750	-1 064	-12 988
Foreign currency translation effect	3 819	1 167	1 950	6 936
Balance as of 31 December 2019	**312 831**	**228 366**	**182 053**	**723 250**
Depreciation and impairment				
Balance as of 1 January 2019	-	-	-	-
Depreciation	-9 686	-59 119	-58 256	-127 062
Impairment	-	-4 894	-	-4 894
Foreign currency translation effect	35	2 127	-920	1 241
Balance as of 31 December 2019	**-9 652**	**-61 886**	**-59 177**	**-130 714**
Net book value				
Balance as of 31 December 2019	**303 180**	**166 480**	**122 876**	**592 535**

Lease liability as of 31 December

(NOK THOUSAND)	31.12.2019
Non-current	334 006
Current	111 311
Total	**445 317**

Undiscounted lease liabilities and maturity of cash outflows

(NOK THOUSAND)	Total
Less than 1 year	134 807
1-2 years	100 524
2-3 years	59 285
3-4 years	35 615
4-5 years	22 065
More than 5 years	302 858
Total undiscounted lease liabilities as of 31 December 2019	**655 154**

Amounts recognised in the consolidated income statement:

(NOK THOUSAND)	2019
Leases	
Depreciation of Right-of-Use assets	127 062
Impairment of Right-of-Use assets	4 894
Interest expense	29 868
Other lease expenses recognised in the income statement:	
Expenses relating to short-term leases	26 117
Expenses relating to lease of low value assets	7 236
Expenses related to variable payments	24 127
Total	**219 304**

Total cash outflow relating to leases was NOK 179 million for the period.
The portfolio of short-term leases does not vary significantly from year to year.

Effect from implementation of IFRS 16:
When recognising right-of-use assets as part of the implementation of the new standard, prepaid or accrued lease payments have been reclassified as right-of-use assets. The effect on the balance sheet from the implementation is illustrated below.

(NOK THOUSAND)	01.01.2019
Assets	
Right-of-use assets	632 000
Property, plant and equipment	-104 871
Other receivables (prepayments)	-18 585
Total	**508 544**
Liabilities	
Interest-bearing debt (non-current)	394 059
Interest-bearing debt (current)	114 485
Total	**508 544**

Reconciliation of operational lease commitments and leases liability

(NOK THOUSAND)	
Operating lease commitments as of 31 December 2018 (adjusted)	**775 113**
Less short-term and low value leases recognised on a straight line basis	-54 547
Total	**720 565**
Discounted using the incremental borrowing rate	-234 949
Adjustments as a result of a different treatment of extension and termination options	22 927
Lease liabilities as of 1 January 2019	**508 544**

5.5 Associates and joint ventures

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

Share of result and equity are specified in Note 2.2 and 3.4, respectively. Further financial details for the Group's profits and investments in associates and joint ventures is set out below.

Overview

(NOK THOUSAND)	31.12.19 Associates	Joint ventures	Total	31.12.18 Associates	Joint ventures	Total
Carrying amount 1 January	995 924	536 589	1 532 513	958 525	657 129	1 615 654
Share of profit and loss	430 623	66 132	496 756	404 954	-21 207	383 747
Exchange differences	15 409	-2 381	13 028	79 525	11 577	91 103
Dividend	-556 374	-	-556 374	-447 081	-110 910	-557 991
Carrying amount 31 December	**885 581**	**600 341**	**1 485 922**	**995 924**	**536 589**	**1 532 513**
Revenues	4 526 833	3 401 344	7 928 177	4 062 124	2 631 749	6 693 872
Revenues - Jotun entities*	587 299	1 146 424	1 733 724	599 231	923 226	1 522 457
Total revenues	**5 114 132**	**4 547 769**	**9 661 901**	**4 661 355**	**3 554 974**	**8 216 329**
Profit / (loss) for the year	**1 010 748**	**132 265**	**1 143 013**	**956 428**	**-42 414**	**914 014**

* Subsidiaries, associates and joint ventures.

Group's investments (share of total equity) in associates and joint ventures:

Associates

The Group has the following investments in associates:

(NOK THOUSAND)	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**	**Yemen**	**U.A.E.**	**U.A.E.**	**Saudi Arabia**	**U.A.E.**	
Ownership interest	40.0 %	34.4 %	41.5 %	51.6 %	46.6 %	47.0 %	
Carrying amount 1 January	386 475	-553	333 586	105 144	94 165	77 106	995 924
Net profit / (loss) during the year	169 006	-	163 188	57 530	5 368	35 531	430 623
Exchange differences	5 907	-8	6 678	1 176	1 064	592	15 409
Dividend	-253 035	-	-191 045	-54 323	-13 102	-44 870	-556 374
Carrying amount as of 31 December	**308 353**	**-561**	**312 407**	**109 527**	**87 496**	**68 359**	**885 581**

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

2019

(NOK THOUSAND)	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
Non-current assets	422 941	1 824	184 634	74 115	69 536	152 362	905 412
Current assets	688 113	1 185	914 111	265 416	176 742	187 790	2 233 359
Total assets	**1 111 054**	**3 009**	**1 098 745**	**339 532**	**246 278**	**340 153**	**3 138 770**
Equity	770 883	-1 630	986 057	212 262	187 759	172 261	2 327 593
Non-current liabilities	105 164	4 639	66 241	6 144	21 444	57 766	261 398
Current liabilities	235 007	-	46 447	121 125	37 075	110 126	549 779
Total equity and liabilities	**1 111 054**	**3 009**	**1 098 745**	**339 532**	**246 278**	**340 153**	**3 138 770**
Revenues	1 849 209	-	1 900 516	687 180	250 806	426 422	5 114 132
Profit / (loss) for the year	**422 515**	**-**	**665 525**	**111 493**	**11 519**	**75 598**	**1 286 650**

2018

(NOK THOUSAND)	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
Non-current assets	440 196	1 796	117 077	68 298	63 159	146 344	836 870
Current assets	705 671	1 167	912 066	263 286	155 257	174 735	2 212 181
Total assets	**1 145 867**	**2 964**	**1 029 142**	**331 583**	**218 416**	**321 079**	**3 049 051**
Equity	966 187	-1 605	807 606	203 768	202 071	190 562	2 368 589
Non-current liabilities	96 344	4 569	9 631	-1 067	13 478	70 122	193 076
Current liabilities	83 337	-	211 905	128 882	2 867	60 395	487 386
Total equity and liabilities	**1 145 867**	**2 964**	**1 029 142**	**331 583**	**218 416**	**321 079**	**3 049 051**
Revenues	1 603 533	-	1 833 767	620 264	215 748	388 042	4 661 355
Profit / (loss) for the year	**352 664**	**-**	**434 980**	**92 326**	**25 275**	**51 184**	**956 428**

Joint ventures

The 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
Country	**South Korea**	**China**	**China**	
Ownership interest	50.0 %	50.0 %	50.0 %	
Carrying amount 1 January	215 766	233 185	87 638	536 589
Net profit / (loss) during the year	22 926	-519	43 725	66 132
Exchange differences	-4 580	-154	2 353	-2 381
Carrying amount as of 31 December	**234 113**	**232 512**	**133 716**	**600 341**

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

2019

(NOK THOUSAND)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.	Total
Non-current assets	375 578	472 550	390 033	1 238 161
Current assets	646 270	1 040 362	519 560	2 206 192
Total assets	**1 021 848**	**1 512 913**	**909 593**	**3 444 354**
Equity	468 226	465 024	604 212	1 537 462
Non-current liabilities	97 911	58 767	-	156 678
Current liabilities	455 711	989 121	305 381	1 750 213
Total equity and liabilities	**1 021 848**	**1 512 912**	**909 593**	**3 444 354**
Revenues	1 551 484	1 944 364	1 051 920	4 547 769
Net profit / (loss) for the year	**45 853**	**-1 037**	**87 450**	**132 265**

2018

(NOK THOUSAND)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.	Total
Non-current assets	364 212	498 501	383 231	1 245 944
Current assets	522 574	894 379	447 499	1 864 451
Total assets	**886 786**	**1 392 880**	**830 729**	**3 110 395**
Equity	431 533	466 370	506 237	1 404 140
Non-current liabilities	67 683	52 119	-	119 802
Current liabilities	387 570	874 391	324 492	1 586 453
Total equity and liabilities	**886 786**	**1 392 880**	**830 729**	**3 110 395**
Revenues	975 981	1 629 524	949 469	3 554 974
Net profit / (loss) for the year	**-49 265**	**-109 794**	**116 645**	**-42 414**

5.6 Related parties

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

During 2019, 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 associates and joint ventures are presented in Note 5.5, shareholder and dividend information are presented in Note 5.8.

The transactions between related parties are mainly sales and purchases of finished goods. Joint expenses are distributed in accordance with agreed cost contribution arrangements.

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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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.

2019

(NOK THOUSAND)	Sales of goods to	Purchases of goods from	Other revenue from	Loans to	Interests on loan to	Other current liabilities	Trade and other receivables
Joint ventures	835 757	416 681	121 339	-	52	136 629	189 063
Associates	135 480	508 155	173 597	1 382	-	146 232	80 440
Total	**971 236**	**924 837**	**294 936**	**1 382**	**52**	**282 861**	**269 503**

2018

(NOK THOUSAND)	Sales of goods to	Purchases of goods from	Other revenue from	Loans to	Interests on loan to	Other current liabilities	Trade and other receivables
Joint ventures	958 309	315 067	93 112	26 332	891	135 433	208 445
Associates	14 438	502 392	152 460	1 361	728	287 659	91 331
Total	**972 747**	**817 459**	**245 572**	**27 693**	**1 619**	**423 092**	**299 776**

Aside from the transactions with associates and joint ventures, described in the table above, territorial rights to the Qatari market was acquired by Jotun A/S from Jotun U.A.E. Ltd. (LLC) for NOK 237 million. After eliminations, NOK 138 million has been capitalised as intangible assets, ref. Note 3.2.

Details on remuneration and shares held for the Board of Directors and Group Management is described in Notes 5.3 and 5.8. Besides remuneration and shares, the Group has not identified any transactions with the Board of Directors or key management personnel during 2019.

5.7 Subsidiaries

For the list of subsidiaries included in the consolidated accounts, refer to Note 5.6 to the Parent Company Financial Statements.

5.8 Share capital and shareholder information

The share capital in Jotun A/S as of 31 December 2019 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 2019 was 863. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Ownership	Voting interest
Lilleborg AS	42 203	103 446	145 649	42.6 %	38.4 %
Odd Gleditsch AS	11 496	37 141	48 637	14.2 %	11.1 %
Mattisberget AS	29 518	582	30 100	8.8 %	21.6 %
Leo Invest AS	3 008	7 522	10 530	3.1 %	2.7 %
Abrafam Holding AS	3 387	3 665	7 052	2.1 %	2.7 %
BOG Invest AS		6 850	6 850	2.0 %	0.5 %
ACG AS		5 553	5 553	1.6 %	0.4 %
Elanel AS	3 027	2 353	5 380	1.6 %	2.4 %
HEJO Holding AS		5 255	5 255	1.5 %	0.4 %
Bjørn Ekdahl	1 874	3 281	5 155	1.5 %	1.6 %
Live Invest AS	4 080	571	4 651	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	3 061	3 066	0.9 %	0.2 %
Vida Holding AS	142	2 588	2 730	0.8 %	0.3 %
Nils Petter Johannes Ekdahl	1 872	545	2 417	0.7 %	1.4 %
Total 20 largest	**102 944**	**201 059**	**304 003**	**88.9 %**	**89.9 %**
Total others	11 056	26 941	37 997	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 related parties

Name	Office	A-shares	B-shares	Total
Odd Gleditsch d.y.	Chairman of the Board	27	7 036	**7 063**
Einar Abrahamsen	Member of the Board	3 387	3 674	**7 061**
Nicolai A. Eger	Member of the Board	1 112	5 200	**6 312**
Richard Arnesen	Member of the Board	1 855	2 124	**3 979**
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	8 615	**8 620**
Richard Arnesen d.y.	Member of the Corporate Assembly	7	522	**529**
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**
Truls Hvitstein	Member of the Corporate Assembly		1	**1**
Morten Fon	President & CEO	9	21	**30**
Bård Tonning	GEVP Decorative Paints		5	**5**
Vidar Nysæther	GEVP & CFO		20	**20**

There are no options for share acquisitions.

Dividend paid and proposed

Declared and paid during the year	2019	2018
Total dividend on ordinary shares	427 500	427 500
Dividend per share	1 250	1 250

Proposed for approval at the Annual General Meeting	2019	2018
Total dividend on ordinary shares	547 200	427 500
Dividend per share	1 600	1 250

Dividend are deducted from equity and recognised as a liability after approval by the Annual General Meeting.

5.9 Details of financial assets and liabilities

This note gives an overview of measurement of financial assets and liabilities and the accounting treatment of these balance sheet items. The measurement method in the tables are defined as follows:

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

Accounting policy

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.

2019

(NOK THOUSAND)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
Non-current assets						
Share investments		3	16 046		16 046	
Non-current financial receivables				73 217	73 217	73 217
Total			**16 046**	**73 217**	**89 263**	**73 217**
Current assets						
Accounts receivable	3.6			4 694 109	4 694 109	
Other current receivables	3.6			571 582	571 582	
Cash and cash equivalents	4.2			1 902 945	1 902 945	1 902 945
Total				**7 168 636**	**7 168 636**	**1 902 945**
Total financial assets			**16 046**	**7 241 853**	**7 257 899**	**1 976 162**

2019

(NOK THOUSAND)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
Non-current liabilities						
Non-current financial liabilities	4.1			3 360 721	3 360 721	3 360 721
Total				**3 360 721**	**3 360 721**	**3 360 721**
Current liabilities						
Interest-bearing debt	4.1			1 196 783	1 196 783	1 196 783
Trade payables				2 114 446	2 114 446	
Current tax liabilities	5.1			265 632	265 632	
Other liabilities	3.7			2 229 285	2 229 285	
Current derivatives	3.7, 4.1	1	-3 649		-3 649	
Total			**-3 649**	**5 806 145**	**5 802 496**	**1 196 783**
Total financial liabilities			**-3 649**	**9 166 866**	**9 163 217**	**4 557 504**

2018

(NOK THOUSAND)	Note	Level	Fair value	Amortised cost	Total	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	3.6			4 549 570	4 549 570	
Other current receivables	3.6			569 388	569 388	
Cash and cash equivalents	4.3			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**

2018

(NOK THOUSAND)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
Non-current assets						
Non-current financial liabilities	4.1			2 252 768	2 252 768	2 252 768
Total				**2 252 768**	**2 252 768**	**2 252 768**
Current liabilities						
Interest-bearing debt	4.1			1 379 401	1 379 401	1 379 401
Trade payables				2 030 904	2 030 904	
Current tax liabilities	5.1			149 837	149 837	
Other liabilities	3.7			2 141 275	2 141 275	
Current derivatives	3.7, 4.1	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**

FINANCIAL ASSETS:

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.

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 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.

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.

Impairment of financial assets

Further disclosure relating to impairment of financial assets are also provided in Note 3.6.

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 using 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.

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 financial costs in the income statement.

5.10 Alternative performance measures

The Group uses certain financial measures that are not defined in IFRS to describe the Group's financial performance, financial position and cash flows. These financial measures may therefore be defined and calculated differently from similar measures in other companies, and thus not be comparable.

The non-IFRS financial measures presented in the Annual Report are:

EBITDA: Profit before interest, income tax, depreciation and amortisation

EBITA: Profit before interest, income tax and amortisation

$$\text{Operating working capital revenue \%} = \frac{\text{Average operating working capital}}{\text{Revenue from contracts with customers}} \times 100$$

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

$$\text{Operating margin \%} = \frac{\text{Operating profit}}{\text{Operating revenue}} \times 100$$

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

Furthermore, a breakdown of operating working capital, net working capital and invested capital is given in Note 3.1

Parent Company
Financial Statements

JOTUN A/S
31 December 2019

Income statement

(NOK THOUSAND)	Note	2019	2018
Operating revenue	2.1,5.5	3 624 682	3 382 926
Cost of goods sold	5.5	-1 597 421	-1 595 853
Payroll expenses	2.2,5.2	-991 162	-913 040
Other operating expenses	2.3,5.4,5.5	-850 497	-862 457
Depreciation, amortisation and impairment	3.1,3.2,5.4	-174 312	-150 548
Operating profit		**11 290**	**-138 972**
Dividend from subsidiaries		524 616	839 467
Dividend from associates and joint ventures		572 887	376 405
Net financial items	4.3,4.4,5.4,5.5	-296 210	-182 814
Profit before tax		**812 583**	**894 086**
Income tax expense	5.1	-173 565	-167 204
Profit for the year		**639 018**	**726 882**

Statement of comprehensive income

(NOK THOUSAND)	Note	2019	2018
Profit for the year		**639 018**	**726 882**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	5.2	3 573	-2 246
Other comprehensive income for the year, net of tax		**3 573**	**-2 246**
Total comprehensive income for the year		**642 591**	**724 635**

Statement of financial position

(NOK THOUSAND)	Note	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Deferred tax assets	5.1	166 826	134 956
Other intangible assets	3.1	755 712	485 401
Property, plant and equipment	3.2,5.4	2 096 760	1 422 706
Investments in subsidiaries	5.6	3 063 886	2 928 868
Investments in associates and joint ventures	5.7	318 453	318 453
Other investments	5.8	8 728	8 728
Other non-current receivables	4.1,4.4,5.4,5.5	2 397 867	2 575 091
Total non-current assets		**8 808 232**	**7 874 204**
Current assets			
Inventories	3.3	504 734	496 437
Trade and other receivables	3.4,5.5	912 984	1 107 376
Cash and cash equivalents	4.1,4.2	724 898	213 813
Total current assets		**2 142 616**	**1 817 626**
Total assets		**10 950 848**	**9 691 830**
EQUITY AND LIABILITIES			
Equity			
Share capital	5.9	102 600	102 600
Other equity		5 630 060	5 414 969
Total equity		**5 732 660**	**5 517 569**
Non-current liabilities			
Pension liability	5.2	152 447	142 086
Provisions	3.6,3.7	235 991	39 237
Interest-bearing debt	4.1,4.4	3 006 641	2 123 274
Total non-current liabilities		**3 395 079**	**2 304 596**
Current liabilities			
Interest-bearing debt	4.1	175 454	315 728
Trade and other payables	5.5	418 285	448 017
Tax payable	5.1	75 101	52 429
Other current liabilities	3.5,4.1,5.5	1 154 269	1 053 490
Total current liabilities		**1 823 109**	**1 869 664**
Total liabilities		**5 218 188**	**4 174 261**
Total equity and liabilities		**10 950 848**	**9 691 830**

Sandefjord, Norway, 13 February 2020
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Peter Arne Ruzicka

Per Kristian Aagaard

Morten Fon
President & CEO

Statement of changes in equity

(NOK THOUSAND)	Note	Share capital	Other equity	Total equity
Equity as of 1 January 2018		**102 600**	**5 117 834**	**5 220 434**
Dividends	5.9		-427 500	-427 500
Profit for the year			726 882	726 882
Other comprehensive income			-2 246	-2 246
Equity as of 31 December 2018		**102 600**	**5 414 969**	**5 517 569**
Dividends	5.9		-427 500	-427 500
Profit for the year			639 018	639 018
Other comprehensive income	5.2		3 573	3 573
Equity as of 31 December 2019		**102 600**	**5 630 060**	**5 732 660**

Statement of cash flows

(NOK THOUSAND)	Note	2019	2018
Cash flow from operating activities			
Operating profit		11 290	-138 972
Adjustments to reconcile operating profit to net cash flows:			
Gain / loss on sale of fixed assets	3.2	-72	-5
Depreciation, amortisation and impairment	3.1,3.2	174 758	150 979
Impairment of shares	5.6	442 500	211 000
Change in accruals, provisions and other		162 637	21 012
Working capital adjustments:			
Change in trade and other receivables		111 708	-65 785
Change in trade payables		-27 809	67 360
Change in inventories		-8 297	-60 152
Cash generated from operating activities		**866 714**	**185 435**
Dividend from subsidiaries, associates and joint ventures		1 097 503	1 215 872
Interest received	4.3,5.5	162 735	146 333
Interest paid	4.3	-94 572	-76 128
Other financial items	4.3	-364 378	-253 018
Income tax payments	5.1	-180 589	-236 754
Net cash flow from operating activities		**1 487 414**	**981 740**
Cash flows used for investing activities			
Proceeds from sale of property, plant and equipment	3.2	136	5
Purchase of property, plant and equipment	3.2	-690 741	-431 573
Purchase of intangible assets	3.1	-365 769	-173 325
Investments in subsidiaries, associates and joint ventures	5.6,5.7	-577 518	-442 748
Net cash flow used for investing activities		**-1 633 891**	**-1 047 641**
Cash flows from financing activities			
Repayment (-) / proceeds in group account system (cash pool)	5.5	254 084	-35 761
Cash payments for new lending	4.4,5.5	150 557	-4 108
Repayment (-) / proceeds from borrowings	4.1	692 707	351 942
Payment of principal portion of lease liability	5.4	-12 286	-
Dividend paid	5.9	-427 500	-427 500
Net cash flow from financing activities		**657 562**	**-115 427**
Net increase / decrease (-) in cash and cash equivalents		**511 084**	**-181 327**
Cash and cash equivalents as of 1 January	4.2	213 813	395 141
Cash and cash equivalents as of 31 December		**724 898**	**213 813**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Notes for the Parent Company

SECTION 1: Basis of Preparation

SECTION 2: Results for the Year

SECTION 3: Invested Capital and Working Capital Items

SECTION 4: Capital Structure and Financial Items

SECTION 5: Other Disclosures

1.1 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.

Line items in the notes named Jotun entities comprise subsidiaries, associates and joint ventures.

Accounting policies, estimates and judgements specific to Jotun A/S are incorporated into the individual notes.

For more information about accounting policies, see consolidated financial statement for the Group.

1.2 New accounting policies

Jotun A/S has applied IFRS 16 Leases for the first time. Several other IFRS amendments and interpretations apply for the first time in 2019, but do not have any impact on the company's financial statements.

IFRS16 Leases
Jotun A/S has implemented IFRS 16 Leases effective for the annual reporting period beginning 1 January 2019. IFRS 16 Leases supersedes IAS 17 Leases and the standard sets out principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet. See Note 5.4 for further details.

1.3 Estimates and judgements

In preparing the company's financial statements, Management makes various accounting estimates and assumptions that form the basis of the presentation, recognition and measurement of the company's assets and liabilities. See Note 1.3 to the consolidated financial statements.

1.4 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.

2.1 Operating revenue

(NOK THOUSAND)	2019	2018
Revenue from contracts with customers	1 589 096	1 580 241
Revenue from contracts with customers from Jotun entities	1 099 697	1 000 126
Total revenue from contracts with customers	**2 688 794**	**2 580 366**
Other revenue	44 436	73 866
Other revenue from Jotun entities	891 452	728 695
Total	**3 624 682**	**3 382 926**

Other revenue includes among others royalty income, misc. grants and refunds and profit from sale of fixed assets.

Revenue from contracts with customers by segments

(NOK THOUSAND)	2019	2018
Decorative Paints	2 253 661	2 192 654
Marine Coatings	298 045	267 244
Protective Coatings	104 686	93 034
Powder Coatings	32 402	27 435
Total	**2 688 794**	**2 580 366**

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

2.2 Payroll expenses

Jotun A/S 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 the management, including the President & CEO, are part of an annual profit-dependent bonus system limited upwards to 50 per cent of annual basic salary.

The company's pension plans are primarily defined contribution plans. For further information see Note 5.2.

For remuneration of President & CEO and Board of Directors, see Note 5.3.

Wages and other social costs

(NOK THOUSAND)	2019	2018
Wages including bonuses	799 042	748 605
Social costs	123 569	118 328
Pension costs defined contribution plans	87 995	73 746
Pension costs defined benefit plans, ref. Note 5.2	3 881	3 586
Other personnel costs	-23 324	-31 225
Total	**991 162**	**913 040**
Average full time equivalents employees	954	944

2.3 Other operating expenses

(NOK THOUSAND)	2019	2018
Manufacturing	69 038	64 013
Warehouse	23 056	15 504
Transportation	42 302	44 050
Sales and marketing	129 430	130 448
Research and Development	235 732	215 824
General and administrative	98 759	82 185
Royalty	30 489	30 621
Other *	221 691	279 812
Total	**850 497**	**862 457**

*Other consists mainly of product liability claims and losses on accounts receivable.

3.1 Intangible assets

Intangible assets are non-physical assets that have either been capitalised through internal development of products (development cost), customisation of IT applications or separate acquisitions. See Note 3.2 to the consolidated financial statements for further information.

(NOK THOUSAND)	Development cost	IT Applications and other intangibles	Total
Cost			
Balance as of 1 January 2018	237 055	315 624	**552 680**
Additions	86 298	87 027	**173 324**
Disposals	-	-757	**-757**
Balance as of 31 December 2018	323 354	401 893	**725 246**
Additions	77 241	288 527	**365 769**
Reclassifications	-5 641	-33 609	**-39 250**
Disposals	-	-	**-**
Balance as of 31 December 2019	394 954	656 812	**1 051 763**
Amortisation and impairment			
Balance as of 1 January 2018	-53 663	-138 822	**-192 485**
Amortisation	-15 800	-31 888	**-47 688**
Disposals	-	327	**327**
Balance as of 31 December 2018	-69 462	-170 383	**-239 846**
Amortisation	-17 847	-38 360	**-56 208**
Disposals		-	**-**
Balance as of 31 December 2019	-87 310	-208 744	**-296 054**
Net book value			
Balance as of 31 December 2019	307 645	448 068	**755 712**
Balance as of 31 December 2018	253 892	231 510	**485 401**

3.2 Property, plant and equipment

Property, plant and equipment comprise various types of tangible fixed assets needed. A major part of the amount under Construction in progress relates to the new Headquarters and R&D centre in Norway.

The accounting standard IFRS 16 Leases was implemented 1 January 2019. This has impacted accounting for leases as it requires that lease contracts shall be recognised in the balance sheet. As of December 2019, Jotun A/S has recognised leased assets (Right-of-Use assets) amounting to NOK 50 million and a total lease liability amounting to NOK 50 million, ref. Note 5.4

(NOK THOUSAND)	Land	Buildings	Electrical installations	Machinery, vehicles and equipment	Construction in progress	Right of Use assets	Total
Cost							
Balance as of 1 January 2018	44 940	673 132	123 895	949 677	376 140	-	**2 167 783**
Additions	983	8 440	5 365	33 050	383 736	-	**431 574**
Disposals	-	-	-	-1 165	-	-	**-1 165**
Balance as of 31 December 2018	45 923	681 571	129 259	981 562	759 876	-	**2 598 192**
Recognition of Right of Use assets	-	-	-	-	-	53 018	**53 018**
Balance as of 1 January 2019	45 923	681 571	129 259	981 562	759 876	53 018	**2 651 209**
Additions	1 117	203 239	72 925	23 404	390 055	9 660	**700 400**
Disposals	-	-225	-	-5 503	-	-	**-5 728**
Reclassifications	-	-	-	-	39 250	-	**39 250**
Balance as of 31 December 2019	47 040	884 585	202 184	999 463	1 189 181	62 677	**3 385 131**
Depreciation and impairment							
Balance as of 1 January 2018	-	-399 760	-51 440	-622 590	-	-	**-1 073 790**
Depreciation	-	-18 875	-12 906	-71 079	-	-	**-102 860**
Disposals	-	-	-	1 165	-	-	**1 165**
Balance as of 31 December 2018	-	-418 636	-64 346	-692 504	-	-	**-1 175 485**
Depreciation	-	-19 931	-14 064	-70 994	-	-13 116	**-118 105**
Disposals	-	72	-	5 147	-	-	**5 219**
Balance as of 31 December 2019	-	-438 495	-78 410	-758 350	-	-13 116	**-1 288 371**
Net book value							
Balance as of 31 December 2019	47 040	446 090	123 775	241 113	1 189 181	49 562	**2 096 760**
Balance as of 31 December 2018	45 923	262 936	64 914	289 058	759 876	-	**1 422 706**

3.3 Inventories

(NOK THOUSAND)	31.12.2019	31.12.2018
Raw materials	184 131	185 645
Finished goods	332 603	322 391
Allowance for obsolete goods	-12 000	-11 600
Total	**504 734**	**496 437**

3.4 Trade and other receivables

(NOK THOUSAND)	31.12.2019	31.12.2018
Accounts receivable external	99 421	103 017
Accounts receivable - Jotun entities	532 981	549 114
Total accounts receivable	**632 401**	**652 131**
Other receivables external	82 639	41 807
Other receivables - Jotun entities	197 944	413 439
Total	**912 984**	**1 107 376**

The change in allowance for bad debt is shown in the following table:

(NOK THOUSAND)	2019	2018
Balance as of 1 January	44 572	25 596
Allowances for bad debt made during the period	35 613	21 405
Realised losses for the year	-16	-2 428
Balance as of 31 December	**80 170**	**44 572**

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

(NOK THOUSAND)	31.12.2019	31.12.2018
Not due	516 269	464 699
Less than 30 days	58 984	108 124
30-60 days	17 635	16 591
60-90 days	6 756	12 072
More than 90 days	112 927	95 218
Allowance for bad debt*	-80 170	-44 572
Total	**632 401**	**652 131**

* Allowances related to receivables from Jotun entities represent NOK 74 million (2018: NOK 40 million).

3.5 Other current liabilities

(NOK THOUSAND)	31.12.2019	31.12.2018
Public charges and holiday pay	158 673	106 019
Prepaid dividend from Jotun entities	305 649	275 462
Other liabilities to Jotun entities	243 461	135 516
Other accrued expenses	173 561	156 795
Total current provisions, see Note 3.6	272 925	379 698
Total	**1 154 269**	**1 053 490**

Received interim dividend from associates or joint ventures are recognised as current liability until the final approval by the General Assembly subsequent year. Other accrued expenses are related to commissions, bonuses to employees and other accrued expenses.

3.6 Provisions

2019

(NOK THOUSAND)	Claims	Environmental	Other	Total
Balance as of 1 January	375 246	28 241	15 449	**418 936**
Provisions arising during the year	178 378	4 000	20 000	**202 378**
Utilised	-89 373	-8 467	-13 325	**-111 165**
Unused amounts reversed	-895	-337	-	**-1 233**
Balance as of 31 December	**463 355**	**23 437**	**22 124**	**508 916**
Current, see Note 3.5	259 764	937	12 224	**272 925**
Non-current	203 591	22 500	9 900	**235 991**
Total	**463 355**	**23 437**	**22 124**	**508 916**

2018

(NOK THOUSAND)	Claims	Environmental	Other	Total
Balance as of 1 January	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	**375 246**	**28 241**	**15 449**	**418 935**
Current, see Note 3.5	368 409	5 741	5 549	**379 698**
Non-current	6 837	22 500	9 900	**39 237**
Total	**375 246**	**28 241**	**15 449**	**418 935**

3.7 Contingent liabilities

Product liability claims and disputes
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 made for a negative outcome of a lawsuit.

Environmental matters
Jotun A/S is through its operation exposed to environmental and pollution risk. Production facilities and product warehouse sites have been inspected regarding environmental conditions in the soil. For sites where clean-up costs are probable and reliable estimates of the costs have been made, provisions are recorded 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 the full scope of conditions at some sites has yet to be determined. The related amount of potential, future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

Jotun's activities are carried out in accordance with local laws and regulations, and the Group's HSE requirements. Changes in laws and regulations may require Jotun A/S to make investments and incur costs to meet future compliance requirements.

3.8 Contractual obligations and guarantees

Purchase obligations
Jotun A/S contractual purchase obligations are mainly related to investments in new headquarter and R&D centre and upgrade of the factory. Out of the total ongoing investment programme, NOK 136 million is contractual committed capital expenditures (CAPEX) at year end. For purchase of raw materials there are no actual commitments for the company. In general, these contracts can be terminated without significant penalties.

Other obligations
Jotun A/S has guarantees covering tax withholding and other guarantees for subsidiaries. These amounted to approximately NOK 208 million in 2019 (2018: NOK 219 million).

4.1 Interest-bearing debt

The table below gives an overview of total net interest-bearing debt. Further information is given in Note 4.1 to the consolidated financial statements.

(NOK THOUSAND)	31.12.2019	31.12.2018	Currency	Term	Due
Non-current interest-bearing debt					
Bond 2014-21	400 000	400 000	NOK	Fixed rate 3.9 %	2021
Bond 2018-22	750 000	500 000	NOK	NIBOR + 0.7 %	2022
Bond 2018-24	650 000	500 000	NOK	NIBOR + 0.9 %	2024
Bond 2019-23	600 000	-	NOK	NIBOR + 0.9 %	2023
Bank debt (NIB), unsecured	569 107	723 274	USD	US LIBOR + 1.2 %	2024
Total excl. lease liability	**2 969 107**	**2 123 274**			
Lease liability	37 534	-			
Total	**3 006 641**	**2 123 274**			
Current interest-bearing debt					
Bond 2014-19	-	155 000			
Bank debt (NIB), unsecured	162 602	160 728			
Other current interest-bearing debt (cash pool)	226 335	122 651			
Total excl. lease liability	**388 937**	**438 378**			
Lease liability	12 852	-			
Total	**401 789**	**438 378**			
Total interest-bearing debt excl. lease liability	**3 358 044**	**2 561 652**			
Total lease liability	50 386	-			
Total interest-bearing debt	**3 408 430**	**2 561 652**			
Non-current interest-bearing receivables	2 397 867	2 575 091			
Current interest-bearing receivables	191 665	315 398			
Cash and cash equivalents	724 898	213 813			
Total interest-bearing receivables	**3 314 430**	**3 104 302**			
Net interest-bearing receivables / debt (-)	**-43 614**	**542 650**			

4.2 Cash and cash equivalents

(NOK THOUSAND)	31.12.2019	31.12.2018
Cash deposits	215 872	109 535
Short-term investments	509 026	104 278
Total	**724 898**	**213 813**

As of 31 December 2019, Jotun A/S had NOK 1 700 million (2018: NOK 1 300 million) of undrawn long-term credit facilities available.

4.3 Net financial items

Financial income

(NOK THOUSAND)	2019	2018
Interest income	16 188	11 846
Interest income on loans to Jotun entities	146 547	134 487
Net foreign exchange gain	44 462	-
Other financial income	17 884	16 655
Total	**225 081**	**162 988**

Financial costs

(NOK THOUSAND)	2019	2018
Interest costs	-94 572	-76 128
Net foreign exchange loss	-	-52 627
Write down of financial fixed assets, see Note 5.6	-419 500	-211 000
Other financial costs	-7 220	-6 046
Total	**-521 291**	**-345 801**
Net financial items	**-296 210**	**-182 814**

Exchange gains and losses related to forwards and options have affected the net financial items with the following amounts:

(NOK THOUSAND)	2019	2018
Unrealised gain / loss (-)	17 752	-27 686
Realised gain / loss (-)	-35 953	2 951

4.4 Financial risk management

The company's financial risks and the management of these are in all material aspects identical to the disclosures made in Note 4.4 to the consolidated financial statements, unless otherwise stated below.

To reduce currency risk in cash flows up to 16 months ahead, Jotun A/S uses foreign currency options and forward currency contracts to ensure predictability in the short to medium term cash flows. As of 31 December 2019, Jotun A/S has hedged 38 per cent of its expected net cash flows over the next 12 months.

The currency exposures related to external loans in foreign currency given to Jotun entities are disclosed in the table below.

(NOK THOUSAND)	31.12.2019		31.12.2018	
Local currency	**Currency amount**	**NOK**	**Currency amount**	**NOK**
MYR	173 900	373 734	71 290	619 261
USD	39 600	347 997	173 900	365 758
EUR	29 837	294 048	27 837	276 593
IDR	422 000 000	267 168	457 250 000	276 316
CNY	191 540	241 781	191 540	241 781
GBP	18 000	207 986	1 432 358	178 676
RUB	1 150 000	162 753	918 900	152 039
PHP	918 900	159 430	22 000	140 248
SGD	22 000	143 669	8 000	88 532
TRY	22 676	33 501	22 676	37 270
Other		126 051		132 201
Total		**2 358 118**		**2 508 674**

5.1 Taxation

Income tax reported in the income statement

(NOK THOUSAND)	2019	2018
Current income tax charge:		
Tax payable	206 442	232 270
Deferred tax:		
Relating to original and reversal of temporary differences	-32 877	-65 066
Income tax expense reported in income statement	**173 565**	**167 204**

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

In the following table reported income tax is reconciled with the calculated tax expense based on the Norwegian tax rate of 22 per cent (23 per cent in 2018). The main components are specified below.

(NOK THOUSAND)		2019	2018
Profit before tax as reported in the income statement		**812 583**	**894 086**
Income taxes at statutory tax rate	22 %	178 768	205 640
Exempted tax on dividends	-23 %	-188 332	-229 589
Tax on dividends and surplus in controlled foreign companies (CFC)	7 %	60 632	47 189
Non-deductible expenses and non-taxable income*	10 %	84 463	36 603
Correction previous year and change in temporary differences	0 %	-2 286	49 654
Taxation outside Norway less deductible in Norwegian Tax	5 %	40 320	57 708
Total income tax expense		**173 565**	**167 204**
Effective tax rate		21 %	19 %

* Non-deductible expenses are primarily related to write-down of shares. See Note 5.6 for further information.

Specification total tax payable

(NOK THOUSAND)	31.12.2019	31.12.2018
Tax payable for the year	206 442	232 270
Net foreign tax paid	-48 944	-50 939
Norwegian tax settlement for previous years	12 741	-33 839
Withholding taxes receivable	-69 440	-63 178
CFC tax receivable (NOKUS)	-22 290	-22 886
SkatteFUNN (R&D tax incentive scheme) receivable	-3 409	-9 000
Total tax payable in Norway and abroad	**75 101**	**52 429**
Tax payable in Norway	65 003	45 660

Specification of deferred tax

(NOK THOUSAND)	31.12.2019	31.12.2018
Non-current assets	-29 659	3 757
Current assets	-73 784	-56 173
Liabilities	-654 856	-561 021
Net temporary differences	**-758 299**	**-613 437**
Tax rate	22 %	22 %
Deferred tax asset recognised in the statement of financial position	**166 826**	**134 956**

5.2 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 plans account for less than five per cent of total pension costs in 2019.

Summary of pension costs

(NOK THOUSAND)	2019	2018
Pension costs defined contribution plans and other severence schemes	87 995	73 746
Pension costs defined benefit plans	3 881	3 586
Total pension costs recognised in the income statement, ref. Note 2.2	**91 876**	**77 332**
Actuarial gain / loss (-) recognised in other comprehensive income (net of tax)	**-3 573**	**2 246**

The defined benefit schemes were replaced by defined contribution plans in 2004. Net pension obligations as of 31 December 2019 are primarily related to previous early retirement schemes for Jotun A/S'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).

Actuarial assumptions

	2019	2018
Discount rate in %	1.3	2.0
Expected return in %	1.3	2.0
Wage adjustment in %	2.25	2.75
Inflation / increase in social security basic amount (G), in %	2.0	2.5
Pension adjustment in %	0.7-2.25	0.8-2.75

Schemes with net pension obligation

	Pension plan assets		Defined benefit obligations		Net pension obligations	
(NOK THOUSAND)	2019	2018	2019	2018	2019	2018
Balance as of 1 January	**452**	**432**	**-78 452**	**-69 611**	**-78 000**	**-69 179**
Recognised in the income statement						
Pension earnings for the year	-	-	-2 368	-2 339	-2 368	-2 339
Interest income /cost (-)	-	-	-1 512	-1 245	-1 512	-1 245
Expected return on pension plan assets	-2	-2	-	-	-2	-2
Recognised in the Income Statement	-2	-2	-3 880	-3 584	-3 882	-3 586
Actuarial gain / loss (-) recognised in Other Comprehensive Income	332	-6	4 249	-2 874	4 581	-2 880
Other movements						
Benefits paid	-	-	5 833	8 099	5 833	8 099
Contribution paid to pension schemes	23	28	3	4	26	32
Transfer to / from schemes with net pension liabilities	-	-	-8 921	-10 486	-8 921	-10 486
Net pension obligation defined benefit plans	**805**	**452**	**-81 168**	**-78 452**	**-80 363**	**-78 000**
Other severance schemes	-	-	-72 084	-64 086	-72 084	-64 086
Balance as of 31 December	**805**	**452**	**-153 252**	**-142 538**	**-152 447**	**-142 086**

Breakdown of net pension liabilities in funded and unfunded schemes

(NOK THOUSAND)	31.12.2019	31.12.2018
Present value of funded pension obligations	-271	-222
Pension plan assets	805	452
Net funded pension assets	534	230
Present value of unfunded pension obligations	-152 981	-142 316
Capitalised net pension assets / liabilities (-)	**-152 447**	**-142 086**

Breakdown of pension plan assets (fair value)

	31.12.2019	31.12.2018
Cash and cash equivalents in %	7.6	2.9
Bonds in %	64.2	67.4
Shares in %	14.8	16.0
Property in %	13.4	13.7
Total pension plan assets	**100.0**	**100.0**

5.3 Remunerations

Remuneration of the President & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
President & CEO	5 553	808	276	2 597	9 234

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 A/S 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 six months.

Jotun A/S has not given any loans or guarantees to the President & CEO, the Chairman of the Board, or to any shareholders or members of Jotun A/S Management, the Board of Directors or Corporate Assembly.

Remuneration of the Board of Directors and Corporate Assembly

(NOK THOUSAND)	2019	2018
Board of Directors	3 384	2 820
Corporate Assembly	173	165
Total	**3 557**	**2 985**

Shares controlled by members of the Board of Directors and Jotun A/S Management are specified in Note 5.8 to the consolidated financial statement.

External auditor remuneration

(NOK THOUSAND)	2019	2018
Statutory audit	3 103	3 001
Other attestation services	740	587
Tax services	48	339
Total	**3 890**	**3 927**

5.4 Leases

Right-of-Use assets

(NOK THOUSAND)	Land	Buildings	Machinery, vehicles and equipment	Total
Cost				
Balance as of 1 January 2019	21 397	8 003	23 617	**53 018**
Additions	-	204	9 456	**9 660**
Balance as of 31 December 2019	**21 397**	**8 207**	**33 074**	**62 677**
Depreciation and impairment				
Balance as of 1 January 2019	-	-	-	**-**
Depreciation	-1 783	-1 617	-9 716	**-13 116**
Balance as of 31 December 2019	**-1 783**	**-1 617**	**-9 716**	**-13 116**
Net book value				
Balance as of 31 December 2019	**19 614**	**6 590**	**23 358**	**49 562**

Lease liability as of 31 December:

(NOK THOUSAND)	2019
Current	12 853
Non-current	37 534
Total	**50 386**

Lease liability is classified as interest bearing debt, see Note 4.1.

Undiscounted lease liabilities and maturity of cash outflows:

(NOK THOUSAND)	Total
Less than 1 year	14 503
1-2 years	11 143
2-3 years	6 719
3-4 years	5 493
4-5 years	4 030
More than 5 years	14 876
Total undiscounted lease liabilities as of 31 December 2019	**56 763**

Amounts recognised in the income statement:

(NOK THOUSAND)	2019
Leases:	
Depreciation of Right-of-Use assets	13 116
Interest expense	1 964
Other lease expenses recognised in the income statement:	
Expenses relating to short-term leases	4 151
Expenses relating to lease of low value assets	783
Expenses related to variable payments	13 861
Total	**33 875**

Total cash outflow relating to leases was NOK 14.25 million for the period.
The portfolio of short-term leases does not vary significantly from year to year.

Effect from implementation of IFRS 16:

(NOK THOUSAND)	01.01.2019
Assets	
Right-of-use-assets	53 018
Total	**53 018**
Liabilities	
Interest-bearing debt (non-current)	40 166
Interest-bearing debt (current)	12 852
Total	**53 018**

Reconciliation of operational lease commitments and lease liability

(NOK THOUSAND)	
Operating lease commitments as of 31 December 2018 (adjusted)	**68 186**
Less short-term and low value leases recognised on a straight line basis	-7 391
Total	**60 795**
Discounted using the incremental borrowing rate	-7 777
Lease liabilities as of 1 January 2019	**53 018**

5.5 Related parties

Two parties are deemed to be related if one party can influence the decisions of the other. During 2019, goods and services were purchased and sold to various related parties in which Jotun A/S holds a 100 per cent, or less equity interest. Investments in subsidiaries are presented in Note 5.6, investments in associates and joint ventures are presented in Note 5.7 and shareholder and dividend information are presented in Note 5.8 to the consolidated financial statements.

The transactions between related parties are sales and purchases of finished goods, raw materials and technical services. Jotun A/S also has considerable royalty income from Jotun entities. 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.

Purchases of services from the Group companies are mainly related to global and regional functions included in the cost contribution arrangement. In addition, Jotun A/S purchases research and development services from Jotun entities. Parts of the research and development costs are capitalised, see Note 3.1.

The amount of these transactions is shown in the table below.

2019

(NOK THOUSAND)	Sales of goods to	Purchases of goods from	Other revenue from	Cost Contribution income	Purchases of services from	Interests on loans to
Group companies	981 990	272 286	588 912	545 883	366 593	146 547
Joint ventures and associates	117 707	41 179	301 570	137 059	257 863	-
Total	**1 099 697**	**313 465**	**890 482**	**682 942**	**624 456**	**146 547**

2018

(NOK THOUSAND)	Sales of goods to	Purchases of goods from	Other revenue from	Cost Contribution income	Purchases of services from	Interests on loans to
Group companies	897 411	310 631	484 254	491 252	326 795	133 585
Joint ventures and associates	102 715	7 558	244 441	132 302	227 609	-
Total	**1 000 126**	**318 189**	**728 695**	**623 553**	**554 405**	**133 585**

Intercompany balances are disclosed in the table below.

	Subsidiaries		Associates / Joint ventures	
(NOK THOUSAND)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Non-current assets				
Other non-current receivables	2 374 009	2 551 254	1 382	1 361
Total non-current assets	**2 374 009**	**2 551 254**	**1 382**	**1 361**
Current assets				
Trade receivables	418 137	452 046	114 844	97 068
Other current receivables	197 944	413 439	-	-
Total current assets	**616 081**	**865 485**	**114 844**	**97 068**
Total assets	**2 990 090**	**3 416 739**	**116 226**	**98 429**
Current liabilities				
Trade creditors	89 601	127 101	19 334	12 904
Other short term liabilities	228 602	123 971	320 508	278 678
Total liabilities	**318 203**	**251 072**	**339 842**	**291 582**

5.6 Subsidiaries

SHARES HELD DIRECTLY BY JOTUN A/S

(Share capital, face value and book value in thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Book value NOK	Ownership %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	1 060 000	12 110	742 000	36 958	70.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	9 350	16 050 001	9 350	42 063	100.00
Jotun Bangladesh Ltd.	Dhaka	Bangladesh	BDT	769 843	3 124 999	769 766	42 221	99.99
Jotun Brasil Importacao, Exportacao E Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	496 000	495 999 999	496 000	225 844	100.00
Jotun (Cambodia) Ltd.	Phnom Penh	Cambodia	USD	200	1 000	200	1 166	100.00
Jotun Paints (HK) Ltd.	Hong Kong	China	CNY	93 884	110 334 615	93 884	85 320	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	USD	9 723	1 000	9 723	54 713	100.00
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	45	3 300	2 698	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	160 000	11 200 000	112 000	143 417	70.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	30	1	1	10.00
Jotun France S.A.	Paris	France	EUR	320	16 000	320	2 108	100.00
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	512	12 090	83.33
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	11 138	334	2 937	97.40
Jotun Insurance Cell	St. Peterport	Guernsey	NOK	8 350	1	8 350	8 350	100.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	184 515 002	4 076 435	488 263	96.42
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	272 000	76 205 662	87 401	56.63
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	503 613	640	0	100.00
Jotun Italia S.R.L.	Trieste	Italy	EUR	2 632	509 099	2 632	29 925	100.00
Jotun Kazakhstan LLP.	Almaty	Kazakhstan	KZT	29 350	1	29 350	1 098	100.00
Jotun Kenya Limited	Nairobi	Kenya	KES	484 000	459 800	459 800	3 045	95.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	27 854	80.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 002	48 000	114 349	100.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	50 000 000	50 000	92 863	100.00
Jotun Maroc SARL D Associe Unique	Casablanca	Morocco	MAD	100 000	1 000 000	100 000	32 965	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	33 414	3 825 976	33 260	15 334	99.54
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	2 212 500	99 999	2 190 375	13 840	99.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	25 262 487	4 799 999	25 259 961	138 703	99.99
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	49 175	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	109 320	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	80 280	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	15 500	155	45 146	62.00
Jotun Pakistan (Private) Limited	Lahore	Pakistan	PKR	645 084	2 761 349	645 084	10 271	100.00
Jotun Powder Coatings Pakistan (Pvt) Ltd.	Lahore	Pakistan	PKR	1 437 678	38 669 400	386 735	24 235	26.90
Jotun (Philippines) Inc	Manila	Philippines	PHP	565 960	15 463 695	565 960	99 619	100.00
Jotun Polska Sp.zo.o.	Gdansk	Poland	PLN	8 900	15 000	8 900	17 591	100.00
Jotun Romania SRL	Voluntari City	Romania	RON	640	64 000	640	1 084	100.00
Jotun Paints LLC.	St.Petersburg	Russia	RUB	1 446 107	-	1 446 107	247 157	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	28 040	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	140 719	243	140 719	15 634	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	50 000	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	4 550	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	93 000	92 997	93 000	132 809	100.00
Jotun Boya Sanayi ve Ticaret A.S.	Istanbul	Turkey	TRY	8 130	30 000 000	8 130	108 387	100.00
Jotun MEIA FZ-LLC	Dubai	UAE	AED	15 038	15 038	15 038	37 404	100.00
Jotun Paints (Europe) Ltd.	Flixborough	UK	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Paints Inc.	Houston	US	USD	130 500	100	130 500	150 889	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	VND	258 921 490	-	258 921 490	60 360	100.00
Total							**3 063 886**	

Below follows a specification of subsidiaries in which the book value of Jotun A/S' shares were subject to impairment in 2019.

Company	Country	Impairment
Jotun (Ireland) Ltd.	Ireland	5 500
Jotun Paints Inc.	USA	216 000
Jotun Brasil Imp., Exp. E Ind De Tintas Ltda.	Brazil	98 000
Jotun Algerie S.A.R.L.	Algerie	17 000
Jotun Pakistan (Private) Limited	Pakistan	2 000
Jotun Maroc SARL D Associe Unique	Morocco	41 000
Jotun Myanmar Services Company Limited	Myanmar	1 000
Jotun Kenya Limited	Kenya	39 000
Total		**419 500**

Estimate and judgement

Jotun A/S assess the carrying value of investments in shares whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable.

If the carrying value of an investment exceeds its estimated recoverable amount, an impairment loss is recognised in the income statement.

Jotun A/S reverse impairment losses in the income statement if and to the extent Jotun A/S has identified a change in estimates used to determine the recoverable amount.

SHARES HELD BY SUBSIDIARIES
(Share capital and face value in thousand)

Company	City	Country	Currency	Share capital	No. of shares	Face value	Ownership %
Jotun Powder Coatings AS							
Jotun Bulgaria EOOD	Sofia	Bulgaria	EUR	3	-	3	100.00
Jotun CZECH a.s.	Usti nad Labem	Czaech Republic	CZK	183 000	12 800	183 000	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	114 950	57 917 918	43.04
Jotun Kenya Limited	Nairobi	Kenya	KES	484 000	24 200	24 200	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	33 414	15 414	134	0.40
Jotun Powder Coatings Pakistan (Pvt) Ltd.	Lahore	Pakistan	PKR	1 437 678	103 898 434	1 039 003	72.27
Jotun Paints (HK) Ltd.							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	-	217 858	100.00
Jotun (Shanghai) Manangement Co. Ltd.	Shanghai	China	CNY	12 252	-	12 252	100.00
Jotun Coatings (Taiwan) Ltd. company	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	769 843	1	77	0.01
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	2 212 500	1	22 125	0.01
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	25 262 487	1	2 526	0.01
Jotun Singapore Pte Ltd.							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	1 500	403 703	0.30

5.7 Associates and joints ventures

SHARES HELD DIRECTLY BY JOTUN A/S
(Share capital, face value and book value in thousand)

Company	City	Country	Currency	Share capital	No of shares	Face value	Book value NOK	Ownership %
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	24 340 000	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 OTHER JOTUN ENTITIES
(Share capital and face value in thousand)

Company	City	Country	Currency	Share capital	No of shares	Face value	Ownership %
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 further information regarding investments in associates and joint ventures, see Note 3.4 and 5.5 to the consolidated financial statements.

5.8 Other investments

(Share capital, face value and book value in thousand)

Company	City	Country	Currency	Share capital	No of shares	Face value	Book value NOK	Ownership %
Nor-Maali OY	Lahti	Finland	EUR	8	10 000	3	8 180	33.44
Other companies							548	
Total							**8 728**	

5.9 Share capital and shareholder information

See Note 5.8 to the consolidated financial statements.

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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 2019, the income statement, statement of 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 2019, the income statement, the statements of 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 2019, 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 2019 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.

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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.

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, 14 February 2020
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

Board of Directors

Odd Gleditsch d.y., Chairman
Einar Abrahamsen
Birger Amundsen
Terje Andersen
Richard Arnesen
Nicolai A. Eger
Peter A. Ruzicka
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
Truls Hvitstein
Thomas Ljungqvist
Ingrid Luberth
Jens Bjørn Staff
Karin L. Storvik
Jens Erlend Thrana

Jotun's Chairman of the Board Odd Gleditsch d.y. and Deputy Board Member Jannicke Nilsson celebrate the opening of Jotun's new offices in St. Petersburg, Russia in November 2019.

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First launched in 2013, Jotun Global Colour Trends has helped establish Jotun as a trendsetter among consumers and international designers, architects and developers. In 2019, Jotun introduced the Jotun Colour Collection 2020, a collection of 12 beautiful colours, each one capturing a different facet of personality or a new hope for the future, from lush organic greens to raw earth coloured reds, clear and energizing blues to discreet and elegant yellows. To generate maximum publicity, the Jotun Colour Collection 2020 has been presented at high profile events developed in cooperation with leading interior designers, all over the world.

The 2019 Annual Report presents colours from Jotun's Colour Design Collection 2020.

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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