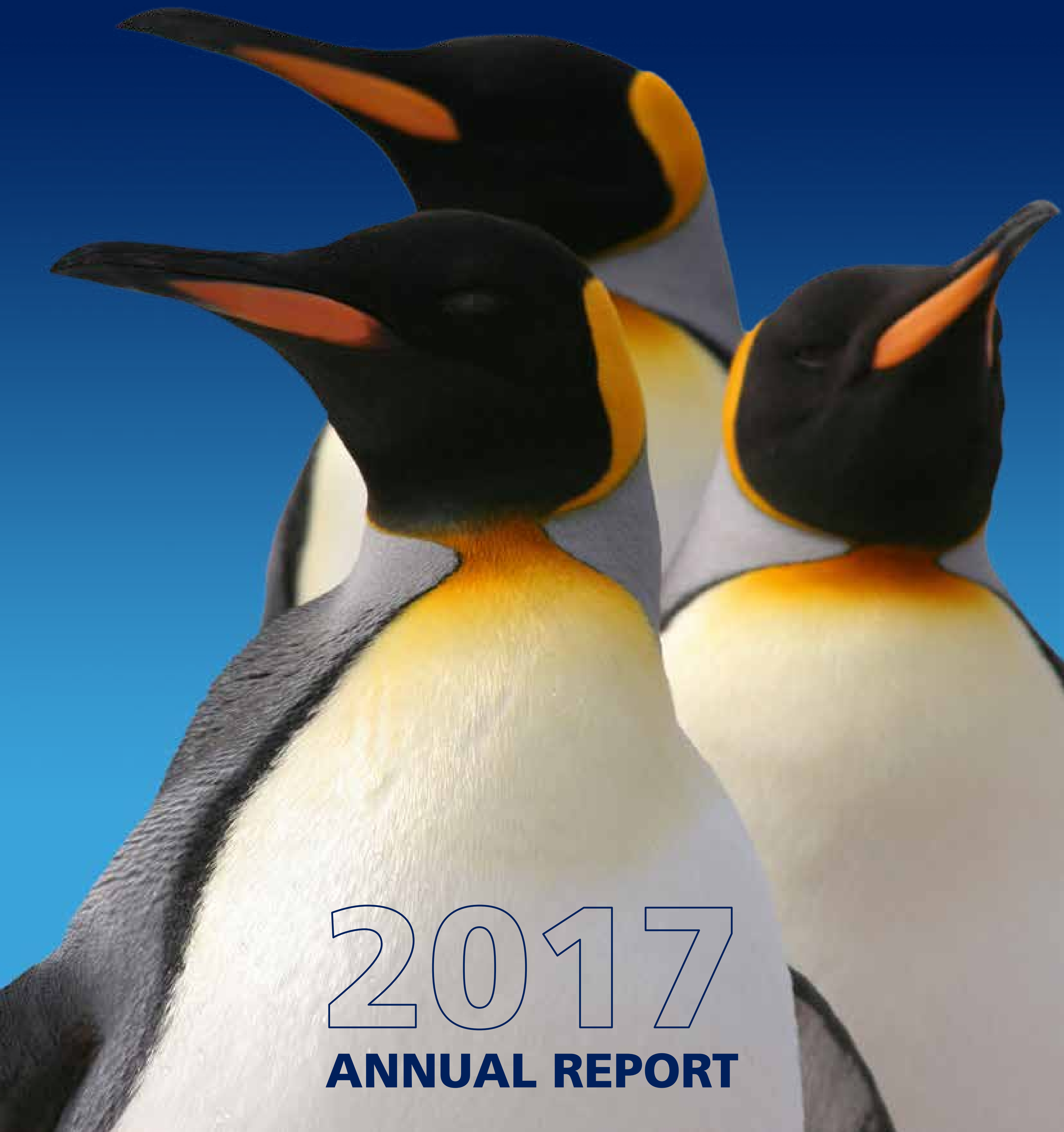
Jotun Protects Property



2017 ANNUAL REPORT

JOTUN VALUES

LOYALTY

Reliable and trustworthy

Long term relationships between customers, Jotun and colleagues

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

CARE

Help and support others

Display trust and empathy

Appraise and judge fairly

Protect internal and external environment

RESPECT

Values differences in people

Be honest and fair

Build diverse teams across culture and gender

Follow laws and regulations

Treat others the way they expect to be treated

BOLDNESS

Take initiatives to create the future

Initiate and nurture change

Communicate openly, honestly and with integrity

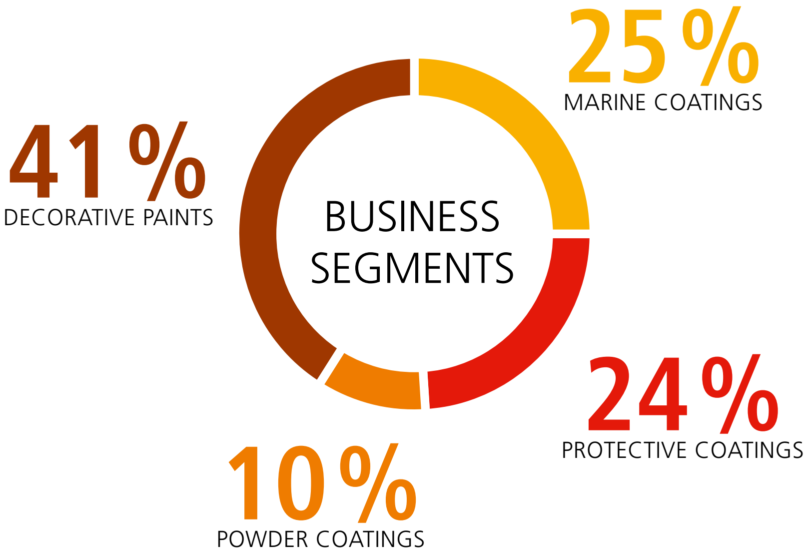
Be proactive

Address difficulties constructively

CONTENTS

AT A GLANCE

FOUR SEGMENTS



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.

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.

REGIONAL HIGHLIGHTS

SCA SCANDINAVIA

- Jotun Scandinavia opens regional HQ at Vindal factory in Sandefjord
- Jotun secures marine coatings contract for the world's largest plug-in hybrid ferry built for Color Line at Ulstein Verft
- Jotun Decorative Paints launches 10 products in Scandinavia, helping the region achieve rapid growth in the interior category
- ISO frame agreements secured by Jotun in Norway with Kaefer and Energy Bilfinger. The 13-year agreements include NORSOK-approved maintenance systems
- Jotun Powder Coatings achieves second consecutive year of double-digit growth in Sweden

1926 1142 2

AM THE AMERICAS

- Jotun Brazil secures five aframax tankers at the E. Atlantico Sul shipyard in Recife
- Together with steel fabricator Metasa, Jotun wins contract for Brazil's largest PFP project
- Jotun USA delivered Jotachar JF 750 to Shell Appomattox project and Jotachar 1709 to the ConocoPhillips Chemical Cedar Bayou petrochemical plant in Texas
- Jotun supplies protective coatings to Gestamp, a leading manufacturer of wind towers in Brazil
- Jotun Brazil achieves strong growth in hydrocarbon processing industry (HPI) concept through agreements with Blaspint, RIP and Elfe, among others

1974 243 2

WE WEST EUROPE

- Jotun Powder Coatings secures two-year contract with Schneider Electric, a French-based company specialising in energy management and equipment
- Jotun Greece wins exclusive SeaStock contract with the Angelicoussis Group, which controls 136 vessels
- Jotun to supply NORSOK M 501 protective coatings systems to Dolwin Gamma, an offshore converter station owned by the Dutch/German energy network company, TenneT
- Jotun continues to deliver protective coatings to the Jaworzno coal-fired energy block project in Poland
- Jotun opens new R&D centre in Flixborough, UK to develop and test intumescent coatings

1969 793 3

EECA
EAST EUROPE AND CENTRAL ASIA

- Jotun's factory in Russia begins commercial production
- Jotun's regional laboratory in Istanbul, Turkey produces first product: Jotun Fenomastic TAVAN, a specialised paint solution for ceilings
- Jotun Turkey secures contract for the Istanbul New Airport, designed to have a world-leading capacity of 90 million passengers a year
- Jotun launches three powder coatings products in the region: Reveal Light Matt, Reveal Light D and Primax Diamond
- Jotun Turkey secures contract for one of Istanbul's most iconic buildings: the 365-metre high Çamlıca TV & Radio Tower

1991 762 3

NEA
NORTH EAST ASIA

- Jotun China delivers protective intumescent coatings to the Macau & Zhuhai Passenger Customs Building
- JJotun Powder Coatings secured the KL118 project located in Kuala Lumpur Malaysia, a mixed-used skyscraper that will be the third highest in the world
- Jotun Marine secures newbuilding projects and strengthens relationships with leading yards, including Shanghai Waigaoqiao Shipbuilding (SWS), NanTong COSCO KHI Ship Engineering Co.,Ltd. (NACKS) and Yangzijiang Shipbuilding Holdings (YZJ), among others
- Jotun powder coatings selected for the Shenzhen Upper Hill "super city" complex in China
- Jotun Coatings Taiwan continued positive sales development for marine and protective coatings.

1983 1933 4

MEIA
MIDDLE EAST, INDIA AND AFRICA

- Jotun secures 26 HPS contracts for key accounts in the region
- Single Source Solution concept delivered to the iconic Abu Dhabi Louvre Museum
- Jotun supplies coatings to Dangote refinery (Nigeria), Kuwait University, Dubai Arena, among others
- Jotun selected to provide powder coatings to the Riyadh Metro in Saudi Arabia and the architectural landmark, the Dubai Frame, in UAE
- Jotun achieves excellent results with premium interior decorative products Wonderwall and Royal Velvet

1962 2735 14

SEAP
SOUTH EAST ASIA AND PACIFIC

- Jotun celebrates opening of three factories (Myanmar, Philippines and Malaysia) in one week
- Successful launch of Majestic Design, a premium interior decorative range, across the region
- Jotun Vietnam wins contracts as Single Source Supplier for Landmark 80, the tallest building in Ho Chi Minh City
- Jotun Indonesia awarded green certificate in HSEQ audit
- Jotun completes delivery of protective coatings to Singapore's Changi Airport, Terminal 4

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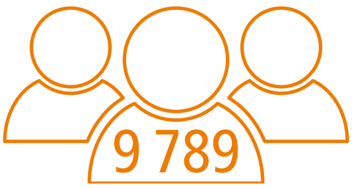
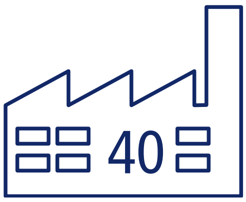
GROUP KEY FIGURES

The Jotun Group is a matrix organisation divided into seven regions responsible for the sale of Decorative Paints and Marine, Protective and Powder Coatings.

The company has 40 production facilities in 24 countries, 64 companies in 45 countries and is represented in more than 100 countries around the world.



EMPLOYEES

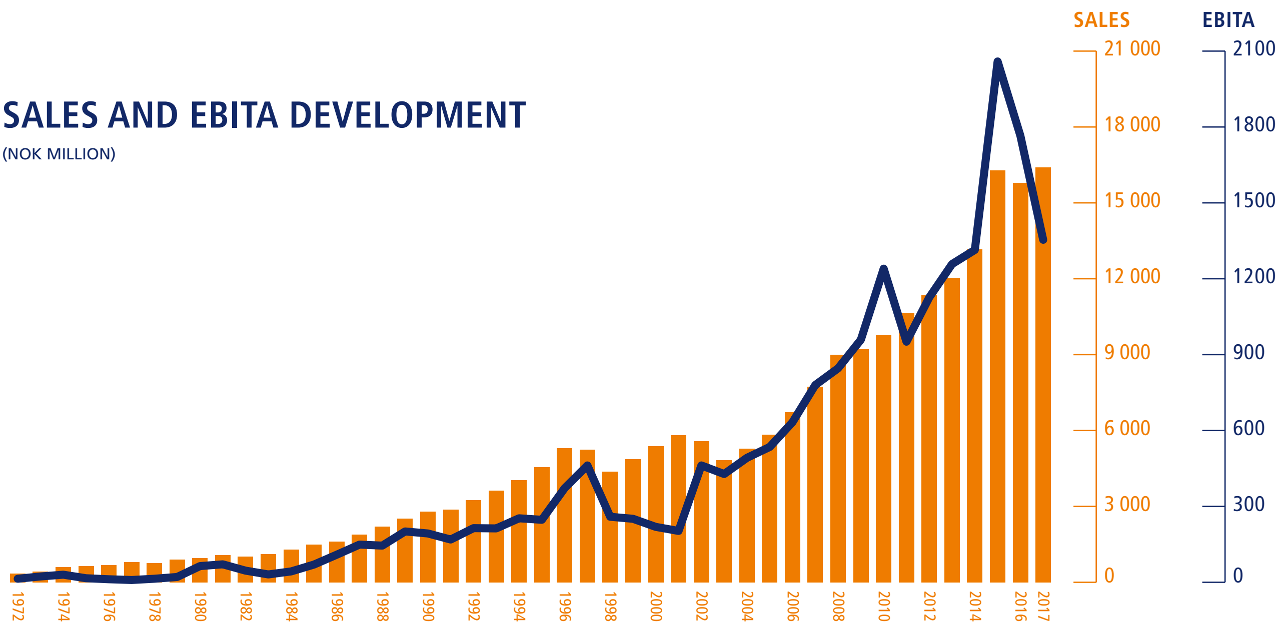


FACTORIES

COUNTRIES

SALES AND EBITA DEVELOPMENT

(NOK MILLION)



(NOK MILLION) PROFIT/LOSS	2017	2016	2015	2014	2013
Operating revenue	**16 401**	15 785	16 282	13 171	12 034
Sales revenue outside Norway, in %	**88**	88	88	85	83
Operating profit	**1 354**	1 763	2 064	1 314	1 258
Profit before tax	**1 236**	1 594	1 918	1 301	1 191
Net cash flow from operating activities	**1 097**	2 027	1 500	919	819
YEAR-END FINANCIAL POSITIONS					
Total assets	**15 708**	15 158	15 187	13 300	10 799
Investments in intangible and fixed assets	**967**	1 133	922	911	733
Equity (including non-controlling interests)	**8 254**	8 035	7 932	6 739	5 515
Equity / assets ratio, in %	**52.5**	53.0	52.2	50.7	51.1
Number of employees in the Group, including 100 per cent in joint ventures and associated companies	**9 789**	9 819	9 842	9 676	8 991

PROFITABILITY

15.1%
RETURN ON CAPITAL EMPLOYED

8.3%
OPERATING MARGIN

9.8%
RETURN ON EQUITY

Return on capital employed, in %

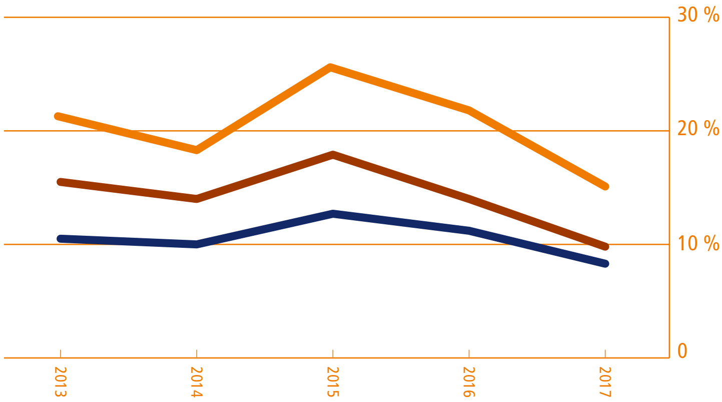
$$\frac{\text{Operating profit + amortisation of intangible assets}}{\text{Average capital employed}} \times 100$$

Operating margin, in %

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

Return on equity, in %

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



A CHALLENGING YEAR

Jotun's growing size and complexity has exposed the company to new risks, resulting in an increased focus on worker safety, environmental performance, organisational efficiency and a more rigorous approach to corporate governance.

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

In 2017, Jotun's growth was slowed by weak markets for new construction of vessels and offshore installations. In addition, Jotun's gross margins were impacted by increased prices of critical raw materials. The Board is satisfied with how the company responded to these conditions, but sees room for improvement in other areas. For example, Jotun's 2017 profits have been impacted by a number of claims, first registered in 2016. The Board is confident that systems put in place will help the company reduce risk for claims in the future.

The health and safety of Jotun's workers remains a top priority for the company. The Board continues to support all initiatives that safeguard the welfare of our employees; a level of care that extends to contractors hired by Jotun. For example, the Board was pleased that during the construction of Jotun's new factory in Myanmar, there were zero Lost Time Injury (LTIs) recorded across about 800 000 man hours of labour. The Board also actively encourages initiatives to reduce the company's impact on the environment.

PRIORITY AREAS

Jotun's growth strategy relies on effective project execution. The Board notes that three new factories built in 2017 (Malaysia, Myanmar and the Philippines) were completed on or below budget. The Board is satisfied with a more structured approach to corporate governance and compliance, consistent with directives issued by the European Commission. The Board is encouraged by management's attention to governance issues, notably its efforts to implement a strong anti-corruption programme that has been shared throughout the network.

CONTINUED VALUE CREATION

Jotun's remarkable growth over the past decade owes much to the skill and dedication of the company's workforce, timely investments in key markets, and an ability to adapt quickly to market conditions. In years with unfavourable circumstances, Jotun's presence in different markets, segments and low debt have helped mitigate financial risk, allowing the company to pursue a long-term approach to growth. While the Board will welcome increased profitability in the years ahead, the company's financial position remains strong.

DIRECTORS' REPORT

1. MAIN ACTIVITIES

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

The Jotun Group is organised into seven regions: 'Scandinavia', 'West Europe', 'East Europe and Central Asia', 'Middle East, India and Africa', 'North East Asia', 'South East Asia and Pacific' and 'the Americas'. Each region is responsible for the sale of paints and coatings in four segments; Decorative Paints and Marine, Protective and Powder Coatings.

DECORATIVE PAINTS

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

MARINE COATINGS

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

PROTECTIVE COATINGS

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

POWDER COATINGS

Jotun is a leading supplier of powder coatings to companies active in industries related to appliances, furniture, building components, pipelines and general industries.

Jotun is a global company made up of 64 companies in 45 countries, including 40 production facilities. The company extends its reach to other countries through a network of subsidiaries, joint ventures, associates, agents, sales offices and distributors. The parent company, Jotun A/S, is headquartered in Sandefjord, Norway. Of the Group's sales revenue, approximately 12 per cent is related to its activities in Norway while 88 per cent is related to the rest of the global network.

2. REVIEW OF THE ANNUAL ACCOUNTS

In 2017, the Jotun Group recorded total operating revenue of NOK 16 401 million, which is an increase of 4 per cent compared to 2016 (NOK 15 785 million).

The Decorative Paints segment continued to deliver good sales growth in 2017, while weak demand for newbuildings in the shipping and offshore markets had a negative impact on revenues in the Marine and Protective Coatings segments. Furthermore, growth in the Powder Coatings segment was affected by economic slowdowns in certain key markets. However, total sales volume continued to grow, showing an increase of 10 per cent in 2017.

The Group experienced a significant decline in profitability in 2017, mainly due to a sharp increase in the cost of raw materials, including epoxies, titanium dioxide, copper and zinc. Price increase initiatives have been implemented to counteract the effect of higher raw material prices, and there is a continued focus cost control within the Group.

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

PROFITS

The Group achieved an operating profit of NOK 1 354 million compared to NOK 1 763 million in 2016. The decline in profit is mainly explained by a sharp increase in raw material prices. Net financial costs totalled NOK 118 million, resulting in a profit before tax of NOK 1 236 compared to NOK 1 594 million in 2016. Jotun's activities are subject to ordinary company tax in the countries in which the Group operates, and income tax amounted to NOK 439 million in 2017. This led to a profit for the year of NOK 798 million compared to NOK 1 132 million in 2016.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 1 079 million, compared to NOK 948 million in 2016.

Allocation of profit for the year:
In 2017, Jotun A/S posted profit for the year of NOK 1 079 million.
The Board of Directors proposes the following allocation:

Dividend	NOK 428 million
Transfer to equity	NOK 651 million

FINANCIAL POSITION, CAPITAL STRUCTURE AND RISK

The Jotun Group generated a net cash flow from operating activities of NOK 1 097 million in 2017, a reduction of NOK 930 million compared to 2016. The weaker cash flow is tied to lower profit as well as an increase in working capital. At year end, the Group had a positive cash position of NOK 1 027 million at year end 2017 compared to NOK 1 586 million as of 31 December 2016.

The Group reduced its investments in 2017 to NOK 967 million from NOK 1 133 million in 2016. Investment activity in 2017 has mainly been related to new production facilities in the Philippines, Myanmar and Malaysia, in addition to a new R&D centre and office buildings in Sandefjord, Norway.

The net interest bearing debt for the Group was NOK 2 029 million as of 31 December 2017, compared to NOK 1 523 million as of 31 December 2016. At year end, Jotun A/S had NOK 1 000 million in outstanding bonds, of which all were long-term. In addition, Jotun A/S had NOK 987 million in bank debt outstanding, of which NOK 152 million was short-term. External borrowing in the subsidiaries is primarily short-term and through local banks.

Jotun A/S has NOK 800 million in long-term credit lines. This committed funding serves as a strategic reserve for financing of the Group as well as a backstop for short-term certificate loans. At year end, these credit lines were unused.

The Group's equity ratio was 53 per cent at the end of the year, and remained unchanged compared to 2016. The Group is in a sound financial position.

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

3. THE MARKET

DECORATIVE PAINTS

Jotun manages the sale of interior and exterior paints to both consumers and professional contractors with a global network of about 8 000 dealer shops in 37 different countries, all over the world. In 2017, Jotun achieved positive growth in all markets.

In South East Asia, where the company saw double digit growth in 2017, Jotun continues to find success with the premium interior range, Majestic, recording excellent growth with Majestic True Beauty Sheen and Majestic Perfect Beauty and Care. In the Middle East, India and Africa, Jotun saw strong growth in sales of interior products, such as Fenomastic Wonderwall, and specialised exterior products, such as Jotashield Décor, Jotashield Textures and Jotashield Colour Xtreme. Despite challenging markets, Jotun outperformed its competition in Turkey. In Scandinavia, the company saw double digit growth in the interior segments, supported by the successful 2017 relaunch of Lady Pure Color.

Over the past five years, Jotun has focused on improving the shopping experience for consumers and supporting dealers through a systematic approach to marketing. This work includes providing dealers with tools to upgrade shops, training programmes for shop sales staff, and investing in global television commercials and targeted social media campaigns. Jotun is also working more closely with architects, interior designers and developers to raise awareness for the Jotun brand. In 2017, Jotun launched its fifth annual Global Colour Trends in more than 30 different countries.

PROTECTIVE COATINGS

Jotun supplies protective coatings to companies active in a broad range of industries, from offshore to infrastructure, hydrocarbon processing to energy. These industries are subject to different global and local economic forces and like all segments, profits were impacted by rising costs of raw materials. In 2017, Jotun's protective coatings business recorded growth in sales volume, but challenging conditions in some industries and markets in combination with increased costs of raw material impacted results.

Jotun's activities in the Offshore concept were slowed in 2017 by continued weak demand for the construction of new offshore units. To offset this expected market development, Jotun has invested in new products and solutions to capture more of the maintenance market. In 2017, Jotun launched a new range of high-performance maintenance products and solutions.
In the Hydrocarbon Processing Industry concept, Jotun has launched a series of products that enable customers to operate at higher temperatures. In the Infrastructure concept, Jotun has found success with its range of thin film passive fire protection products (the Steelmaster range) and Green Building Solutions, a concept developed to support project owners seeking environmental certification (LEED, BREEAM, etc.).
Jotun's performance in the Energy concept, which includes wind farms and thermal and hydroelectric power, also experienced satisfactory growth in 2017.

The Board does not anticipate a full recovery in the offshore industry for still some time. However, through growth in other concepts (Infrastructure and HPI), the company will be in a stronger position to build both sales volume and profitability in the years ahead. Keys to improving profitability will be new innovations and managing the rising cost of raw materials.

MARINE COATINGS

Weak demand for ocean transportation, tonnage overcapacity and low freight rates continued to act as a drag on the shipbuilding industry in 2017, impacting Jotun's marine coatings business. While a rise in newbuilding orders in China and South Korea in the second half of the year suggests a modest recovery, it will take some time for these vessels to be built. By contrast, yard activity in West Europe has picked up, thanks to growing demand for cruise vessels.

Jotun has moved quickly to adjust to the new market reality by focusing on the DryDock and SeaStock concepts. In 2017, the company recorded double-digit growth in the DryDock concept, driven in part by increased demand for Jotun Hull Performance Solutions. Jotun has also gained ground in the Tank Coating concept and is preparing to launch some specialised products in 2018.

Product quality remains vital to Jotun's offering, but the company recognises that owners are increasingly looking to suppliers for solutions to improve their business. For example, some customers prefer to outsource the management of SeaStock to Jotun, for a fixed cost. By leveraging digital tools, sensor technologies and data analytics, Jotun can quantify results, customise services and provide better decision support. While uncertainty in the newbuilding market is likely to continue to impact sales short term, the company has retained its leading market share by responding to the evolving needs of shipowners.

POWDER COATINGS

Three key markets for Jotun's powder coatings business were affected in different ways in 2017; the economic downturn in Saudi Arabia, sharp devaluation of the Egyptian currency in late 2016 and supply chain disruption in Qatar from mid-2017. At the same time, two large scale pipeline projects in Turkey and Pakistan, which helped support overall growth in 2016, have been completed. Finally, a sharp rise in the costs of key raw materials impacted profitability. However, despite volume declines in some areas, Jotun's Powder Coatings business grew in 2017 and the company strengthened its position in key markets.

The Board notes that Jotun's regional and concept diversity helped the company to offset volume declines in the Pipeline and Building Components concepts in the Middle East with growth in other concepts and markets. For example, Jotun performed well in the Furniture concept and General Industries concept, which includes electrical switchgear, shelving, interior lighting and automotive components. The Board is encouraged by rapid growth in China, India, Indonesia and Vietnam and by double-digit growth in East Europe and Central Asia. Jotun also performed well In West Europe (led by the Czech Republic) and in Scandinavia.

Over the past few years, Jotun has invested in the development of several new specialised products for specific concepts. For example, the company has developed products that can be applied to Medium Density Fibreboard (MDF), among other products for the Building Components and General Industry concepts. While the Board does not anticipate that market conditions in the Middle East will fully recover next year, the company remains confident that by tailoring solutions for individual customers, working more closely with global key account clients and continuing to develop innovative products, the company can accelerate growth in the years ahead.

4. RESEARCH AND DEVELOPMENT (R&D)

Headquartered in Sandefjord, Norway, Jotun R&D has a global network of regional laboratories in the Middle East (UAE and India), South East Asia (Malaysia and Thailand), North East Asia (South Korea and China), East Europe (Turkey), and the Americas (USA), in addition to a new regional R&D Powder Coatings unit for West Europe in Czech Republic as well as a new unit for intumescent products in the UK. In 2017, the regional R&D unit in Turkey moved into new R&D premises. In addition to adapting products to meet local regulations and demand, regional laboratories are also responsible for testing of raw materials, quality assurance, and providing claims and verification services when required.

Jotun's R&D function plays a critical role for the company. It is responsible for meeting the growing demand for healthier, more environmentally friendly paints and coatings and responding to new or pending regulations. Jotun's R&D personnel must also support the company's own business and environmental objectives.

In 2017, the Protective Coatings segment, the company launched the Thermosafe range, enabling customers to operate at higher temperatures with enhanced safety, efficiency and productivity. In the Powder Coatings segment, the company has developed products that can be applied to Medium Density Fibreboard (MDF); a zinc free primer for cost effective corrosion protection and a new trend collection to inspire architects. In the Marine segment, Jotun launched a series of vessel maintenance products, consisting of Barrier Smart Pack, Jotamastic Smart Pack HB and Hardtop One, which represents the world's first NORSOK-approved solution for brush and roller application.

Two important interior products were launched in the Decorative segment. Fenomastic Wonderwall, premium interior wall paint, will further strengthen our leading position in Middle East. The new generation Lady Pure Color for Scandinavia will ensure that the success story for this product will continue.

Innovation remains a critical focus area for Jotun. The new research centre in Flixborough, UK for intumescent products, is featuring two furnaces, laboratories, mill rooms, offices and plant space. The Board also welcomes the ongoing construction of a new headquarters and R&D centre in Sandefjord, Norway. The new R&D centre will feature state of the art equipment and enough laboratory and office space for 350 chemists and related personnel. Jotun is confident that the new R&D centre will not only help strengthen the company's reputation as an industry pioneer, but attract and recruit top talent to develop next-generation products.

5. COMPETENCE DEVELOPMENT

Jotun works across all segments and regions to develop personal and collective competence with a unified approach. Best practices are shared, structured learning programmes and tools are utilised, and, throughout all activities, the Group's business strategy is supported and empowered.

In addition to on-the-job training, Jotun provides a broad range of competence development programmes through Jotun Academy. The Academy encompasses some 37 programmes, with around 360 trainers interacting with around 3 000 delegates every year. In 2017, two of its key areas, Operations & HSEQ and Management, underwent a complete revitalisation. Both were streamlined and enhanced, with less training days and more preparatory and post-learning activity, incorporating tools such as nano-learning lessons, e-learnings and self-assessments.

In 2017 Jotun strengthened its Global Mobility programme, boosting the number of employees on short-term assignments, mobile workforce placements and international assignments.

Global Mobility is key to sharing expertise, developing new perspectives and building a stronger, healthier and increasingly competitive international enterprise.

Jotun continues to invest in the company's leadership development. In 2017, Jotun clarified and revitalised its Leadership Expectations, strengthening requirements for high-level management positions, and encouraging increased regional accessibility and accountability for rotation and mobility, among other activities. Jotun's ability to attract competent candidates, combined with the company's low turnover rate, represents a competitive advantage and helps secure the company's future.

6. HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

GOALS AND ACTIVITIES

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

Jotun's HSEQ Management System was introduced in 2015, rolled out during 2016 and fully implemented throughout all existing company sites by 1 June 2017. The system empowers local management organisation with HSEQ responsibility, allowing for more individual focus on key elements and making standards easier to manage.

TRAINING

Competence development is critical for Jotun to achieve HSE objectives and build a culture of effective health and safety environmental practices. In addition to HSE training courses offered through Jotun Academy, and e-learning modules, all production facilities are required to have an HSEQ manager, responsible for organising at least one "HSE Day" every year, covering all aspects of HSE. In 2017, each employee in Jotun received an average of 10 hours of general HSE training. In 2017, 12 new HSE e-learning modules were added to the portfolio of on-line courses. Group HSEQ has found this to be an effective way to raise awareness about HSE requirements in Jotun.

WORKING CONDITIONS

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

No fatalities were reported in 2017.

There were 47 injuries reported resulting in lost-time due to injury (LTI) absences in 2017, compared with 48 in 2016. The number of injuries resulting in an absence of one day or more per one million working hours (Lost Time Injury Rate /H-value) was unchanged (2.6 in 2016). The H value for Jotun A/S was 1.78, compared with 2.6 in 2016. Average days absence due to injuries is significantly reduced from 39 in 2016, to 22 days in 2017. The absence rate due to sickness for the Group in 2017 was 1.7 per cent, compared to 1.45 per cent in 2016. The absence rate due to sickness in Jotun A/S was 4.1 per cent in 2017, compared with 4.83 per cent in 2016.

ENVIRONMENT

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

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

KPI-reporting required from each site includes waste in kg/tonne produced (%), total waste (hazardous and non-hazardous), energy kWh per tonne produced for liquid paints, and energy kWh per tonne produced for powder coatings.

In 2017, Jotun recorded global emissions of 84 477 tonnes CO_2-equivalents, marking an overall reduction of 1.2 per cent per tonne produced. The total electrical consumption in 2017 was 153 kWh/tonne produced, the same as in 2016.

The waste generated was 18 kg per tonne produced in 2017 compared to 20 kg per tonne produced in 2016. The waste reduction was seen in both hazardous and non-hazardous waste.

There were no discharges to water or soil causing any significant pollution to the environment in 2017.

SAFETY

Safety is a cornerstone of all Jotun operations. The Group continually develops and improves the management system that sets uniform global standards, while supporting individual operations in their efforts to address issues and improve performance on a local level. In 2017, safety at new Jotun facilities was a key focus, with factory projects entering the production phase in Russia, Myanmar, Malaysia and in the Philippines.

Fires represent the most significant threat to Jotun personnel and property. The Board has a "zero tolerance" policy regarding fires and has over the years approved the allocation of significant resources to manage this risk. In 2017, there was a total of 30 fires, early stage of fires, unwanted ignition sources, or activation of safety systems at Jotun premises. None of these fires were major incidents and no injuries or serious damage to property was sustained. The Board recognises that improved reporting of incidents may have inflated these numbers, but will not be satisfied until no fires occur.

CHALLENGES AHEAD

In the near future, Jotun is likely to reach a critical milestone; 10 000 employees. The Board recognises its responsibility to ensure safe and healthy work places for our growing organisation and limit the impact of our growing size on the environment. Jotun takes any deviation from its HSE requirement very seriously and believes that robust HSE practices result in better outcomes for the company and its workforce. Jotun continues to communicate the importance of HSE throughout the organisation to ensure a safe and healthy working environment for all employees.

7. CORPORATE RESPONSIBILITY

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

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

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

Jotun's approach to CR encompasses commercial initiatives, such as Jotun's Green Building Solutions, a tool designed to provide global specifiers and building owners with approved systems that meet "green building" requirements, and Hull Performance Solutions (HPS), a marine antifouling which lowers fuel costs and corresponding emissions, among others.

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

In 2017, Jotun has strengthened its approach, certifying trainers in every region to lead classroom dilemma training activities. The company has also developed stronger whistleblowing routines, refining our guidelines to enhance clarity and embedding them throughout the global organisation. Regional compliance teams have also been established to ensure each case receives the attention it deserves, while safeguarding whistleblowers.

8. DIVERSITY

Jotun recognises the value of a diverse workforce and has deliberately sought to recruit individuals of different ethnic, religious, and national origin to make the company stronger. The company cooperates with several institutions that facilitate job training for people who, for different reasons, are unable to fulfil usual working commitments.

In addition, 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 policies, tools and practices.

Two of the nine senior management positions that report to the President & CEO are female. Of those with personnel responsibility in Jotun A/S, 30 per cent are women (29 per cent in 2016). Women make up 11 per cent of skilled workers (9 per cent in 2016), while the corresponding percentage for women among office staff is 36 per cent, compared to 29 in 2016.

While Jotun employees come from many different cultures and backgrounds and work in over 200 different locations around the world, the company is united by a common set of values. Jotun believes that diversity is a strength, and is actively promoting tolerance and teamwork.

9. FUTURE PROSPECTS

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

While global and regional trends are monitored carefully, the Board's primary focus remains on creating value through sustainable and profitable growth. Achieving this requires not only that production capacity is increased, but also that efficiencies are leveraged to lower the average production cost per entity. Jotun's strategy, which is grounded in segment diversity, organic growth and a differentiated approach to diverse markets, allows the company to shift resources to different segments when needed, maintain a strong balance sheet and adjust quickly to market changes in different regions.

Looking ahead, the Board will continue to consider and approve plans to expand existing factories, build new production facilities and warehouses, invest in new markets and in tools and systems to improve efficiency.

To remain competitive, Jotun must continue to develop new paints and coatings solutions and increase production capacity in new and existing markets. In 2017, Jotun demonstrated its ability to innovate through several new product launches. During the year, new capacity was added in Myanmar, the Philippines, Russia and Malaysia. Construction of Jotun's new headquarters and R&D centre in Sandefjord, the company's largest investment to date, is ongoing,

The Board notes that declines in newbuilding orders and decreased investments in offshore projects installation development will slow the company's growth in the short term. Furthermore, raw material prices, which saw a sharp increase in 2017, are expected to continue to impact gross margin short-term, but will be counteracted through increased product prices. New and unforeseen events could also impact the business going forward. However, the Board is confident that Jotun's strong balance sheet, flexible approach to different markets and segments, and ability to respond quickly to market changes will secure the company's long-term development.

Sandefjord, Norway, 6 February 2018
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Karl Otto Tveter

Per Kristian Aagaard

Morten Fon
President and CEO

JOTUN GROUP

CONSOLIDATED INCOME STATEMENT

(NOK THOUSAND)	NOTE	2017	2016
Operating revenue		16 400 998	15 784 604
Share of profit from associated companies and joint ventures	2	536 797	689 598
Cost of goods sold		–9 078 415	–8 141 537
Payroll expenses	3, 4	–2 719 204	–2 601 717
Other operating expenses	5, 21	–3 297 110	–3 421 406
Depreciation, amortisation and impairment	7, 8	–488 802	–546 817
Operating profit		**1 354 264**	**1 762 724**
Net financial items	5	–118 085	–168 985
Profit before tax		**1 236 179**	**1 593 739**
Income tax	6	–438 609	–461 518
Profit for the year		**797 570**	**1 132 221**

Profit for the year attributable to:			
Equity holders of the parent company		721 200	1 107 985
Non-controlling interests	18	76 370	24 236
Total		**797 570**	**1 132 221**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK THOUSAND)	NOTE	2017	2016
Profit for the year		**797 570**	**1 132 221**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain / loss (–) on defined benefit pension plans	4	13 836	–22 638
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain / loss (–) on hedge of net investments in foreign operations	11	36 910	16 051
Currency translation differences on net investment in foreign operations	11	–71 363	–472 324
Other comprehensive income for the year, net of tax		**–20 618**	**–478 911**
Total comprehensive income for the year		**776 953**	**653 310**
Total comprehensive income attributable to:			
Equity holders of the parent company		703 254	676 244
Non-controlling interests	18	73 698	–22 934
Total		**776 953**	**653 310**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK THOUSAND)	NOTE	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Deferred tax assets	6	247 560	219 768
Other intangible assets	7	430 368	364 028
Property, plant and equipment	8	4 892 394	4 542 575
Investments in associated companies and joint ventures	2	1 615 654	1 766 487
Other investments	12	17 596	8 248
Other interest-bearing receivables	12, 15	97 313	125 419
Total non-current assets		**7 300 886**	**7 026 525**
Current assets			
Inventories	9	2 575 763	2 041 432
Trade and other receivables	12, 13	4 804 382	4 504 319
Cash and cash equivalents	12, 14	1 027 165	1 586 034
Total current assets		**8 407 310**	**8 131 786**
Total assets		**15 708 196**	**15 158 311**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	102 600	102 600
Other equity		7 973 640	7 783 384
Non-controlling interests	18	178 117	148 573
Total equity		**8 254 357**	**8 034 557**
Non-current liabilities			
Pension liabilities	4	214 721	225 461
Deferred tax liabilities	6	51 707	27 828
Provisions	10, 19	35 711	33 980
Interest-bearing debt	12, 15	2 044 291	2 357 102
Other non-current liabilities		35 465	34 465
Total non-current liabilities		**2 381 895**	**2 678 837**
Current liabilities			
Interest-bearing debt	12, 15	1 109 173	877 352
Trade and other payables	12	1 913 476	1 693 379
Current tax payable	6	145 962	159 554
Other current liabilities	10, 12, 16	1 903 333	1 714 634
Total current liabilities		**5 071 943**	**4 444 918**
Total liabilities		**7 453 838**	**7 123 754**
Total equity and liabilities		**15 708 196**	**15 158 311**

Sandefjord, Norway, 6 February 2018
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

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Nicolai A. Eger

Karl Otto Tveter

Per Kristian Aagaard

Morten Fon
President and CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK THOUSAND)	NOTE	2017	2016
Cash flow from operating activities			
Profit before tax		1 236 179	1 593 739
Adjustments to reconcile profit before tax to net cash flows:			
Share of profit of associated companies and joint ventures	2	–536 797	–689 598
Dividend paid from associated companies and joint ventures	2	699 553	712 571
Depreciation, amortisation and impairment	7, 8	488 802	546 817
Change in accruals, provisions and other		182 267	–100 153
Working capital changes:			
Change in trade and other receivables		–300 062	252 740
Change in trade payables		220 098	–9 163
Change in inventories		–534 331	157 052
Tax payments	6	–358 536	–437 072
Net cash flow from operating activities		**1 097 172**	**2 026 933**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8	2 616	6 848
Purchase of property, plant and equipment	8	–839 011	–1 029 562
Purchase of intangible assets	7	–128 245	–103 538
Net cash flow used in investing activities		**–964 640**	**–1 126 252**
Cash flows from financing activities			
Proceeds from borrowings	15	491 512	259 344
Repayment of borrowings	15	–571 503	–299 413
Dividend paid to equity holders of the parent	17	–513 000	–513 000
Dividend paid to non-controlling interests		–44 153	–38 250
Share capital increase in associated companies and joint ventures	2	–49 284	–
Net cash flow from financing activities		**–686 428**	**–591 320**
Net increase / decrease (–) in cash and cash equivalents		**–553 896**	**309 361**
Net currency translation effect		–4 973	–244 166
Cash and cash equivalents as of 1 January	14	1 586 034	1 520 840
Cash and cash equivalents as of 31 December	14	**1 027 165**	**1 586 034**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK THOUSAND)	NOTE	Share capital	Other equity	Translation differences	Total	Non–controlling interests	Total equity
		ATTRIBUTABLE TO PARENT COMPANY EQUITY HOLDERS					
Equity as of 1 January 2016		**102 600**	**6 306 009**	**1 314 133**	**7 722 741**	**209 757**	**7 932 497**
Dividends	17		–513 000		–513 000	–38 250	–551 250
Profit for the year			1 107 985		1 107 985	24 236	1 132 221
Other comprehensive income		–41 176	–390 566	–431 742	–47 170	–478 911	
Equity as of 31 December 2016		**102 600**	**6 859 818**	**923 567**	**7 885 984**	**148 573**	**8 034 557**
Dividends	17		–513 000		–513 000	–44 153	–557 153
Profit for the year			721 200		721 200	76 370	797 570
Other comprehensive income			15 539	–33 485	–17 946	–2 672	–20 618
Equity as of 31 December 2017		**102 600**	**7 083 558**	**890 082**	**8 076 240**	**178 117**	**8 254 357**

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

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

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

1. STATEMENT OF COMPLIANCE

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

2. BASIS FOR PREPARATION OF THE ANNUAL ACCOUNTS

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

3. BASIS FOR CONSOLIDATION

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

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

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

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

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

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

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

INTERESTS IN JOINT VENTURES AND ASSOCIATES

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

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

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in any of the associates is impaired. If so, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount in 'share of profit from associated companies in the consolidated income statement.

NON-CONTROLLING INTERESTS

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

4. FOREIGN CURRENCY

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

TRANSACTIONS IN FOREIGN CURRENCY

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

TRANSLATION TO NOK OF FOREIGN OPERATIONS

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

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

5. THE USE OF ESTIMATES WHEN PREPARING THE ANNUAL ACCOUNTS

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

6 IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

FINANCIAL ASSETS

Financial assets stated at amortised cost are written down when it is probable, based on objective evidence, that the instrument's cash flows have been negatively affected by one or more events occurring after the initial recognition of the instrument. The impairment loss is recognised in the consolidated income statement.

NON-FINANCIAL ASSETS

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

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

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

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

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

7. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when actual payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

SALE OF GOODS

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenues are presented net of value added tax and discounts.

INTEREST INCOME

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as finance income in net financial items in the consolidated income statement.

DIVIDEND

Revenue is recognised when the Group's right to receive the payment is established.

8. INCOME TAX

Income tax expense comprises both current and deferred tax, including effects of changes in tax rates.

CURRENT INCOME TAX

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

DEFERRED TAX

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

OTHER COMPREHENSIVE INCOME

Taxes payable and deferred taxes are recognised in other comprehensive income to the extent that they relate to items in other comprehensive income. Items in other comprehensive income are presented net of tax.

9. TANGIBLE ASSETS

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

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

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

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

10. INTANGIBLE ASSETS

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale

- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.
The economic life of an intangible asset is either definite or indefinite. Intangible assets with a definite economic life are amortised over their economic life and tested for impairment if there are any indications of impairment. The amortisation method and period are assessed at least once a year. Changes to the amortisation method and/or period are accounted for as a change in estimate. Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually. Amortisation is calculated based on the useful life of the asset.

11. LEASES

OPERATING LEASES

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

FINANCIAL LEASES

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

12. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS:

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 11 and 12.

FINANCIAL ASSETS:
INITIAL RECOGNITION AND MEASUREMENT

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

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.

SUBSEQUENT MEASUREMENT

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. 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 IAS 39. 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 as finance income or finance costs in net financial items in the consolidated income statement.

LOANS AND RECEIVABLES

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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Losses arising from impairment are recognised in the income statement as finance costs.

DERECOGNITION

A financial asset, part of a financial asset or part of a group of similar financial assets, is derecognised when:

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

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of one or more loss events having occurred after the initial recognition of the asset. A loss event is an event that impacts the future cash flows of a financial asset, or group of financial assets, and that can be reliably estimated. Evidence of a loss event and impairment may include indications that a debtor, or a group of debtors, is experiencing significant financial difficulties, default or delinquency of principal or interest payments, a probability of bankruptcy or other financial restructuring, and observable data that indicates that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FINANCIAL ASSETS CARRIED AT AMORTISED COST

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

FINANCIAL LIABILITIES:
INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities within the scope of IAS 39 are classified 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. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

SUBSEQUENT MEASUREMENT

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

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. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

DERECOGNITION

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

OFFSETTING OF FINANCIAL INSTRUMENTS:

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

DERIVATIVE FINANCIAL INSTRUMENTS:
HEDGES OF CASH FLOW

Cash flows from operational activities in Scandinavia and global intragroup financial cash flows in foreign currency are hedged based on the future expected net cash flow in Jotun A/S. Financial cash flows are typically royalty income, dividend income and cash flows related to internal loans and equity transactions between Jotun A/S and subsidiaries. Instruments used for hedging of cash flows are forwards and options. Any gains or losses on these instruments are accumulated and recognised as realised or unrealised currency effects in net financial items in the consolidated income statement. Refer to note 11 for more details.

13. HEDGE ACCOUNTING

HEDGES OF NET INVESTMENT

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement. Currently, the only hedge of this nature is the USD denominated loan used by the Group as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to note 11 and 15 for more details.

14. INVENTORIES

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

RAW MATERIALS

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

FINISHED GOODS

The cost of finished goods includes cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity and excludes any borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowances are made for inventories with a net realisable value less than cost, or which are slow moving.

15. CASH AND CASH EQUIVALENTS

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

16. POST EMPLOYMENT BENEFITS

Post-employment benefits are recognised in accordance with IAS 19 Employee Benefits. Defined contribution plans represent the majority of the Groups pension plans. However, the Group also has a few, remaining defined benefit plans with net pension obligations, as further described in note 4.

DEFINED CONTRIBUTION PLANS

The pension cost related to a defined contribution plan is equal to the contributions to the employee's pension savings in the accounting period. The annual contributions related to the defined contribution pension plan have been made for all employees, and equal an agreed percentage of the employee's salary. (In Norway, the rate is 5% of annual basic salary, limited up to twelve times the social security basic amount. In addition, 18.1 % of annual basic salary between 7,1-12 times the social security basic amount). The pension contributions are charged to expenses as they are incurred. The return on the pension funds will affect the size of the employees' pension, and the risk of returns lies with the employees.

DEFINED BENEFIT PLANS

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

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

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

MULTI-EMPLOYER PLANS

Multi-employer plans are accounted for as defined contribution plans. These are collectively bargained plans maintained by more than one employer, within the same or related industries, and a labour union. The pension contributions are determined independently of the demographic profile in the individual companies.

OTHER SEVERANCE SCHEMES

Other severance schemes mainly comprise obligations to employees in companies outside of Norway that fall due for payment when the employees leave a Jotun company, as required by local regulations. The size of the obligation depends on how many years the employees have worked in the company. Obligations related to other severance schemes are recognised as other non-current liabilities.

17. PROVISIONS

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

A provision for a claim is recognised when it is probable that there will be a financial settlement and the amount of the claim can be reliably estimated. The provision is assessed and estimated based on information from the customer, and technical, legal and sales departments.

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed, formal plan identifies the business, or part of the business, concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected must have been notified of the plans main features.

Environmental provisions are made when there is a present obligation, it is probable that expenditures for remediation work will be required, and the cost can be measured within a reasonable range of possible outcomes. Generally, the timing of recognition coincides with the commitment to a formal plan of action or, if earlier, on divestment or closure of inactive sites. Expenditures that relate to an existing condition caused by past operations, and that do not contribute to current or future earnings, are expensed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

18. CONTINGENT LIABILITIES AND ASSETS

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

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

19. EVENTS AFTER THE REPORTING PERIOD

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

1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

GENERAL

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

IMPAIRMENT

The Jotun Group has material non-current assets in the form of both tangible (property, plant and equipment) and intangible assets. An explanation of the details of and changes in these assets is presented in note 7 and note 8. The Group also has other non-current assets that mainly consist of investments in companies recognised using the equity method. These are disclosed in note 2 and are not covered in the description below.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from a detailed forecast for the first three years, and after year 3 from projections based on an estimated long-term growth rate for the remaining useful life of the assets. The cash flows do not include restructuring activities that the Group is not yet committed to, or significant future investments that will enhance the assets' performance in the cash generating unit (CGU) being tested. Uncertainty in cash flow estimates is in some cases considerable, as both valuation and estimated useful life are based on future information that is always subject to uncertainty. The calculation of value in use is most sensitive to:
Revenue growth – Factors concerning economic trends and the ability to gain market share are evaluated and included in the three-year forecast period. Growth rates over the remaining estimated useful life of the assets beyond the forecast period are gradually reduced to general long-term growth assumptions.
Gross margins – Gross margins are based on average values achieved in the four years preceding the beginning of the forecast period. These are adjusted over the forecast period for expected changes in product segment mix.
Operating costs – Cost forecasts for the projection period are based on the historical development over the past four years, adjusted for anticipated efficiency improvements.
Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on a weighted average of required rates of return for the Group's equity and debt (WACC). The required rate of return on the Group's equity is estimated by using the capital asset pricing model (CAPM). The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

PRODUCT LIABILITY CLAIMS

Product liability claims consist of a number of separate and specific warranty claims arising from products sold. By nature, the related amounts and timing of any outflows are difficult to predict. Assumptions used to calculate provisions for product liability claims are based on technical assessments of product failures and the related expected repair costs for each specific case. It is expected that most of these costs will be payable in the next financial year (see note 10), and all will have been payable within three years after the reporting date.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR BAD OR DOUBTFUL DEBT

Accounts receivable are assessed at nominal value less allowance for bad or doubtful debt. Allowances for bad or doubtful debt are recognised when there are objective indicators that the Group will not receive settlement in accordance with the original terms. An allowance for bad or doubtful debt represents the difference between the asset's carrying amount and fair value (estimated collectible amount). Management has used its best estimate in setting the fair value of accounts receivable. The carrying amount of accounts receivable as of 31 December 2017 is NOK 4 209 million and allowance for bad or doubtful debt at year-end is NOK 199 million. See note 13 for more information.

INVENTORIES AND ALLOWANCES FOR OBSOLETE GOODS

Inventories are measured at the lowest of cost and net realisable value. Jotun Group's products are sold in markets where there are limited observable market references available, requiring use of judgement in determining net realisable value. Management has used its best estimate in setting net realisable value for inventory. The carrying amount of inventory as of 31 December 2017 is NOK 2 576 million and write-down at year-end is NOK 126 million. See note 9 for more information.

PENSION LIABILITIES

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

Mortality rates are based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about the assumptions used are given in note 4.

ENVIRONMENTAL PROVISIONS

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

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

Future expenditures for remediation work depend on a number of uncertain factors which include, but are not limited to, the extent and type of remediation required. Environmental laws and regulations may change, and such changes may require the Group to make investments and/or increase costs. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. Further reference is made to note 10.

DEFERRED TAX

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

Jotun Group has tax loss carry forwards amounting to NOK 1 465 million as of 31 December 2017 (2016: NOK 1 244 million). These losses relate to subsidiaries that have a history of losses, and may not be used to offset taxable income elsewhere in the Group. Jotun's operations in the United States of America, Brazil, India, Spain, South Africa and Pakistan have substantial tax reducing timing differences that have not been recognised due to uncertainty with regard to utilisation. These subsidiaries have neither taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by NOK 492 million. Further details on taxes are disclosed in note 6.

NON-CONSOLIDATION OF ENTITY IN WHICH THE JOTUN GROUP HOLDS THE MAJORITY OF OWNERSHIP INTEREST

Jotun Group considers that it does not control Jotun Abu Dhabi Ltd. even though it holds 51.6 per cent of the ownership interest. The Group directly controls 35 per cent. However, the remaining 16.6 per cent is an indirect ownership through a non-controlling entity. As Jotun Group does not de facto control the majority of the voting rights of Jotun Abu Dhabi Ltd., the investment is classified as an associated company. Further details are given in note 2.

NON-CONSOLIDATION OF ENTITY IN WHICH THE JOTUN GROUP HOLDS A SIGNIFICANT OWNERSHIP INTEREST

Jotun Group has a 50 per cent joint investment with China Ocean Shipping Company (COSCO) and Chokwang Paint in respectively China and South Korea. The companies are considered as jointly controlled, as the shareholders jointly direct the operational activities of the companies. These investments are therefore accounted for using the equity method (refer note 2).

2 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Jotun Group has investments in associated companies in the Middle East and joint ventures in North East Asia, involved in production and sales of products within all of the Group's four segments.
The Group's interests in associated companies and joint ventures are recognised in the consolidated financial statement applying the equity method. Summarised financial information for the Group's investments in associated companies and joint ventures is set out below. The figures are based on IFRS financial statements for the respective companies.

OVERVIEW

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

	2017			2016		
(NOK THOUSAND)	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Carrying amount 1 January	1 011 712	754 776	1 766 487	924 380	915 430	1 839 810
Net profit / loss (–) during the year	478 926	57 871	536 797	560 735	128 863	689 598
Exchange differences	–52 799	15 270	–37 529	–13 089	–39 251	–52 339
Items charged to equity	–	168	168	–	1 991	1 991
Dividend	–479 313	–220 240	–699 553	–460 314	–252 257	–712 571
Stock increase	–	49 284	49 284	–	–	–
Carrying amount 31 December	**958 525**	**657 129**	**1 615 654**	**1 011 712**	**754 776**	**1 766 487**

ASSOCIATED COMPANIES

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

The Jotun Group has the following investments in associated companies:

ENTITY (NOK THOUSAND)	Red Sea Paints Co. Ltd.	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E. Ltd. (LLC)	Jotun Abu Dhabi Ltd. (LLC)	Jotun Powder Coatings Saudia Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (LLC)	Total
Country	Saudi Arabia	Saudi Arabia	Yemen	U.A.E.	U.A.E.	Saudi Arabia	U.A.E.	
Ownership interest	40 %	40 %	34.4 %	41.5 %	51.6 %	46.6 %	47 %	
Carrying amount 1 January 2017	42 421	328 594	–548	332 751	145 687	80 547	82 259	1 011 712
Net profit / loss (–) during the year	4 395	185 548	–	164 675	72 227	16 002	36 078	478 926
Exchange differences	–2 064	–17 823	26	–17 111	–7 530	–4 002	–4 294	–52 799
Dividend	–4 377	–157 570	–	–184 364	–89 940	–	–43 062	–479 313
Carrying amount 31 Dec. 2017	**40 376**	**338 749**	**–522**	**295 952**	**120 444**	**92 546**	**70 981**	**958 525**

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

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

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

2016 (NOK THOUSAND)	Red Sea Paints Co. Ltd.	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E. Ltd. (LLC)	Jotun Abu Dhabi Ltd. (LLC)	Jotun Powder Coatings Saudia Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (LLC)
Non-current assets	79 433	410 319	1 780	127 127	57 520	70 469	93 609
Current assets	89 115	665 870	1 157	750 591	273 252	157 275	197 638
Total assets	**168 548**	**1 076 188**	**2 937**	**877 718**	**330 772**	**227 744**	**291 247**
Equity	106 053	821 486	–1 591	805 561	282 339	172 848	201 296
Non-current liabilities	19 859	61 159	4 528	20 565	1 461	9 842	1 400
Current liabilities	42 635	193 544	–	51 592	46 973	45 055	88 551
Total equity and liabilities	**168 548**	**1 076 188**	**2 937**	**877 718**	**330 772**	**227 744**	**291 247**
Revenues	–	1 898 440	–	1 866 689	719 562	226 561	497 319
Profit /loss (–) for the year	**9 931**	**526 535**	**–1 634**	**495 456**	**173 107**	**–9 796**	**119 869**

JOINT VENTURES

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

Jotun Group has the following investments in joint ventures (all the joint ventures are limited liability companies):

ENTITY (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	
Figures bases on ownership	50 %	50 %	50 %	
Carrying amount 1 January 2017	290 637	280 623	183 515	754 776
Net profit / loss (–) during the year	–8 581	3 238	63 214	57 871
Exchange differences	22 138	5 161	–12 029	15 270
Items charged to equity	168	–	–	168
Dividend	–115 200	–	–105 040	–220 240
Stock increase	49 284	–	–	49 284
Carrying amount 31 December 2017	**238 446**	**289 023**	**129 661**	**657 129**

A summary of the financial information on the individual joint ventures as of 2017 and 2016, based on 100 per cent figures:

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

2016 (NOK THOUSAND)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.
Non-current assets	371 171	509 917	384 665
Current assets	668 224	698 804	392 063
Total assets	**1 039 395**	**1 208 721**	**776 728**
Equity	581 274	561 247	695 464
Non-current liabilities	87 377	51 665	–
Current liabilities	370 744	595 810	81 264
Total equity and liabilities	**1 039 395**	**1 208 721**	**776 728**
Revenues	1 377 064	1 742 966	659 176
Profit /loss (–) for the year	**70 067**	**82 258**	**105 400**

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.

WAGES AND OTHER SOCIAL COSTS

(NOK THOUSAND)	2017	2016
Wages including bonuses	2 166 731	2 069 964
Social costs	272 874	255 750
Pension costs defined contribution plans	181 494	168 449
Pension costs defined benefit plans, ref. note 4	12 883	13 250
Other personnel costs	85 222	94 305
Total	**2 719 204**	**2 601 717**
Average full-time equivalent	6 976	6 909

BONUS SYSTEMS

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

Further, all members of Jotun Group Management are part of an annual profit-dependent bonus system limited upward to 50 per cent of annual basic salary.

REMUNERATION TO PRESIDENT & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	4 769	1 652	283	2 068	8 772

The President & CEO is part of a previous 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. Further, the CEO is part of an annual profit-dependent bonus system limited upward to 50 per cent of ordinary annual salary.

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

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

Shares owned by members of the Board of Directors and the Group Management are specified in note 17.

EXTERNAL AUDITOR REMUNERATION

(NOK THOUSAND)	2017	2016
Statutory audit	12 721	12 116
Other attestation services	165	146
Tax services	3 329	2 784
Other services	1 113	695
Total	**17 329**	**15 740**

4 PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

The Group has both defined contribution and defined benefit pension plans. The majority of the Jotun Group's pension plans are defined contribution plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans comprise arrangements whereby the company's obligation is limited to annual contributions to the employees' pension plans, and where the future pension is determined by the amount of the contributions and the return on the pension plan assets. Costs associated with defined contribution plans are specified in note 3 Payroll expenses.

DEFINED BENEFIT PLANS

Defined benefit plans comprise arrangements whereby the company is responsible for paying a future pension to the employee based on pensionable salary at the time the employee retires. The Jotun Group has defined benefit plans in a limited number of countries, including Norway, the United Kingdom and in certain countries in South East Asia and the Middle East. A large part of the Group's benefit plans are in Norway and the United Kingdom, about 73 per cent of the total net pension obligation as of 31 December 2017.

Norway

The defined benefit schemes in Norway were replaced by defined contribution plans in 2004. Net pension obligations as of 31 December 2017, are primarily related to previous early retirement schemes for Jotun Group's senior executives. In addition, there are pension obligations related to old-age pensions and pension plans for employees who earn more than twelve times the social security basic amount (12G).

United Kingdom

The defined benefit schemes in the UK were closed for all new members in 2012. The net pension obligation represents defined benefit plans related to employees who entered this scheme prior to closing. Defined contribution schemes are established for all new employees.

South East Asia and Middle East

In certain countries in South East Asia and the Middle East, such as Indonesia, Thailand and India, 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

Other severance schemes comprise mainly statutory obligations to employees in Jotun companies elsewhere in the world. The obligations fall due for payment when employees leave a Jotun company. The size of the obligations depends, among other, on how many years the employees have worked in the company. Also included are 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).

ASSUMPTIONS RELATING TO THE DEFINED BENEFIT PLANS

The discount rate is fixed at the rate on high quality corporate bonds with the same lifetime as the pension liabilities. For the schemes in UK, the BofAML index is used as basis for the discount rate. The index showed an annual yield on its corporate bonds of 2.6 per cent as of 31 December 2017.

In countries where there is no deep market in such bonds, the market yields on 10-year government bonds are used, adjusted for actual lifetime of the pension liabilities. The discount rate related to the schemes in Norway is, for instance, determined using this approach.

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

The mortality estimate is based on up-to-date mortality tables for the various countries (K2013BE in Norway and S2PxA (YoB) in UK).

ACCOUNTING OF ACTUARIAL LOSSES AND GAINS

All actuarial losses and gains related to pensions are presented under other comprehensive income in the income statement.

PENSION PLAN ASSETS

Pension plan assets are mainly in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets. The expected return and breakdown of pension plan assets may be seen in the tables below. Contributions to pension plan assets during 2018 is expected to be approximately NOK 8.7 million.

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AS OF 31 DECEMBER	2017	2016
Cash and cash equivalents, in %	0.3	0.5
Bonds, in %	48.3	47.7
Shares, in %	46.5	47.3
Property, in %	4.9	4.5
Total pension plan assets	**100.0**	**100.0**

	NORWAY		UK		INDONESIA	
ACTUARIAL ASSUMPTIONS	2017	2016	2017	2016	2017	2016
Discount rate, in %	1.9	1.4	2.6	2.8	7.2	8.3
Expected return, in %	1.9	1.4	2.6	2.8	7.2	8.0
Wage adjustment, in %	2.5	2.25	2.3	2,4	6.0	8.0
Inflation / increase in social security basic amount (G), in %	2.5	2.25	3.3	3.4	3.0	3.0
Pension adjustment, in %	0.5 – 2.5	1.8	3.7	3.3	–	–

SCHEMES WITH NET PENSION OBLIGATIONS

(NOK THOUSAND)	2017	2016
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY		
Pension obligation at the beginning of the period	511 105	506 938
Translation difference at the beginning of the period	21 909	–73 094
Curtailment in future increase in wages	–194	92
Pension earning for the year	8 662	5 798
Interest cost on pension obligations	14 479	15 940
Actuarial loss / gain (–)	–10 054	83 262
Social security upon paying pension premiums	–6	–187
Pension payments	–43 460	–27 644
Pension obligation at the end of the period	**502 441**	**511 105**

	2017	2016
CHANGES IN PLAN ASSETS		
Plan assets at the beginning of the period	353 598	351 036
Translation difference at the beginning of the period	19 277	–65 284
Expected return on plan assets	10 094	11 061
Settlement	8 644	7 627
Actuarial loss (–) / gain	7 179	53 125
Payments in / out (–)	3 270	3 423
Pension payments	–32 421	–7 389
Plan assets at the end of the period	**369 641**	**353 598**

	2017	2016
RECONCILIATION OF PENSION LIABILITIES/ASSETS RECOGNISED IN THE BALANCE SHEET		
Net pension obligation – overfunded / underfunded (–)	–132 798	–157 507
Other severance schemes	–81 923	–67 954
Total pension assets / liabilities (–)	**–214 721**	**–225 461**

	2017	2016
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY		
Pension earnings for the year	8 494	8 543
Interest cost for the pension obligations	14 463	15 837
Expected return on plan assets	–10 074	–11 130
Pension cost recognised in income statement	**12 883**	**13 250**

	2017	2016
Actuarial gain (–) / loss recognised in other comprehensive income (net of taxes)	**–13 836**	**22 638**

	2017	2016
BREAKDOWN OF NET PENSION LIABILITIES AT 31 DECEMBER IN UNFUNDED AND FUNDED SCHEMES		
Present value of funded pension obligations	–424 718	–445 232
Pension plan assets	369 641	353 598
Net funded pension assets	–55 077	–91 634
Present value of unfunded pension obligations	–159 644	–133 827
Capitalised net pension liabilities	**–214 721**	**–225 461**

5 OTHER OPERATING EXPENSES AND NET FINANCIAL ITEMS

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

"Research and development" consists of costs from projects in a research phase and development costs related to cancelled projects. Salaries and social costs are not included. Total gross R&D costs are NOK 423 mill. (2016: NOK 390 mill.) Development costs which meet the recognition criteria for intangible assets are capitalised. Further details on development cost are disclosed in note 7.

The item "Other" consists mainly of product liability claims and loss on receivables.

OTHER OPERATING EXPENSES

(NOK THOUSAND)	2017	2016
Manufacturing costs	362 690	379 954
Warehouse costs	148 713	142 060
Transport costs	466 406	431 792
Sales costs	1 058 180	1 146 419
Technical service	130 184	141 616
Research and development	215 171	191 775
General and administrative	628 088	642 992
Other	287 678	344 799
Total	**3 297 110**	**3 421 406**

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

FINANCE INCOME

(NOK THOUSAND)	2017	2016
Fair value changes financial instruments	20 909	21 768
Interest income	19 857	55 183
Dividend	2 438	4 341
Net foreign exchange gain	47 737	3 757
Other financial income	25 483	13 307
Total	**116 424**	**98 356**

FINANCE COSTS

(NOK THOUSAND)	2017	2016
Interest costs	–176 097	–106 503
Net foreign exchange loss	–34 137	–139 512
Other financial costs	–24 275	–21 326
Total	**–234 509**	**–267 341**

Net financial items	**–118 085**	**–168 985**

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

(NOK THOUSAND)	2017	2016
Unrealised gain/loss (-)	6 284	–14 625
Realised effect	7 907	–743

6 INCOME TAX

Income tax refers to the authorities taxation of the profits of the different companies in the Group. Matters like value added tax, social security contribution etc. are not included as part of income taxes. Income tax is computed on the basis of accounting profit / loss and broken down into current taxes and change in deferred taxes. Deferred tax is the result of timing differences between financial accounting and tax accounting. The major components of the income tax expense for the years ended 31 December 2017 and 2016 are:

INCOME TAX RELATED TO INCOME STATEMENT

(NOK THOUSAND)	2017	2016
Current income tax charge:		
Tax payable	453 343	524 766
Deferred tax:		
Relating to original and reversal of temporary differences	–14 734	–63 248
Income tax expense reported in the income statement	**438 609**	**461 518**

RECONCILIATION OF NORWEGIAN NOMINAL STATUTORY TAX RATE TO EFFECTIVE TAX RATE

The table below reconciles the reported income tax expense to the expected income tax expense according to Norwegian corporate income tax rate of 24 %:

(NOK THOUSAND)	2017	2017	2016
Profit before tax as reported in the income statement		1 236 179	1 593 739
Share of profit of associated companies and joint ventures (JVs) net of tax		–536 797	–689 598
Profit before tax excluding associated companies and JVs		**699 382**	**904 142**
Expected income taxes at statutory tax rate	24 %	167 852	226 035
Effect of credit deduction*)	4 %	30 053	19 348
Correction previous years	3 %	18 053	23 471
Tax effect on dividends and permanent differences related to equity accounted companies	13 %	94 293	78 687
Non-deductible expenses and non-taxable income	9 %	62 760	42 509
Tax loss asset not recognised	13 %	89 813	124 285
Foreign tax rate differences	–3 %	–24 215	–52 818
Total income tax expense		**438 609**	**461 517**
Effective tax rate based on profit before tax		35 %	29 %
Effective tax rate excluding profit from associated companies and JVs		63 %	51 %

Effective tax rate is calculated both as income tax expense relative to profit before tax in the income statement and profit before tax excluding the share of profit after tax in equity accounted companies. Effective tax rate based on profit before tax has increased mainly due to higher tax losses not recognised as deferred tax assets and increased tax on dividend. Effective tax rate calculated based on profit excluding associated companies and JV's is affected by local income tax liable by Jotun A/S as a foreign shareholder.

*) The amounts include limitations in tax credits for foreign tax paid by Jotun A/S in Norway derived from low-tax jurisdictions and income taxable under the Controlled Foreign Corporation (CFC) rules.

TAX PAYABLE PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK THOUSAND)	2017	2016
Tax payable for the year	453 343	524 766
Prepaid taxes	–255 355	–316 778
Withholding taxes receivable	–88 598	–88 038
Other tax payable	36 572	39 603
Total	**145 962**	**159 554**

SPECIFICATION OF DEFERRED TAX

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

TEMPORARY DIFFERENCES

(NOK THOUSAND)	2017	2016
Non-current assets	210 003	168 728
Current assets	–117 263	–53 480
Liabilities	–647 473	–536 197
Tax losses carried forward	–52 850	–62 732
Net temporary differences	**–607 582**	**–483 682**

NET DEFERRED TAX PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Recognised deferred tax liabilities	–51 707	–27 828
Recognised deferred tax asset	247 560	219 768

SPECIFICATION OF TAX LOSS CARRY FORWARD AND UNUSED TAX CREDITS

(NOK THOUSAND)	2017	2016
2017	–	37 840
2018	48 759	49 719
2019	40 208	78 944
2020	80 909	73 612
2021	80 150	500 642
2022 and after	475 723	–
Without expiration	739 155	502 995
Total loss carry forward	**1 464 905**	**1 243 751**
Calculated nominal tax effect of tax loss carry forward	505 750	449 473
Valuation allowance	492 537	431 797
Deferred tax asset recognised in the statement of financial position	**13 212**	**17 677**

Jotun is involved in a number of tax cases related to various types of taxes. Jotun's widespread business operations expose us to several tax regimes and their interaction. To an increasing extent tax authorities are challenging transfer prices. Although Jotun currently has no significant transfer price disputes with tax authorities, our value chain with a large number of internal transactions and business operations covering multiple tax jurisdictions expose us to such disputes. This may potentially make us liable for material amounts of taxes relating to previous years.

The final outcome of these cases is not expected until several years into the future, and is uncertain. Additional cases may be raised by tax authorities based on tax declarations for periods not yet assessed. Jotun has provided for individual tax cases where the risk of loss is considered above 50 per cent, included in Tax payable.

CONDOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK THOUSAND)	2017	2016
Net (loss) / gain on translation difference on net investment in foreign operations	538	–5 854
Net (loss) / gain on actuarial gains and losses	–4 369	–7 149
Income tax charged directly to comprehensive income	**–3 831**	**–13 003**

7 INTANGIBLE ASSETS

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

(NOK THOUSAND)	DEVELOPMENT COST	IT APPLICATIONS AND OTHER INTANGIBLES	TOTAL
COST			
Balance as of 1 January 2016	151 959	359 620	511 579
Additions	31 394	72 143	103 537
Disposals	–3 806	–1 812	–5 618
Foreign currency translation effect	–	–13 331	–13 331
Balance as of 31 December 2016	**179 547**	**416 620**	**596 167**
Additions	60 931	67 313	128 245
Disposals	–3 311	–7 347	–10 658
Reclassifications	–112	10 029	9 917
Foreign currency translation effect	–	6 562	6 562
Balance as of 31 December 2017	**237 056**	**493 178**	**730 234**
AMORTISATION/IMPAIRMENT			
Balance as of 1 January 2016	–29 022	–170 557	–199 579
Amortisation	–11 742	–35 281	–47 023
Disposals	–	437	437
Foreign currency translation effect	–	14 026	14 026
Balance as of 31 December 2016	**–40 764**	**–191 375**	**–232 139**
Amortisation	–14 440	–40 565	–55 004
Disposals	1 412	7 375	8 787
Reclassifications	129	–15 827	–15 977
Foreign currency translation effect	–	–5 812	–5 533
Balance as of 31 December 2017	**–53 662**	**–246 203**	**–299 866**
NET BOOK VALUE			
Balance as of 31 December 2017	**183 393**	**246 975**	**430 368**
Balance as of 31 December 2016	138 784	225 244	364 028

Amortisable intangible assets are amortised over the following useful lifetimes:

ASSET CATEGORY	USEFUL LIFE
Development cost	8 – 10 years
IT applications	3 – 8 years

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

- Reduced energy consumption and carbon footprint during the lifecycle of products and the objects they are applied on. This is achieved by developing highly efficient antifouling solutions, highly durable coatings with the need of less maintenance, optimisation of TiO_2 usage, and launching low temperature curing powder coatings.
- Reducing VOC emissions through the development of high solid and waterborne alternatives to traditional solvent borne paints.
- Continuously substituting hazardous raw materials with less hazardous alternatives. Recent examples last years are the global phase out Lead Chromate and Cobalt salts.

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

8 PROPERTY, PLANT AND EQUIPMENT

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

(NOK THOUSAND)	LAND	BUILDINGS	ELECTRICAL INSTALLATIONS	MACHINERY, VEHICLES AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
COST						
Balance as of 1 January 2016	366 712	2 775 929	225 885	3 382 881	922 586	7 673 992
Additions	–35 299	267 454	30 470	391 195	375 743	1 029 563
Disposals	–505	–31 311	–970	–127 244	–2 876	–162 906
Reclassifications	–	313 368	72 637	35 438	–421 443	–
Foreign currency translation effect	–21 010	–116 504	–15 888	–147 955	–38 045	–339 402
Balance as of 31 December 2016	**309 898**	**3 208 936**	**312 134**	**3 534 315**	**835 965**	**8 201 247**
Additions	50 472	428 872	96 109	389 285	–125 727	839 011
Disposals	–4 849	–12 107	–174	–69 004	–2 590	–88 724
Reclassifications	55 118	110 897	8 607	–23 445	–135 448	15 729
Foreign currency translation effect	–7 438	–54 266	–6 934	–42 059	–144 833	–255 531
Balance as of 31 December 2017	**403 200**	**3 682 333**	**409 743**	**3 789 091**	**427 367**	**8 711 733**
DEPRECIATION AND IMPAIRMENT						
Balance as of 1 January 2016	–6 895	–1 151 813	–110 365	–2 184 701	–	–3 453 774
Depreciation	–7 981	–131 841	–34 844	–208 001	–	–382 667
Depreciation on disposals	–	22 390	970	115 640	–	139 000
Impairment	–	–92 527	–2 345	–22 255	–	–117 127
Foreign currency translation effect	2 050	56 964	21 320	75 562	–	155 896
Balance as of 31 December 2016	**–12 826**	**–1 296 827**	**–125 264**	**–2 223 755**	**–**	**–3 658 672**
Depreciation	–1 824	–132 046	–28 252	–271 677	–	–433 798
Depreciation on disposals	4 849	10 445	277	63 765	–	79 336
Reclassifications	–3 706	–57 475	–5 038	74 176	–	7 957
Foreign currency translation effect	161	68 497	16 470	100 709	–	185 837
Balance as of 31 December 2017	**–13 345**	**–1 407 405**	**–141 807**	**–2 256 782**	**–**	**–3 819 339**
NET BOOK VALUE						
Balance as of 31 December 2017	**389 855**	**2 274 927**	**267 936**	**1 532 309**	**427 367**	**4 892 394**
Balance as of 31 December 2016	297 071	1 912 109	186 870	1 310 560	835 965	4 542 575

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

The period of depreciation is reviewed each year and if there are changes in useful life, depreciation is adjusted. Residual value is estimated and if it is higher than the carrying value, depreciation is stopped.

CONSTRUCTION IN PROGRESS

A major part of the amount under "Construction in progress" relates to production and warehouse facility projects in Turkey, Indonesia, Egypt, and Norway.

9 INVENTORIES

Inventories consist of the Group's stock of raw materials and finished goods. Inventories are valued at the lowest value of cost and net realisable value. Cost of inventories is assigned by using weighted average cost formula. Production cost for finished goods includes direct materials and wages as well as share of indirect manufacturing costs. Deduction has been made for obsolescence.

(NOK THOUSAND)	31.12.2017	31.12.2016
Raw materials	1 195 411	850 961
Finished goods	1 380 352	1 190 470
Total	**2 575 763**	**2 041 432**
Total allowance for obsolete inventories	126 204	112 419

10 PROVISIONS

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

PROVISIONS 2017

(NOK THOUSAND)	CLAIMS	ENVIRONMENTAL	OTHER	TOTAL
Balance as of 1 January	221 609	72 365	32 354	326 327
Provisions arising during the year	217 066	4 000	48 898	269 964
Utilised	–187 709	–4 481	–32 352	–224 542
Unused amounts reversed	–11 963	–	–	–11 963
Currency translation effects	–271	–258	–2	–531
Balance as of 31 December	**238 732**	**71 625**	**48 898**	**359 256**
Current, ref. note 16	229 654	45 125	48 765	323 545
Non-current	9 078	26 500	133	35 711
Total	**238 732**	**71 625**	**48 898**	**359 256**

PROVISIONS 2016

(NOK THOUSAND)	CLAIMS	ENVIRONMENTAL	OTHER	TOTAL
Balance as of 1 January	55 817	78 984	15 392	150 192
Provisions arising during the year	250 483	18 014	37 078	305 575
Utilised	–62 958	–10 255	–15 392	–88 605
Unused amounts reversed	–16 280	–14 373	–	–30 653
Currency translation effects	–5 453	–5	–4 724	–10 182
Balance as of 31 December	**221 609**	**72 365**	**32 354**	**326 327**
Current, ref. note 16	212 531	47 765	32 052	292 348
Non-current	9 078	24 600	302	33 980
Total	**221 609**	**72 365**	**32 354**	**326 327**

PRODUCT LIABILITY CLAIMS

Product liability claims consist of a number of separate and specific warranty claims arising from products sold. By nature, the related amounts and timing of any outflows are difficult to predict. Assumptions used to calculate the provision for product liability claims are based on technical assessments of product failures and the related expected repair costs for each specific case. It is expected that most of these costs will be payable in the next financial year (see note 16), and all will have been payable within three years after the reporting date.

ENVIRONMENTAL PROVISIONS

Jotun Group has recorded provisions for environmental liabilities at some currently or formerly owned, leased and third-party sites throughout the world. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised. The majority of the non-current liability amount will be realised within 2019. These provisions are estimates of amounts payable or expected to become payable.

11 FINANCIAL AND COMMERCIAL RISK MANAGEMENT

Jotun is exposed to market risks like fluctuations in prices of raw materials, currency exchange rates and interest rates. Price volatility may have a substantial impact on Jotun's results. Jotun's geographical spread of production sites, support a diversified risk approach and work as a portfolio. Jotun's main policy is to manage the financial and commercial risk exposure close to its origin unless the risk is regarded as significant. Jotun strives to utilise natural hedges of financial risks where possible.

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

FOREIGN CURRENCY RISK

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

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

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

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

All hedges in the Group are with Jotun A/S based on operative activities in Scandinavia and global intragroup financial cash flows in foreign currency. The main currency risk is outflow in EUR for raw materials and inflow in USD versus the Norwegian krone, which is the functional currency of both Jotun A/S and Jotun Group. As of 31 December 2017, Jotun A/S hedged 88 per cent of its expected net cash flows over the next 12 months.

In general, the Group does not hedge the exposure to fluctuations on the translation of profit & loss or net investments in its foreign operations into Norwegian krone. However, as part of its funding structure Jotun A/S has a USD 120 million loan acting as a natural hedge for a portion of its net investments in foreign currency.

RAW MATERIAL PRICE RISK

The group is exposed to a significant price risk in a number of raw materials. Raw material purchases account for approximately 55 per cent of total sales revenue. The largest raw materials are titanium dioxide, emulsions and epoxy resins that account for approximately 31 per cent of total raw material cost.

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

INTEREST RATE RISK

Jotun Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt obligations with floating interest rates. Jotun manages its interest rate risk by monitoring the impact on the total net profit. Since Jotun has a relatively low leverage ratio, the majority of the debt is with floating interest rate. Jotun Group has bond funding of NOK 1 000 million. One of the long-term bond agreements entered into in 2014, with a carrying amount of NOK 400 million, is based on a fixed interest rate of 3.85 per cent. In addition, Jotun Group has a bilateral loan with Nordic Investment Bank (NIB) of USD 120 million with floating interest rate.

FUNDING AND LIQUIDITY RISK

The Group monitors its risk by using cash flow forecasts. The main elements of the funding strategy are the establishment of long-term loans and credit facilities with a minimum average of two years to maturity and maintaining a strategic financing reserve equivalent to five per cent of consolidated sales. See note 15 for further details on the Group's funding.

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

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

CREDIT RISK

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

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

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

The need for bad debt provisions is analysed on an individual customer basis. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 12. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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

SENSITIVITY ANALYSIS

Jotun has chosen to provide information about price risk and potential exposure to hypothetical gain / loss through sensitivity analysis disclosures. The following tables demonstrates the sensitivity to a reasonably possible change in the foreign exchange, interest rate and commodity markets, with all other variables held constant.

SENSITIVITY FOREIGN EXCHANGE

The Jotun Group has approximately 88 per cent of its sales and 100 per cent of operating profit arising from operations in foreign currency. When all local sales and profit figures are converted to NOK and consolidated into Group accounts, there is a translation effect in NOK figures. In 2017, sales and operating profit outside Norway was NOK 13 228 million and NOK 1 393 million respectively.

GAIN/LOSS FROM A 10 PER CENT CHANGE IN PRICE OF NOK

(NOK THOUSAND)	EFFECT ON REVENUE	EFFECT ON OPERATING PROFIT
2017	1 323	139
2016	1 278	186

SENSITIVITY COMMODITIES

Cost of Goods Sold (COGS) represents in large the cost of raw materials. In 2017, the COGS was NOK 9 078 million, with the top 3 raw materials representing approximately NOK 2 855 million of this amount.

GAIN/LOSS FROM A 10 PER CENT CHANGE IN COMMODITY PRICES

(NOK THOUSAND)	EFFECT ON TOP 3	EFFECT ON OTHER
2017	286	622
2016	256	558

SENSITIVITY INTEREST RATES

Jotun Group has long term interest bearing debt of NOK 2 044 million, hereof NOK 400 million with a fixed interest rate. The annual cost of debt will hence vary with net amount of floating rate debt of NOK 1 644 million.

GAIN/LOSS FROM A 3 PERCENTAGE POINTS CHANGE IN INTEREST RATES

(NOK THOUSAND)	EFFECT ON INTEREST COSTS
2017	49.3
2016	58.7

12 OVERVIEW OF FINANCIAL INSTRUMENTS

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

2017

(NOK THOUSAND)	NOTE	MEASURE-MENT LEVEL	FINANCIAL INSTRUMENTS AT FAIR VALUES THROUGH STATEMENT OF INCOME	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	DEPOSITS AND RECEIVABLES	TOTAL	OF THIS INTEREST BEARING
NON-CURRENT ASSETS							
Share investments		3	17 596			17 596	
Non-current financial receivables					97 313	97 313	97 313
Total			**17 596**		**97 313**	**114 909**	**97 313**
CURRENT ASSETS							
Accounts receivable	13				4 208 584	4 208 584	
Other current receivables	13				595 797	595 797	
Cash and cash equivalents	14				1 027 165	1 027 165	1 027 165
Total					**5 831 547**	**5 831 547**	**1 027 165**
Total financial assets			**17 596**		**5 928 860**	**5 946 456**	**1 124 479**
NON-CURRENT LIABILITIES							
Non-current							
Financial liabilities	15	2		2 044 291		2 044 291	2 044 291
Total				**2 044 291**		**2 044 291**	**2 044 291**
CURRENT LIABILITIES							
Interest-bearing debt	15, 11			1 109 173		1 109 173	1 109 173
Trade and other payables				1 913 476		1 913 476	
Current tax liabilities	6			145 962		145 962	
Other liabilities	16			1 897 049		1 897 049	
Current derivatives	11	1	6 284			6 284	
Total			**6 284**	**5 065 659**		**5 071 943**	**1 109 173**
Total financial liabilities			**6 284**	**7 109 950**		**7 116 235**	**3 153 464**

2016

(NOK THOUSAND)	NOTE	MEASURE-MENT LEVEL	FINANCIAL INSTRUMENTS AT FAIR VALUES THROUGH STATEMENT OF INCOME	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	DEPOSITS AND RECEIVABLES	TOTAL	OF THIS INTEREST BEARING
NON-CURRENT ASSETS							
Share investments		3	8 248			8 248	
Non-current financial receivables					125 415	125 415	125 415
Total			**8 248**		**125 415**	**133 663**	**125 415**
CURRENT ASSETS							
Accounts receivable	13				3 865 385	3 865 385	
Other current receivables	13				638 934	638 934	
Cash and cash equivalents	14				1 586 034	1 586 034	1 586 034
Total					**6 090 354**	**6 090 354**	**1 586 034**
Total financial assets			**8 248**		**6 215 769**	**6 224 016**	**1 711 449**
NON-CURRENT LIABILITIES							
Non-current Financial liabilities	15	2		2 357 102		2 357 102	2 357 102
Total				**2 357 102**		**2 357 102**	**2 357 102**
CURRENT LIABILITIES							
Interest-bearing debt	15, 11			877 352		877 352	877 352
Trade and other payables				1 693 379		1 693 379	
Current tax liabilities	6			159 554		159 554	
Other liabilities	16			1 729 258		1 729 258	
Current derivatives	11	1	–14 625			–14 625	
Total			**–14 625**	**4 459 542**		**4 444 918**	**877 352**
Total financial liabilities			**–14 625**	**6 816 644**		**6 802 020**	**3 234 454**

Measurement level definitions:
Level 1: Recorded fair value based on quoted, unadjusted prices in active markets for identical assets and liabilities
Level 2: Recorded fair value based on valuation using observable market data, directly or indirectly, as input
Level 3: Recorded fair value based on valuation without availability of any observable market data as input
Share investments consists of 33.4 per cent of the shares in Nor-Maali and El-Mohandes Jotun S.A.E. share of ownership in office building in Egypt.

13 TRADE AND OTHER RECEIVABLES

The Group discloses trade and other receivables net of allowance for credit losses. Allowances for credit losses have been recorded upon individual evaluation of the accounts receivable and other receivables. Realised losses for bad debt are classified as other operating expenses in the income statement. Bank receivables consist of bank drafts received from customers for payment of accounts receivable.

TRADE AND OTHER RECEIVABLES

(NOK THOUSAND)	31.12.2017	31.12.2016
Accounts receivable	4 208 584	3 865 385
Bank receivables	189 348	249 394
Other receivables	406 449	389 540
Total	**4 804 382**	**4 504 319**

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

ALLOWANCES FOR BAD DEBT

(NOK THOUSAND)	31.12.2017	31.12.2016
Balance as of 1 January	169 492	183 742
Allowances for bad debt made during the period	69 728	57 840
Realised losses for the year	–40 614	–72 091
Balance as of 31 December	**198 606**	**169 492**

Further information of account receivables regarding credit risk and foreign exchange risk is discussed in note 11.

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

			OVERDUE			
(NOK THOUSAND)	TOTAL	NOT DUE	LESS THAN 30 DAYS	30-60 DAYS	60-90 DAYS	MORE THAN 90 DAYS
2017*	4 407 190	2 837 202	544 478	249 243	140 562	635 705
2016*	4 034 877	2 684 177	466 318	193 139	135 118	556 126

*) Gross amounts, excluding allowance for bad debt.

14 CASH AND CASH EQUIVALENTS

For the purpose of the Consolidated Statement of Cash Flows, cash equivalents comprise the following as of 31 December:

(NOK THOUSAND)	31.12.2017	31.12.2016
Cash at banks and on hand	923 746	1 081 202
Short-term deposits	103 420	504 832
Total	**1 027 165**	**1 586 034**

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

As of 31 December 2017, the Group had available NOK 900 million (2016: NOK 900 million) of undrawn credit facilities, of which NOK 800 million is long term.

Cash deposits with banks and on hand are attributable to the Group's cash pool arrangement and local bank accounts held by the respective subsidiaries. The table below provides an overview of cash balances as of 31 December 2017. Only subsidiaries owned 100 per cent by the Group are participants in the cash pool. For the other companies, the cash becomes available through dividend distribution and/or repayment of internal debt to Jotun A/S.

(NOK THOUSAND)	COUNTRY	31.12.2017	31.12.2016
Net position Group cash pool	Net position Group cash pool	254 645	100 320
China and HK (JOTUN)	China	92 314	101 122
Jotun Paints (Vietnam)	Vietnam	76 167	66 704
Malaysia (TOTAL)	Malaysia	40 469	78 922
Jotun MENA	United Arab Emirates	38 138	23 835
Jotun (Singapore) Pte. Ltd.	Singapore	34 369	43 000
Jotun Turkey	Turkey	30 885	36 510
Jotun Paints (Europe) Ltd	United Kingdom	25 866	24 482
Jotun Paints OOO	Russia	24 638	28 022
P.T. Jotun Indonesia	Indonesia	22 814	88 003
El-Mohandes Jotun S.A.E.	Egypt	18 470	127 900
Other	Other	264 969	362 384
Total		**923 746**	**1 081 202**

15 FUNDING AND BORROWINGS

The Jotun Group's policy is to have sufficient long-term loan and committed credit facilities to cover expected financing needs with an additional strategic reserve of five percent of consolidated sales. Commercial papers are used as a source of liquidity when conditions in these markets are competitive compared to drawing on committed long-term credit facilities. As of 31 December 2017, there were no drawings on these credit facilities.

Jotun Group's main sources of financing are loans in the Norwegian Bond market and bilateral loans from the Group's relationship banks. The term to maturity for new loans and credit facilities is normally 3–7 years.

In 2017, the Jotun Group has maintained its bond funding from 2016 of NOK 1 000 million. Its bilateral loan with Nordic Investment Bank (NIB) of USD 120 million was also maintained. The table below gives an overview of total and net interest-bearing debt.

	BOOK VALUE				
(NOK THOUSAND)	31.12.2017	31.12.2016	CURRENCY	COUPON	TERM
NON-CURRENT INTEREST-BEARING LIABILITIES					
Bonds					
Bond 2014-19	600 000	600 000	NOK	NIBOR + 0.9 %	2019
Bond 2014-21	400 000	400 000	NOK	Fixed rate 3.8 %	2021
Bank debt (NIB), unsecured	835 204	1 035 624	USD	US LIBOR + 1.2 %	2024
Bank debt Oman, pledge in tangible assets	103 499	217 181	OMR	Oman BLR - 9.65 %	2019
Bank debt BNDES Brazil, secured with bank guarantee	59 959	96 072	BRL	TJLP + 1.8 %	2021
Other bank debt, unsecured	202 609	154 346			
Total	**2 201 271**	**2 503 224**			
of this current liabilities (first year's repayment)	–156 980	–146 121			
Total non-current interest-bearing liabilities	**2 044 291**	**2 357 102**			
CURRENT INTEREST-BEARING LIABILITIES					
Certificate loans, unsecured	100 000	200 000	NOK	1.18 %	2018
Bank debt (NIB), unsecured	151 855	–	USD	US LIBOR + 1.2 %	2018
Credit line facilities	22 932	29 072			
Bank loans, maturity < 1 year	156 980	146 121			
Bank debt China	325 308	320 232			
Bank debt Turkey	202 838	113 065			
Other loans	149 260	68 861			
Total current interest-bearing liabilities	**1 109 173**	**877 352**			
Total interest-bearing liabilities	**3 153 464**	**3 234 454**			
Non-current interest-bearing receivables	97 313	125 415			
Cash and cash equivalents	1 027 165	1 586 034			
Net interest-bearing liabilities	**2 028 985**	**1 523 005**			

BANK DEBT OMAN, PLEDGE IN TANGIBLE ASSETS

The interest rate tied to the bank loan in Oman is based on the Base Lending Rate (BLR) as made public by the local central bank, less 9.65 percentage points. The loan is secured by a first charge over certain of Jotun Paints Co. L.L.C.'s (Oman) land and buildings with a carrying value of NOK 389 million (2016: NOK 318 million).

BANK DEBT BNDES BRAZIL, SECURED WITH BANK GUARANTEE

The nominal interest rate related to the BNDES loan in Brazil is at a rate defined by the government (TJLP), and is below the local market interest level.

CHANGE IN LOAN BALANCE

(NOK THOUSAND)	2016	CASH	NON-CASH CHANGES OTHER (INCL RECLASS)	FOREIGN EXCHANGE MOVEMENT	2017
Long-term borrowings	2 357 102	–96 963	–150 926	–64 922	2 044 291
Short-term borrowings	877 351	–106 140	320 375	17 587	1 109 173

MATURITY PROFILE INTEREST-BEARING LIABILITIES AND UNUTILISED CREDIT FACILITIES

The maturity profiles of Jotun Group's interest-bearing liabilities and unutilised committed credit facilities are shown in the table below. The Group also has cash pool and bank accounts with short-term credit lines. Unutilised credit lines on these accounts are not included in the table.

(NOK THOUSAND)	TOTAL	< 1 YEAR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	> 4 YEARS
Gross interest-bearing liabilities							
31.12.2017	3 153 464	1 109 173	804 107	152 000	552 000	152 000	384 184
31.12.2016	3 234 454	877 352	313 707	804 302	175 271	572 663	491 160
Unutilised credit facilities							
31.12.2017	800 000	–	400 000	–	400 000	–	–
31.12.2016	800 000	–	–	400 000	–	400 000	–

NON-CURRENT INTEREST-BEARING DEBT BY CURRENCY

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

	31.12.2017		31.12.2016	
(NOK THOUSAND)	CURRENCY AMOUNT	NOK	CURRENCY AMOUNT	NOK
NOK	1 000 000	1 000 000	1 000 000	1 000 000
USD	101 857	877 069	125 184	1 077 937
OMR	4 855	103 498	9 709	217 181
BRL	24 198	59 959	36 296	96 072
Other	–	3 765	–	–34 088
Total non-current interest-bearing liabilities		**2 044 291**		**2 357 102**

FINANCIAL COVENANTS

The loan covenants in the Group's credit facility of NOK 800 million and the NIB bank loan are linked, among other, to the Group's equity ratio (equity / total assets) and the leverage ratio (net interest-bearing debt / EBITDA). There are no financial covenants related to the Bonds for the Group or for Jotun A/S. The following financial covenants apply:

(NOK THOUSAND)	REQUIRED LEVEL (COVENANT)	STATUS YEAR END 2017
Equity ratio	Minimum 25 %	52 %
Net interest-bearing debt/EBITDA*	Maximum 4.0	1.1

*) EBITDA = Operating Profit before amortisation, depreciation and impairment

16 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

(NOK THOUSAND)	31.12.2017	31.12.2016
Public charges and holiday pay	282 903	269 136
Received dividend from associated companies or joint ventures*	356 826	319 716
Other accrued expenses*	940 059	833 434
Total current provisions, ref. note 10	323 545	292 348
Total	**1 903 333**	**1 714 634**

* Received interim dividend from associated companies or joint ventures, prior to approval by the general assembly.
Other accrued expenses are related to agent commissions, sales, marketing, bonuses to employees and other accrued expenses.

17 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Jotun A/S as of 31 December 2017 consist of the following share classes:

(NOK THOUSAND)	QUANTITY	FACE VALUE	BALANCE SHEET
A-shares	114 000	300	34 200
B-shares	228 000	300	68 400
Total	**342 000**	**300**	**102 600**

At the annual 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 2017 was 822. The largest shareholders were:

SHAREHOLDERS	A-SHARES	B-SHARES	TOTAL	OWNERSHARE	VOTING INTEREST
Lilleborg AS	42 083	103 446	145 529	42.6 %	38.3%
Odd Gleditsch AS	11 464	36 990	48 454	14.2 %	11.1%
Mattisberget AS	29 434	566	30 000	8.8 %	21.6%
Leo Invest AS	3 001	7 522	10 523	3.1 %	2.7%
Abrafam Holding AS	3 380	3 815	7 195	2.1 %	2.7%
BOG Invest AS	–	6 850	6 850	2.0 %	0.5%
ACG AS	–	5 548	5 548	1.6 %	0.4%
Elanel AS	3 020	2 353	5 373	1.6 %	2.4%
HEJO Holding AS	–	5 242	5 242	1.5 %	0.4%
Bjørn Ekdahl	1 872	3 281	5 153	1.5 %	1.6%
Live Invest AS	4 069	567	4 636	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%
Anne Cecilie Gleditsch	5	3 121	3 126	0.9 %	0.2%
Fredrikke Eger	1 001	2 084	3 085	0.9 %	0.9%
Vida Holding AS	142	2 588	2 730	0.8 %	0.3%
Nils Petter Johannes Ekdahl	1 872	555	2 427	0.7 %	1.4%
Total 20 largest	**102 672**	**201 090**	**303 762**	**88,8%**	**89.8%**
Total others	11 328	26 910	38 238	11,2%	10.2%
Total number of shares	**114 000**	**228 000**	**342 000**	**100.0%**	**100.0%**

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

NAME	OFFICE	A-SHARES	B-SHARES	TOTAL
Odd Gleditsch d.y.	Chairman of the Board	27	7 024	7 051
Einar Abrahamsen	Member of the Board	3 380	3 823	7 203
Nicolai A. Eger	Member of the Board	1 111	5 202	6 313
Richard Arnesen	Member of the Board	1 855	2 128	3 983
Karl Otto Tveter	Member of the Board	–	4	4
Birger Amundsen	Member of the Board	–	2	2
Terje Andersen	Member of the Board	–	2	2
Anders A. Jahre	Chairman of the Corporate Assembly	–	4	4
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	10 555
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 670	8 675
Richard Arnesen d.y.	Member of the Corporate Assembly	7	520	527
Kornelia Eger Foyn-Bruun	Member of the Corporate Assembly	100	272	372
Terje V. Arnesen	Member of the Corporate Assembly	–	1	1
Jens Bjørn Staff	Member of the Corporate Assembly	–	1	1
Morten Fon	President & CEO	9	21	30
Bård Tonning	GEVP Decorative Paints	–	5	5
Vidar Nysæther	GEVP & CFO	–	20	20
Geir Bøe	GEVP Performance Coatings	–	1	1

There are no options for share acquisitions.

DIVIDENDS PAID AND PROPOSED

DECLARED AND PAID DURING THE YEAR	2017	2016
Dividends on ordinary shares:		
Final dividend for 2016: 1 500 NOK per share (2015: 1 500 NOK per share)	513 000	513 000

PROPOSED FOR APPROVAL AT THE ANNUAL GENERAL MEETING

(NOT RECOGNISED AS A LIABILITY AT 31 DECEMBER):	2017	2016
Dividends on ordinary shares:		
Final dividend for 2017: 1 250 NOK per share (2016: 1 500 NOK per share)	427 500	513 000

18 LIST OF SUBSIDIARIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	STAKE %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	510 000	12 110	357 000	70.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	9 350	16 050 001	9 350	100.00
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	352 852	999 900	225 632	99.99
Jotun Brasil Imp.. Exp. E Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	366 000	365 999 999	366 000	100.00
Jotun (Cambodia) LTD	Phnom Penh	Cambodia	USD	200	1 000	200	100.00
Jotun Paints (HK) Ltd.	Hong Kong	China	CNY	93 884	110 334 615	93 884	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	USD	9 723	1 000	9 723	100.00
Jotun Danmark A/S	Kolding	Denmark	DKK	3 300	45	3 300	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	EGP	20 000	139 000	13 900	69.50
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	30	1	10.00
Jotun France S.A.S.	Paris	France	EUR	320	16 000	320	100.00
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	512	83.33
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	11 138	334	97.40
Jotun Insurance Cell	St. Peterport	Guernsey	NOK	1 350	1	1 350	100.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	184 515 002	4 076 435	96.42
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	272 000	133 827 531	56.63
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	503 613	640	100.00
Jotun Italia S.p.A.	Trieste	Italy	EUR	2 632	509 099	2 632	100.00
Jotun Kazakhstan LLP.	Almaty	Kazakhstan	KZT	29 350	1	29 350	100.00
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	41 800	362 900	95.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	80.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 002	48 000	100.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	50 000 000	50 000	100.00
Jotun Maroc SARL D Associe Unique	Casablanca	Marocco	MAD	53 000	530 000	53 000	100.00
Jotun Mexico. S.A. de C.V.	Veracruz	Mexico	MXN	15 405	99	15 251	99.00
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	100 000	1 289 475	99.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	8 796 026	299 611	8 795 146	99.99
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	15 500	155	62.00
Jotun Pakistan (Private) Limited	Karachi	Pakistan	PKR	146 124	2 761 349	146 124	100.00
Jotun (Philippines) Inc	Manila	Philippines	PHP	780 651	15 463 695	780 651	100.00
Jotun Polska Sp.z o.o.	Gdynia	Poland	PLN	8 900	15 000	8 900	100.00
Jotun Romania SRL	Voluntari City	Romania	RON	640	64 000	640	100.00
Jotun Paints OOO	St.Petersburg	Russia	RUB	971 107	–	971 107	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	SGD	6 000	6 000 000	6 000	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	ZAR	115 719	218	115 719	100.00
Jotun Iberica S.A.	Barcelona	Spain	EUR	9 103	86 845	9 103	100.00
Jotun Sverige AB	Gothenburg	Sweden	SEK	4 000	80 000	4 000	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	THB	93 000	92 997	93 000	100.00
Jotun Boya Sanayi ve Ticaret A.S.	Istanbul	Turkey	TRY	8 130	30 000 000	8 130	100.00
Jotun MEIA FZ-LLC	Dubai	UAE	AED	50 000	50	50 000	100.00
Jotun Paints (Europe) Ltd	Flixborough	UK	GBP	7 500	7 500 000	7 500	100.00
Jotun Paints Inc.	New Orleans	US	USD	92 100	100	92 100	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	VND	258 921 490	–	258 921 490	100.00

The voting interest corresponds to the share interest.

SHARES HELD BY SUBSIDIARIES

(SHARE CAPITAL AND FACE VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	STAKE %
Jotun Powder Coatings AS							
Jotun Bulgaria EOOD	Sofia	Bulgaria	EUR	3	–	3	100.00
Jotun CZECH a.s.	Usti nad Labem	Czech Republic	CZK	128 000	12 800	128 000	100.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	270	5	90.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	6 860 000	151 355	3.58
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	114 950	–	43.04
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	2 200	19 100	5.00
Jotun Powder Coatings (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	1 950 003	1 950	100.00
Jotun Mexico. S.A. de C.V.	Veracruz	Mexico	MXN	11 392	1	114	1.00
Jotun Powder Coatings Pakistan (Pvt) Ltd	Lahore	Pakistan	PKR	1 050 984	103 898 434	1 039 003	98.86
Jotun Paints (HKL) Ltd							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	–	217 858	100.00
Jotun (Shanghai) Management Co.. Ltd.	Shanghai	China	CNY	12 252	–	12 252	100.00
Jotun Coatings (Taiwan) Ltd company	Taipei	Taiwan	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	352 852	1	35	0.01
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	50	13 025	1.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	8 796 026	1	880	0.01
Jotun Singapore Pte Ltd							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	1 500	740 122	0.30

19 CONTINGENT LIABILITIES

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

PRODUCT LIABILITY CLAIMS AND DISPUTES

Jotun Group is, through its on-going business, involved in product liability claims cases and disputes in connection with the Group's operational activities. Provisions have been made to cover the expected outcome of disputes insofar as negative outcomes are likely and reliable estimates can be made. In evaluating the size of the provisions, expected insurance cover is taken into account separately. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the Group's financial position.

Jotun Group expects that a lawsuit will be served against Jotun A/S and Chokwang Jotun Ltd. in the near future. This lawsuit is related to a claim in the Fort Hills oil sands mining project in Alberta, Canada. This is a large and complex project where there are many uncertainties, and we will contest the customer's claim.

As a result of this position, no provision has been performed for a negative outcome of a lawsuit.

ENVIRONMENTAL MATTERS

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

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

20 CONTRACTUAL OBLIGATIONS AND GUARANTEES

PURCHASE OBLIGATIONS

The Group's contractual purchase obligations are mainly related to investments in new plants and buildings. There is a substantial investment program ongoing in the Group. Out of the total ongoing investment program NOK 631 million is contractual committed capital expenditures (CAPEX) at year-end. These contractual commitments mainly relate to Norway. For purchase of raw materials there are no actual commitments for the Group. In general, these contracts can be terminated more or less without penalties.

OTHER OBLIGATIONS

On behalf of subsidiaries and joint ventures, Jotun A/S issued Letters of Comfort amounting to NOK 1 708 million in 2017 (2016: NOK 2 324 million). Guarantees covering tax withholding and other guarantees for subsidiaries amounted to approximately NOK 290 million in 2017 (2016: NOK 301 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 have been used as payment as of 31 December 2017.

21 LEASES

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

(NOK THOUSAND)	2017	2016
OPERATING LEASE EXPENSES		
Machinery, vehicles and equipment	69 509	63 208
Factories, premises and buildings	42 429	53 616
Land	3 622	3 187
Total	**115 560**	**120 011**
OVERVIEW OF FUTURE MINIMUM LEASE PAYMENTS RELATED TO OPERATING LEASES		
Cost next year	108 373	123 280
Cost next 2-5 years	207 442	183 204
Cost after 5 years	75 475	71 605
Total	**391 290**	**378 088**

22 RELATED PARTIES

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

During 2017 we purchased and sold goods and services to various related parties in which we hold a 50 per cent or less equity interest. Investments in associated and joint venture companies are presented in note 2, shareholder and dividend information is presented in note 17 and subsidiaries are presented in note 18.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

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

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

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: NOK Nil). 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.

2017 (NOK THOUSAND)	SALES TO	PURCHASE FROM	LOAN TO	INTEREST ON LOANS TO	OTHER CURRENT LIABILITIES	TRADE AND OTHER RECEIVABLES
Joint ventures	879 385	485 418	–	379	90 521	232 265
Associated companies	25 400	174 032	1 286	119	167 820	24 594
Total	**904 785**	**659 450**	**1 286**	**499**	**258 341**	**256 859**

2016 (NOK THOUSAND)	SALES TO	PURCHASE FROM	LOAN TO	INTEREST ON LOANS TO	OTHER CURRENT LIABILITIES	TRADE AND OTHER RECEIVABLES
Joint ventures	826 909	404 819	–	195	78 571	207 770
Associated companies	99 401	127 145	1 349	178	110 103	63 170
Total	**926 311**	**531 964**	**1 349**	**374**	**188 674**	**270 940**

Aside from the transactions with joint ventures and associates described in the table above, there have been very few transactions between the Jotun Group and other related parties during 2017.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP AND BOARD OF DIRECTORS COMPENSATION

Details on remuneration and shares held for the Board of Directors and Group management is described in note 3 and 17. Besides remuneration and shares, Jotun Group has not identified any transactions with the Board of Directors or Group Management during 2017.

23 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. Jotun Group intends to adopt these standards, when they become effective.

IFRS 9 FINANCIAL INSTRUMENTS

In 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: project classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Jotun Group plans to adopt the new standard on the required effective date. The Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Jotun Group has performed an assessment of the impact of IFRS 15 and the impact is considered not significant. The Group plans to adopt the new standard on the required effective date.

IFRS 16 LEASES

In January 2016, the IASB published the final version of IFRS 16 Leases. The standard requires that upon lease commencement a lessee recognises a right-of-use asset and a lease liability in the balance sheet. Jotun has performed preliminary calculations of the effect of the change. Based on this preliminary assessment, the impact would be a reduction in equity ratio, in the range of 1-3 percentage point. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019, and the Group plans to adopt the new standard on the required effective date.

24 EVENTS AFTER THE BALANCE SHEET DATE

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

JOTUN A/S

INCOME STATEMENT

(NOK THOUSAND)	NOTE	2017	2016
Operating revenue	1, 22	3 186 166	3 099 821
Cost of goods sold	22	–1 481 962	–1 397 180
Payroll expenses	2	-883 458	–863 742
Other operating expenses	4, 21, 22	–778 910	–852 530
Depreciation, amortisation and impairment	6, 7	–136 627	–120 919
Operating profit		**–94 790**	**–134 550**
Dividend/group contribution from subsidiaries		1 036 678	890 627
Dividend from joint ventures and associated companies		562 331	651 700
Net finance costs	4, 10, 20, 22	–227 321	–331 507
Profit before tax		**1 276 898**	**1 076 270**
Income tax expense	5	–197 877	–128 308
Profit for the year		**1 079 021**	**947 961**

STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/loss (–) on defined benefit pension plans	3	–123	–2 659
Other comprehensive income for the year, net of tax		**–123**	**–2 659**
Total comprehensive income for the year		**1 078 898**	**945 302**
Proposed dividend		**427 500**	**513 000**

STATEMENT OF FINANCIAL POSITION

(NOK THOUSAND)	NOTE	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Deferred tax assets	5	69 256	64 959
Other intangible assets	6	360 194	275 966
Property, plant and equipment	7	1 093 994	897 103
Investments in subsidiaries	16	2 697 120	2 672 911
Investments in associated companies and joint ventures	17	318 453	268 469
Other investments	18	8 728	8 728
Other non-current receivables	10, 12, 13	2 588 836	2 510 921
Total non-current assets		**7 136 581**	**6 699 057**
Current assets			
Inventories	8	436 284	412 802
Trade and other receivables	11, 12	1 041 657	789 371
Cash and cash equivalents	13	395 141	660 469
Total current assets		**1 873 082**	**1 862 642**
Total assets		**9 009 663**	**8 561 698**

EQUITY AND LIABILITIES			
Equity			
Share capital	15	102 600	102 600
Other equity		5 117 834	4 551 936
Total equity		**5 220 434**	**4 654 536**
Non-current liabilities			
Pension liability	3	137 071	127 863
Provisions	9, 19	35 578	33 678
Interest-bearing debt	10, 13	1 835 204	2 035 624
Total non-current liabilities		**2 007 853**	**2 197 165**
Current liabilities			
Interest-bearing debt	13	251 855	200 000
Trade and other payables	12	378 734	365 565
Provisions	9	198 790	158 001
Current tax liabilities	5	66 130	51 673
Other current liabilities	12, 13, 14	885 867	934 758
Total current liabilities		**1 781 376**	**1 709 997**
Total liabilities		**3 789 229**	**3 907 162**
Total equity and liabilities		**9 009 663**	**8 561 698**

Sandefjord, Norway, 6 February 2018
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Karl Otto Tveter

Per Kristian Aagaard

Morten Fon
President and CEO

STATEMENT OF CASH FLOWS

(NOK THOUSAND)	NOTE	2017	2016
Cash flow from operating activities			
Profit before tax		1 276 898	1 076 270
Adjustments to reconcile profit before tax to net cash flow:			
Gains(–)/losses on sale of fixed assets	7	–6 272	–
Depreciation, amortisation and impairment	6, 7	138 538	132 010
Impairment of shares	4, 8	303 374	376 000
Change in accruals and other provisions		135 234	74 424
Working capital changes:			
Change in trade and other receivables		–72 585	72 181
Change in trade payables		13 169	44 882
Change in inventories		–23 482	–34 108
Tax payments	5	–179 098	–159 514
Net cash flow from operating activities		**1 585 776**	**1 582 146**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	7	8 000	–
Purchase of property, plant and equipment	7	–296 853	–195 816
Purchase of intangible assets	6	–124 531	–97 806
Investments in subsidiaries, joint ventures and associated companies	16, 17	–377 567	–310 075
Net cash flow used in investing activities		**–790 951**	**–603 697**
Cash flows from financing activities			
Repayment(–)/proceeds in group account system	12	–321 077	70 204
Cash payments for new lending	10, 12	–77 512	14 850
Repayment(–)/proceeds from borrowings	13	–148 565	–121 119
Dividend paid	14	–513 000	–513 000
Net cash flow from financing activities		**–1 060 154**	**–549 066**
Net increase/decrease (–) in cash and cash equivalents		–265 329	429 383
Cash and cash equivalents as of 1 January		660 470	231 087
Cash and cash equivalents as of 31 December		**395 141**	**660 470**

The company had unused credit facilities of NOK 900 million as of 31 December 2017 (2016: NOK 900 million). There are no restrictions on use of these cash and cash equivalents.

STATEMENT OF CHANGES IN EQUITY

(NOK THOUSAND)	NOTE	SHARE CAPITAL	OTHER EQUITY	TOTAL EQUITY
Equity as of 1 January 2016		**102 600**	**4 119 633**	**4 222 232**
Dividends	15		–513 000	–513 000
Profit for the year			947 961	947 961
Other comprehensive income			–2 659	–2 659
Equity as of 31 December 2016		**102 600**	**4 551 936**	**4 654 536**
Dividends	15		–513 000	–513 000
Profit for the year			1 079 021	1 079 021
Other comprehensive income	3		–123	–123
Equity as of 31 December 2017		**102 600**	**5 117 834**	**5 220 434**

ACCOUNTING POLICIES

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

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

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

For more information about accounting policies see Jotun Group.

NOTES

1 OPERATING REVENUE

(NOK THOUSAND)	2017	2016
Sales revenue	1 448 507	1 436 888
Sales revenue from subsidiaries and joint ventures	990 161	898 339
Other revenue	20 013	17 818
Other revenue from subsidiaries and joint ventures	727 484	746 776
Total	**3 186 166**	**3 099 821**

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

2 PAYROLL EXPENSES

WAGES AND OTHER SOCIAL COSTS

(NOK THOUSAND)	2017	2016
Wages including bonuses	715 221	698 750
Social security tax	114 755	110 903
Pension costs defined benefit plans, ref. note 3	3 182	4 377
Pension costs defined contribution plans	80 456	70 286
Other personnel costs	–30 156	–20 574
Total	**883 458**	**863 742**
Average number of full-time equivalents (FTEs)	923	913

REMUNERATION TO PRESIDENT & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	4 769	1 652	283	2 068	8 772

The President & CEO is part of a previous 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. Further, the CEO is part of an annual profit-dependent bonus system limited upward to 50 per cent of ordinary annual salary. The other members of Jotun Group Management are also part of this bonus arrangement.

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

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

EXTERNAL AUDITOR REMUNERATION

(NOK THOUSAND)	2017	2016
Statutory audit	1 586	1 561
Other financial audit services	1 564	1 652
Tax services	1 078	536
Total	**4 228**	**3 749**

3 PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Jotun A/S has both defined contribution and defined benefit pension plans. In the defined contribution plans, the cost is equal to the contributions to the employees' pension savings in the accounting period. The future pension will be determined by the amount of the contributions and the return on the pension savings. In the defined benefit plans, the company is responsible for paying a pension to the employee based on pensionable salary. The cost for the accounting periods shows the employees' pension entitlement of the agreed future pensions in the accounting year.

DEFINED CONTRIBUTION PLANS

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employees' pension plans, and where the future pension is determined by the amount of the contributions and the return on the pension plan assets. Employees in Jotun A/S are mainly covered by pension plans that are classified as contribution plans. Costs associated with defined contribution plans are specified in note 2.

DEFINED BENEFIT PLANS

Defined benefit plans comprise arrangements whereby the company is responsible for paying a future pension to the employees based on pensionable salary at the time the employee retires.

In Jotun A/S the defined benefit schemes were replaced by defined contribution plans in 2004. Net pension obligations as of 31 December 2017, are primarily related to previous early retirement schemes for Jotun Group's senior executives.

In addition, there are pension obligations related to old-age pensions and pension plans for employees who earn more than twelve times the social security basic amount (12G).

OTHER SEVERANCE SCHEMES

Included in this schemes are Jotun's operating pension schemes for employees with an annual base salary and pension base exceeding 12 times the social security basic amount (12G).

ASSUMPTIONS RELATING TO THE DEFINED BENEFIT PLANS

The discount rate related to the defined benefit plans is based on the market yields on 10-year government bonds adjusted for actual lifetime of the pension liabilities.

As a rule, parameters such as wage growth, growth in G and inflation are set in accordance with recommendations in Norway. The mortality estimate is based on an up-to-date mortality table (K2013BE).

ACCOUNTING OF ACTUARIAL LOSSES AND GAINS

All actuarial losses and gains related to pensions are presented under other comprehensive income in the income statement.

PENSION PLAN ASSETS

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

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AT 31 DECEMBER	2017	2016
Cash and cash equivalents, in %	3	2
Bonds, in %	71	74
Shares, in %	13	10
Property, in %	14	14
Total	**100**	**100**

ACTUARIAL ASSUMPTIONS		
Discount rate, in %	1.90	1.40
Expected return, in %	1.90	1.40
Wage adjustment, in %	2.50	2.25
Inflation / increase in social security basic amount (G), in %	2.50	2.25
Pension adjustment, in %	0.50 – 2.50	0.50 – 2.50

DEMOGRAPHIC DATA		
Defined benefit scheme – pensioners	1	5
Old-age pensioners in unfunded schemes	17	14
Early-retirement-pension agreements – agreed and implemented	1	12
Senior-executive schemes – active employees	3	3
Senior-executive schemes – pensioners	4	5

SCHEMES WITH NET PENSION OBLIGATIONS

(NOK THOUSAND)	2017	2016
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY		
Pension obligation at the beginning of the period	77 095	76 464
Pension earning for the year	2 363	2 997
Interest cost on pension obligations	1 003	1 388
Settlement	–194	–
Actuarial loss/gain(–)	–1 406	3 501
Social security upon paying pension funds	–6	–188
Pension payments	–9 243	–7 067
Pension obligation at the end of the period	**69 611**	**77 095**
CHANGES IN PLAN ASSETS		
Plan assets at the beginning of the period	2 032	2 104
Expected return on plan assets	20	10
Settlement	–30	–
Actuarial loss(–)/gain	–1 566	2
Payments in / out(–)	45	1 330
Pension payments	-69	–1 414
Plan assets at the end of the period	**432**	**2 032**
RECONCILIATION OF PENSION LIABILITIES/ASSETS RECOGNISED IN THE BALANCE SHEET		
Net pension obligation – overfunded/underfunded(–)	–69 179	–75 063
Other severance schemes	–67 892	–52 800
Total pension liabilities	**–137 071**	**–127 863**
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY		
Pension earnings for the year	2 195	3 016
Interest cost for the pension obligations	987	1 361
Expected return on plan assets	–	–
Pension cost recognised in the profit or loss statement	**3 182**	**4 377**
Actuarial loss/gain(–) recognised in other comprehensive income (net of taxes)	**123**	**2 659**

4 OTHER OPERATING EXPENSES AND FINANCE INCOME/COSTS

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

The item "Research and development" consists of costs from projects in a research phase and development costs related to cancelled projects. Salaries and social costs are not included. Total gross R&D costs are NOK 423 mill. (2016: NOK 390 mill.). Development costs which meet the recognition criteria for intangible assets are capitalised, ref. note 7.

The item "Other" consists mainly of product liability claims.

OTHER OPERATING EXPENSES

(NOK THOUSAND)	2017	2016
Manufacturing costs	57 473	63 653
Warehouse costs	13 925	17 975
Transport costs	46 978	41 659
Sales costs	139 405	165 097
Research and development	215 171	191 775
General and administrative	108 516	113 010
Royalty costs	46 077	41 132
Other	151 365	218 229
Total	**778 910**	**852 530**

(NOK THOUSAND)	2017	2016
FINANCE INCOME		
Interest income	4 342	5 090
Interest income on loans to Group companies	146 959	98 416
Net unrealised foreign currency gain	75 725	–
Other financial income	24 815	15 702
Total	**251 841**	**119 208**
FINANCE COST		
Interest costs	–64 069	–50 271
Net realised foreign currency loss	–25 510	–15 155
Net unrealised foreign currency loss	–	–6 331
Write down of financial fixed assets, see note 16	–387 065	–376 000
Other financial costs	–2 518	–2 958
Total	**–479 162**	**–450 715**
Net financial items	**–227 321**	**–331 507**

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

(NOK THOUSAND)	2017	2016
Unrealised gain/loss (–)	6 284	–14 625
Realised effect	7 907	–743

5 INCOME TAX

INCOME TAX RELATED TO INCOME STATEMENT

(NOK THOUSAND)	2017	2016
Tax payable	202 138	163 297
Changes in deferred tax	–4 261	–34 990
Income tax expense reported in income statement	**197 877**	**128 308**

RECONCILIATION OF THE EFFECTIVE RATE OF TAX AND THE TAX RATE IN JOTUN A/S' COUNTRY OF REGISTRATION

The table below reconciles the reported income tax expense to the expected income tax expense according to Norwegian corporate income tax rate of 24 %:

(NOK THOUSAND)	2017	2016
Profit before tax	**1 276 898**	**1 076 270**
Expected income taxes according to income tax rate 24 per cent in Norway	306 456	269 068
Exempted tax on dividends	–317 227	–330 874
Tax on dividends and surplus in NOKUS companies	44 992	52 531
Non-deductible expenses and non-taxable income*	77 157	80 614
Correction previous year and change in temporary differences	19 502	8 422
Taxation outside Norway less deductible in Norwegian Tax	66 997	48 546
Total income tax expense	**197 877**	**128 308**
Effective tax rate	15 %	12 %

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

TAX PAYABLE PRESENTED IN THE STATEMENT OF THE FINANCIAL POSITION

(NOK THOUSAND)	2017	2016
Tax payable for the year	202 138	163 297
Net foreign tax paid	–60 735	–27 858
Norwegian tax settlement for previous years	10 994	566
Withholding taxes receivable	–61 153	–58 815
NOKUS tax receivable	–16 531	–23 451
Skattefunn receivable	–8 583	–2 066
Total tax payable in Norway and abroad	**66 130**	**51 673**
Tax payable in Norway	59 869	30 986

SPECIFICATION OF DEFERRED TAX

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

TEMPORARY DIFFERENCES

(NOK THOUSAND)	2017	2016
Non-current assets	79 001	55 190
Current assets	–14 729	8 313
Liabilities	–365 388	–334 166
Net temporary differences	**–301 115**	**–270 663**
Tax rate*	23 %	24 %
Deferred tax asset recognised in the statement of financial position	**69 256**	**64 959**

*) The Norwegian nominal statutory tax rate will be reduced from 24 per cent in 2017 to 23 per cent in 2018.

STATEMENT OF COMPREHENSIVE INCOME

(NOK THOUSAND)	2017	2016
DEFERRED TAX RELATED TO ITEMS CHARGED DIRECTLY TO COMPREHENSIVE INCOME DURING THE YEAR:		
Actuarial gains / losses (–) on defined benefit pension plans	37	840
Income tax expenses charged directly to comprehensive income	**37**	**840**

6 INTANGIBLE ASSETS

(NOK THOUSAND)	TECHNOLOGY	IT APPLICATIONS	DEVELOPMENT COST	TOTAL
COST				
Balance as of 1 January 2016	5 334	188 209	151 960	345 503
Additions and internal development	–	66 525	31 281	97 806
Disposals	–	–1 346	–3 805	–5 151
Balance as of 31 December 2016	**5 334**	**253 388**	**179 435**	**438 158**
Additions and internal development	–	63 599	60 932	124 531
Disposals	–	–6 698	–3 311	–10 009
Balance as of 31 December 2017	**5 334**	**310 289**	**237 055**	**552 680**
AMORTISATION/IMPAIRMENT				
Balance as of 1 January 2016	–3 067	–103 488	–29 023	–135 577
Amortisation	–1 067	–14 073	–11 742	–26 881
Disposals	–	268	–	268
Balance as of 31 December 2016	**–4 134**	**–117 293**	**–40 765**	**–162 190**
Amortisation	–1 067	–23 027	–14 310	–38 404
Disposals	–	6 698	1 412	8 110
Balance as of 31 December 2017	**–5 201**	**–133 622**	**–53 663**	**–192 483**
NET BOOK VALUE				
Balance as of 31 December 2017	**133**	**176 667**	**183 392**	**360 194**
Balance as of 31 December 2016	1 200	136 095	138 670	275 966

Amortisable intangible assets are amortised over the following lifetimes:

ASSET CATEGORY	USEFUL LIFE
Technology	5 years
IT applications	5 years
Development costs	8–10 years

See Jotun Group's note 7 for further information.

7 PROPERTY, PLANT AND EQUIPMENT

(NOK THOUSAND)	LAND	BUILDINGS	ELECTRICAL INSTALLATIONS	MACHINERY, VEHICLES AND EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
COST						
Balance as of 1 January 2016	14 642	636 482	95 918	947 965	67 946	1 762 955
Additions	6 151	11 627	2 336	52 300	123 403	195 816
Disposals	–489	–6 392	–	–74 419	–	–81 300
Balance as of 31 December 2016	**20 304**	**641 717**	**98 254**	**925 846**	**191 349**	**1 877 469**
Additions	24 636	35 592	25 641	26 194	184 791	296 853
Disposals	–	–4 176	–	–2 362	–	–6 538
Balance as of 31 December 2017	**44 940**	**673 132**	**123 895**	**949 677**	**376 140**	**2 167 783**
DEPRECIATION AND IMPAIRMENT						
Balance as of 1 January 2016	–	–365 751	–30 624	–565 045	–	–961 419
Depreciation	–	–19 467	–9 679	–64 892	–	–94 038
Disposals	–	1 949	–	73 143	–	75 091
Balance as of 31 December 2016	**–**	**–383 269**	**–40 303**	**–556 794**	**–**	**–980 365**
Depreciation	–	–18 927	–11 137	–68 158	–	–98 223
Disposals	–	2 436	–	2 362	–	4 798
Balance as of 31 December 2017	**–**	**–399 760**	**–51 440**	**–622 590**	**–**	**–1 073 790**
NET BOOK VALUE						
Balance as of 31 December 2017	**44 940**	**273 371**	**72 455**	**327 087**	**376 140**	**1 093 994**
Balance as of 31 December 2016	20 304	258 447	57 951	369 052	191 349	897 103

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

ASSET CATEGORY	USEFUL LIFE
Land	infinite
Buildings	25 years
Electrical Installations	10 years
Machinery	10 years
Office inventory and furniture	10 years
Office and IT equipment	5 years

Disposals in 2016 are primarily related to demolition at Gimle in preparation for construction of new facilities. See Group's note 8 for further information.

8 INVENTORIES

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

(NOK THOUSAND)	31.12.2017	31.12.2016
Raw materials at cost	178 891	164 522
Finished goods at cost	263 686	254 824
Goods in transit	4 307	4 057
Allowance for obsolescence	–10 600	–10 600
Total	**436 284**	**412 802**

9 PROVISIONS

PROVISIONS 2017

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

PROVISIONS 2016

(NOK THOUSAND)	CLAIMS	RESTRUCTURING	ENVIRONMENTAL	OTHER	TOTAL
Balance as of 1 January 2016	7 939	147	34 979	–	43 065
Provisions arising during the year	171 889	–	12 500	–	184 389
Utilised	–20 000	–147	–10 255	–	–30 402
Unused amounts reversed	–	–	–5 373	–	–5 373
Balance as of 31 December 2016	**159 828**	**–**	**31 851**	**–**	**191 679**
Current	150 750	–	7 251	–	158 001
Non–current	9 078	–	24 600	–	33 678
Total	**159 828**	**–**	**31 851**	**–**	**191 679**

PRODUCT LIABILITY CLAIMS

A provision is recognised for expected warranty claims on products sold, based on past experience of the level of repairs and returns. It is expected that most of these costs will be payable in the next financial year. Assumptions used to calculate the provision for claims were based on current information available about claim cases and the expected claims based on the warranty period for specific products sold.

ENVIRONMENTAL PROVISIONS

Jotun A/S has recorded provisions for environmental liabilities at some currently owned sites. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised. The majority of the non-current liability amount will be realised within 2019. These provisions are estimates of amounts payable or expected to become payable.

10 FINANCIAL AND COMMERCIAL RISK MANAGEMENT

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

CATEGORIES OF FINANCIAL RISKS AND RISK POLICIES FOR JOTUN A/S

FOREIGN CURRENCY RISK

Foreign currency risk on net investments

As NOK is the functional currency for Jotun A/S and the presentation currency, Jotun A/S is exposed to currency translation risk for net investments in foreign operations. Jotun A/S finances most of the investments for the Jotun Group, and therefore has a substantial intercompany loan portfolio in different currencies, see table below. Jotun A/S has a USD 120 million external loan established in 2013, see note 13. The currency gains/losses are presented as part of net finance costs in the income statement, see note 4 for more information. Jotun Group's note 11 gives additional information regarding financial risk management.

Total loans given in foreign currency from Jotun A/S to its subsidiaries, joint ventures and associates as of 31 December 2017 was NOK 2 586 million, of which NOK 2 516 million was in foreign currency. The table below gives an overview of the main currency exposures related to internal loans in foreign currency.

LOCAL CURRENCY	31.12.2017		31.12.2016	
(NOK THOUSAND)	CURRENCY AMOUNT	NOK	CURRENCY AMOUNT	NOK
USD	76 390	626 933	88 952	765 949
MYR	173 900	352 917	168 875	324 261
RUB	2 207 358	314 186	1 607 358	224 788
IDR	472 775 000	286 029	532 775 000	340 603
EUR	27 837	274 151	24 837	225 504
CNY	191 540	241 589	129 540	160 578
PHP	678 900	111 486	280 000	48 560
GBP	8 000	88 658	7 700	81 570
SGD	10 000	61 352	10 000	59 614
TRY	22 676	49 116	22 676	55 414
AUD	5 386	34 481	5 386	33 498
BRL	–	–	18 000	47 644
Other	–	74 956	–	74 461
Total		**2 515 855**		**2 442 444**

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

CURRENCY	31.12.2017		31.12.2016	
(NOK THOUSAND)	CURRENCY AMOUNT	NOK	CURRENCY AMOUNT	NOK
USD	101 767	835 204	120 270	1 035 624

FOREIGN CURRENCY RISK ON OPERATIONAL AND FINANCIAL CASH FLOWS

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

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

Jotun A/S' financial and operational foreign exchange income and costs are hedged as a net position according to the Group policy. As of December 2017, Jotun A/S had hedged 88 % of its expected net cash flow next 12 months.

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

RAW MATERIAL PRICE RISK

Jotun A/S is exposed to a significant price risk in a number of raw materials. Raw material purchases account for almost 60 % of total sales revenue. Volatility in raw material prices can have significant impact on the results. Large increases in the raw material prices cannot be compensated immediately through increases in the product prices. Until the product prices can be increased, the profit will be impacted. Currently, Jotun does not hedge this risk.

INTEREST RATE RISK

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

LIQUIDITY RISK

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

CREDIT RISK

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

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

11 RECEIVABLES

(NOK THOUSAND)	31.12.2017	31.12.2016
Accounts receivable external*	63 894	69 453
Accounts receivable Group companies	484 896	541 307
Other receivables external	60 424	68 948
Other receivables Group companies	432 444	109 663
Total receivables	**1 041 657**	**789 371**

*) Including provision for bad debt.

Allowances for credit losses have been evaluated upon individual basis on the accounts realisable and other receivables.

Changes in allowances for bad debt is shown in following table:

(NOK THOUSAND)	2017	2016
Allowances for bad debt as of 1 January	4 298	2 576
Allowances for bad debt made during the period	21 325	2 354
Realised losses for the year	–27	–632
Total allowances for bad debt as of 31 December	**25 596**	**4 298**

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

Aging of external receivables as of 31 December was as follows:

			OVERDUE			
(NOK THOUSAND)	TOTAL	NOT DUE	LESS THAN 30 DAYS	30-60 DAYS	60-90 DAYS	MORE THAN 90 DAYS
2017**	68 304	50 295	13 471	494	169	3 875
2016**	73 751	54 729	12 052	338	210	6 423

**) Does not include allowances for bad debt.

12 INTERCOMPANY BALANCES WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

(NOK THOUSAND)	SUBSIDIARIES 31.12.2017	SUBSIDIARIES 31.12.2016	JOINT VENTURES/ ASSOCIATED COMPANIES 31.12.2017	JOINT VENTURES/ ASSOCIATED COMPANIES 31.12.2016
NON-CURRENT ASSETS				
Other non-current receivables	2 576 362	2 502 484	1 286	1 349
Total non-current assets	**2 576 362**	**2 502 484**	**1 286**	**1 349**
CURRENT ASSETS				
Trade receivables	446 152	469 967	38 743	71 340
Other current receivables	400 824	109 663	31 619	–
Total current assets	**846 977**	**579 631**	**70 363**	**71 340**
Total assets	**3 423 339**	**3 082 114**	**71 648**	**72 688**
CURRENT LIABILITIES				
Trade creditors	96 443	85 676	10 212	13 434
Other current liabilities	309 695	348 738	301 922	360 978
Total liabilities	**406 138**	**434 414**	**312 135**	**374 412**

13 FUNDING AND BORROWINGS

Cash flow from Jotun's operations has seasonal cycles. Through the winter and spring there is a substantial build-up of working capital in preparation for the summer sales season. This is an expected cyclical movement and is taken into account when planning the company's financing. Other drivers for the liquidity development are the investments in new factories around the world. Investments within the Jotun Group are financed mostly from Jotun A/S and the cash flows are predictable as the financing for each project is planned well in advance. Jotun A/S received NOK 1 599 million in dividends from Jotun Group in 2017, compared to NOK 1 542 million in 2016.

(NOK THOUSAND)	31.12.2017	31.12.2016
NON-CURRENT INTEREST-BEARING LIABILITIES		
Bonds	1 000 000	1 000 000
Bank debt (NIB), unsecured	835 204	1 035 624
Total non-current liabilities	**1 835 204**	**2 035 624**
CURRENT INTEREST-BEARING LIABILITIES		
Certificate loans	100 000	200 000
Instalments on bank debt (NIB), unsecured	151 855	–
Other current interest-bearing liabilities (cash pool)	157 497	289 945
Total current liabilities	**409 352**	**489 945**
Total interest-bearing liabilities	**2 244 556**	**2 525 569**
INTEREST-BEARING RECEIVABLES		
Non-current interest-bearing receivables	2 588 836	2 510 921
Current interest-bearing receivables	296 630	108 40
Cash and cash equivalents	395 141	660 469
Total interest-bearing receivables	**3 280 607**	**3 279 795**
Net interest-bearing receivables / liabilities (–)	**1 036 051**	**754 226**

Of the non-current bonds, NOK 600 million is due for payment in 2019 and the remaining NOK 400 million is due for payment in 2021.

Jotun has a USD 120 million loan from the Nordic Investment Bank (NIB) where USD 101,5 million is long term and USD 18,5 million is short term as of 31.12.2017. Down payment of the loan will be made semi-annually from 2018 until final maturity in 2024. The instalments for 2018 is presented as current interest-bearing liability.

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

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

See Group`s note 15 for further information about funding and borrowings, including loan covenants.

14 OTHER CURRENT LIABILITIES

(NOK THOUSAND)	31.12.2017	31.12.2016
Liabilities to subsidiaries, joint ventures and associated companies	611 617	709 716
Public charges and holiday pay	139 767	134 524
Other accrued expenses	134 483	90 519
Total	**885 867**	**934 758**

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

15 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Jotun A/S as of 31 December 2017 consist of the following share classes:

(NOK THOUSAND)	QUANTITY	FACE VALUE	BALANCE SHEET
A-shares	114 000	300	34 200
B-shares	228 000	300	68 400
Total	**342 000**	**300**	**102 600**

At the annual 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 2017 was 822. The largest shareholders were:

SHAREHOLDERS	A-SHARES	B-SHARES	TOTAL	OWNERSHARE	VOTING INTEREST
Lilleborg AS	42 083	103 446	145 529	42.6 %	38.3 %
Odd Gleditsch AS	11 464	36 990	48 454	14.2 %	11.1 %
Mattisberget AS	29 434	566	30 000	8.8 %	21.6 %
Leo Invest AS	3 001	7 522	10 523	3.1 %	2.7 %
Abrafam Holding AS	3 380	3 815	7 195	2.1 %	2.7 %
BOG Invest AS	–	6 850	6 850	2.0 %	0.5 %
ACG AS	–	5 548	5 548	1.6 %	0.4 %
Elanel AS	3 020	2 353	5 373	1.6 %	2.4 %
HEJO Holding AS	–	5 242	5 242	1.5 %	0.4 %
Bjørn Ekdahl	1 872	3 281	5 153	1.5 %	1.6 %
Live Invest AS	4 069	567	4 636	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 %
Anne Cecilie Gleditsch	5	3 121	3 126	0.9 %	0.2 %
Fredrikke Eger	1 001	2 084	3 085	0.9 %	0.9 %
Vida Holding AS	142	2 588	2 730	0.8 %	0.3 %
Nils Petter Johannes Ekdahl	1 872	555	2 427	0.7 %	1.4 %
Total 20 largest	**102 672**	**201 090**	**303 762**	**88.8 %**	**89.8 %**
Total others	11 328	26 910	38 238	11.2 %	10.2 %
Total number of shares	**114 000**	**228 000**	**342 000**	**100.0 %**	**100.0 %**

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

NAME	OFFICE	A-SHARES	B-SHARES	TOTAL
Odd Gleditsch d.y.	Chairman of the Board	27	7 024	7 051
Einar Abrahamsen	Member of the Board	3 380	3 823	7 203
Nicolai A. Eger	Member of the Board	1 111	5 202	6 313
Richard Arnesen	Member of the Board	1 855	2 128	3 983
Karl Otto Tveter	Member of the Board	–	4	4
Birger Amundsen	Member of the Board	–	2	2
Terje Andersen	Member of the Board	–	2	2
Anders A. Jahre	Chairman of the Corporate Assembly	–	4	4
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	10 555
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 670	8 675
Richard Arnesen d.y.	Member of the Corporate Assembly	7	520	527
Kornelia Eger Foyn-Bruun	Member of the Corporate Assembly	100	272	372
Terje V. Arnesen	Member of the Corporate Assembly	–	1	1
Jens Bjørn Staff	Member of the Corporate Assembly	–	1	1
Morten Fon	President & CEO	9	21	30
Bård Tonning	GEVP Decorative Paints	–	5	5
Vidar Nysæther	GEVP & CFO	–	20	20
Geir Bøe	GEVP Performance Coatings	–	1	1

There are no options for share acquisitions.

DIVIDENDS PAID AND PROPOSED

DECLARED AND PAID DURING THE YEAR	2017	2016
Dividends on ordinary shares:		
Final dividend for 2016: NOK 1 500 per share (2015: NOK 1 500 per share)	513 000	513 000

PROPOSED FOR APPROVAL AT THE ANNUAL GENERAL MEETING

(NOT RECOGNISED AS A LIABILITY AS OF 31 DECEMBER):	2017	2016
Dividends on ordinary shares:		
Final dividend for 2017: NOK 1 250 per share (2016: NOK 1 500 per share)	427 500	513 000

16 LIST OF SUBSIDIARIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(SHARE CAPITAL, FACE VALUE AND BOOK VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	BOOK VALUE NOK	STAKE %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	510 000	51 000	357 000	27 618	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	352 852	999 900	225 632	362	99.99
Jotun Brasil Imp., Exp. E Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	401 000	400 999 999	401 000	182 451	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	20 000	139 000	13 900	91 945	69.50
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	30	1	1	10.00
Jotun France S.A.S.	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	1 350	1	1 350	1 350	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	283 179	76 205 662	87 401	56.63
Jotun (Ireland) Ltd.	Cork	Ireland	EUR	640	503 613	640	5 500	100.00
Jotun Italia S.p.A.	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	382 000	41 800	362 900	33 164	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	Marocco	MAD	53 000	530 000	53 000	30 347	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	15 405	99	15 251	7 395	99.00
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	128 948	1 289 475	58 654	99.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	8 796 026	7 199 280	8 795 146	–	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	Karachi	Pakistan	PKR	146 124	2 761 349	146 124	–	100.00
Jotun (Philippines) Inc	Manila	Philippines	PHP	780 651	15 463 695	780 651	99 619	100.00
Jotun Polska Sp.z o.o.	Gdynia	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 OOO	St.Petersburg	Russia	RUB	971 107	–	971 107	179 548	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	115 719	218	115 719	49	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	50 000	50	50 000	117	100.00
Jotun Paints (Europe) Ltd	Flixborough	UK	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Paints Inc.	New Orleans	US	USD	92 100	100	92 100	161 002	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	VND	258 921 490	–	258 921 490	60 360	100.00
Total							**2 697 120**	

Below follows the specification of companies subject to write downs in 2017.

COMPANY	COUNTRY	WRITE DOWN
Jotun Bangladesh Ltd	Bangladesh	34 000
Jotun Brasil Imp., Exp. E Ind De Tintas Ltda.	Brazil	45 000
Jotun Maroc SARL D Associe Unique	Marocco	13 000
Jotun Myanmar Company Limited	Myanmar	8 770
Jotun Pakistan (Private) Limited	Pakistan	3 604
Jotun Paints South Africa (Pty) Ltd.	South Africa	53 000
Jotun Paints Inc.	US	146 000
Total		**303 374**

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES

(SHARE CAPITAL, FACE VALUE AND BOOK VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	STAKE %
Jotun Powder Coatings AS							
Jotun Bulgaria EOOD	Sofia	Bulgaria	EUR	3	–	3	100.00
Jotun CZECH a.s.	Usti nad Labem	Czech Republic	CZK	128 000	12 800	128 000	100.00
Jotun Powder Coatings LLL	Cairo	Egypt	EGP	5	270	5	90.00
Jotun India Private Ltd.	Mumbai	India	INR	4 227 790	6 860 000	151 355	3.58
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	215 260	57 917 918	43.04
Jotun Kenya Limited	Nairobi	Kenya	KES	382 000	2 200	19 100	5.00
Jotun Powder Coatings (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	1 950	1 950 003	1 950	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	11 392	1	114	1.00
Jotun Powder Coatings Pakistan (Pvt) Ltd	Lahore	Pakistan	PKR	1 050 984	103 898 434	1 039 003	98.86
Jotun Iberica S.A.							
Jotun Portugal Tintas S.A.	Setubal	Portugal	EUR	–	–	–	100.00
Jotun Paints (HK) Ltd							
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	CNY	217 858	–	217 858	100.00
Jotun (Shanghai) Management Co., Ltd.	Shanghai	China	CNY	12 252	–	12 252	100.00
Jotun Coatings (Taiwan) Ltd company	Taipei	Taiwan	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	352 852	1	35	0.01
Jotun Myanmar Services Company Limited	Yangon	Myanmar	MMK	1 302 500	1 302	13 025	1.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	8 796 026	720	880	0.01
Jotun Singapore Pte Ltd							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	134 567 653	1 500	403 703	0.30

17 SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(SHARE CAPITAL, FACE VALUE AND BOOK VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	BOOK VALUE NOK	STAKE %
Jotun COSCO Marine Coatings (HK) Ltd.	Hong Kong	China	HKD	279 150	2 000	139 575	34 231	50.00
Red Sea Paints Co. Ltd.	Jeddah	Saudi Arabia	SAR	9 500	9 500	3 800	21 995	40.00
Jotun Saudia Co. Ltd.	Dammam	Saudi Arabia	SAR	9 000	9 000	3 600	17 278	40.00
Jotun Powder Coat. Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	28 600	85 800	8 580	25 612	30.00
Chokwang Jotun Ltd.	Busan	South Korea	KRW	24 340 000	1 217 000	12 170 000	81 937	50.00
Jotun U.A.E. Ltd. (LLC)	Dubai	UAE	AED	4 000	2 000	1 660	108 929	41.50
Jotun Abu Dhabi Ltd.	Abu Dhabi	UAE	AED	4 000	4 000	1 400	28 061	35.00
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	78 709	710	14.00
Shares held by Jotun A/S for third parties							–301	
Total							**318 453**	

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES

(SHARE CAPITAL, FACE VALUE AND BOOK VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	STAKE %
Jotun Paints Co. L.L.C.							
Jotun Yemen Paints Ltd.	Aden	Yemen	YER	562 207	20 000	123 686	22.00
Jotun Saudia Co. Ltd.							
Jotun Yemen Paints Ltd.	Aden	Yemen	USD	562 207	20 000	95 575	17.00
Jotun U.A.E. Ltd. (LLC)							
Jotun Abu Dhabi Ltd.	Abu Dhabi	UAE	AED	4 000	4 000	1 600	40.00
Jotun COSCO Marine Coatings (HK) Ltd.							
Jotun COSCO Marine Coatings (Qingdao) Co	Qingdao	China	CNY	250 973	–	250 973	100.00
Jotun Powder Coatings U.A.E. Ltd.							
Jotun Powder Coat. Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	SAR	28 600	85 800	11 440	40.00
Jotun Powder Coatings AS							
Jotun Powder Coatings U.A.E. Ltd.	Dubai	UAE	AED	3 000	3 000	1 410	47.00

For extended information regarding joint ventures and associated companies see Group's note 2.

18 FINANCIAL INVESTMENTS

(SHARE CAPITAL, FACE VALUE AND BOOK VALUE IN THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	BOOK VALUE NOK	STAKE %
Nor-Maali OY	Lahti	Finland	EUR	8	10 000	3	8 180	33.44
Other companies	–	–	–	–	–	–	548	–
Total							**8 728**	

19 CONTINGENT LIABILITIES

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

PRODUCT LIABILITY CLAIMS AND DISPUTES

Jotun A/S is, through its on-going business, involved in product liability claim cases and disputes in connection with the company's operational activities. Provisions have been made to cover the expected outcome of disputes insofar as negative outcomes are likely and reliable estimates can be made. In evaluating the size of the provisions, expected insurance cover is taken into account separately. Jotun acknowledges the uncertainty of the disputes, but believes that these cases will be resolved without significant impact on the company's financial position. Jotun Group expects that a lawsuit will be served against Jotun A/S and Chokwang Jotun Ltd. in the near future. This lawsuit is related to a claim in the Fort Hills oil sands mining project in Alberta, Canada. This is a large and complex project where there are many uncertainties, and we will contest the customer's claim. As a result of this position, no provision has been performed for a negative outcome of a lawsuit.

ENVIRONMENTAL MATTERS

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

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

20 CONTRACTUAL OBLIGATIONS AND GUARANTEES

OTHER OBLIGATIONS NOT ACCOUNTED FOR:

(NOK THOUSAND)	GUARANTEES
Guarantees for tax withholding	50 000
Letter of Comfort on behalf of subsidiaries	1 546 179
Letter of Comfort on behalf of joint ventures	161 947
Guarantees for subsidiaries	239 378
Sureties for customers etc. and guarantees for Jotun A/S	800
Total	**1 998 304**

21 LEASES

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

(NOK THOUSAND)	2017	2016
OPERATING LEASE EXPENSES		
Vehicles	10 112	11 470
Premises and buildings	2 927	3 725
Cost current year	**13 039**	**15 195**
OVERVIEW OF FUTURE MINIMUM LEASE PAYMENTS RELATED TO OPERATING LEASES:		
Cost next year	13 226	11 993
Cost next 2-5 years	19 503	14 314
Future minimum lease payments	**32 729**	**26 307**

Jotun A/S is committed to the lease agreement for four years.

22 RELATED PARTIES

Parties are related if one party can influence the decisions of the other. If one party either controls, is controlled by or is under common control with the entity the two parties are related. During 2017 we purchased and sold goods and services to various related parties in which we hold a 100 per cent or less equity interest. Investments in subsidiaries are presented in note 16 and investments in joint ventures and associated companies are presented in note 17.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

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

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

See also Group`s note 22 for more information about transactions within the Group.

(NOK THOUSAND)	SALES TO	PURCHASE OF GOODS FROM	COST CONTRIBUTION INCOME	PURCHASE OF SERVICES	LOAN TO	INTEREST ON LOANS TO
2017						
Group companies	1 428 392	225 677	455 538	390 032	2 584 569	145 875
Joint ventures and associated companies	289 253	4 954	152 712	275 323	1 286	–
Total	**1 717 645**	**230 631**	**608 251**	**665 355**	**2 585 855**	**145 875**
2016						
Group companies	1 349 549	215 684	387 508	292 374	2 511 095	96 623
Joint ventures and associated companies	295 565	3 548	134 003	253 386	1 349	195
Total	**1 645 115**	**219 231**	**521 510**	**545 760**	**2 512 444**	**96 818**

For information on intercompany balances and guarantees as of 31.12.2017, see note 12 and 20.

23 EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the balance sheet date that occur before the Board of Directors has approved the financial statements may make it necessary to change the annual financial statements or to disclose the matter in the notes to the financial statements. If new information emerges regarding a matter that exists on the balance sheet date, and the matter is significant, the financial statements must be changed. If events concern matters that arose after the balance sheet date, the matters may have to be disclosed in a note.

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

Statsautoriserte revisorer
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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 statement of financial position as at 31 December 2017, statement of comprehensive income, statement of cash flows and statement of 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 statement of financial position as at 31 December 2017, income statement, statement of other comprehensive income, statement of cash flows and statement of 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 2017, 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 2017 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 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.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

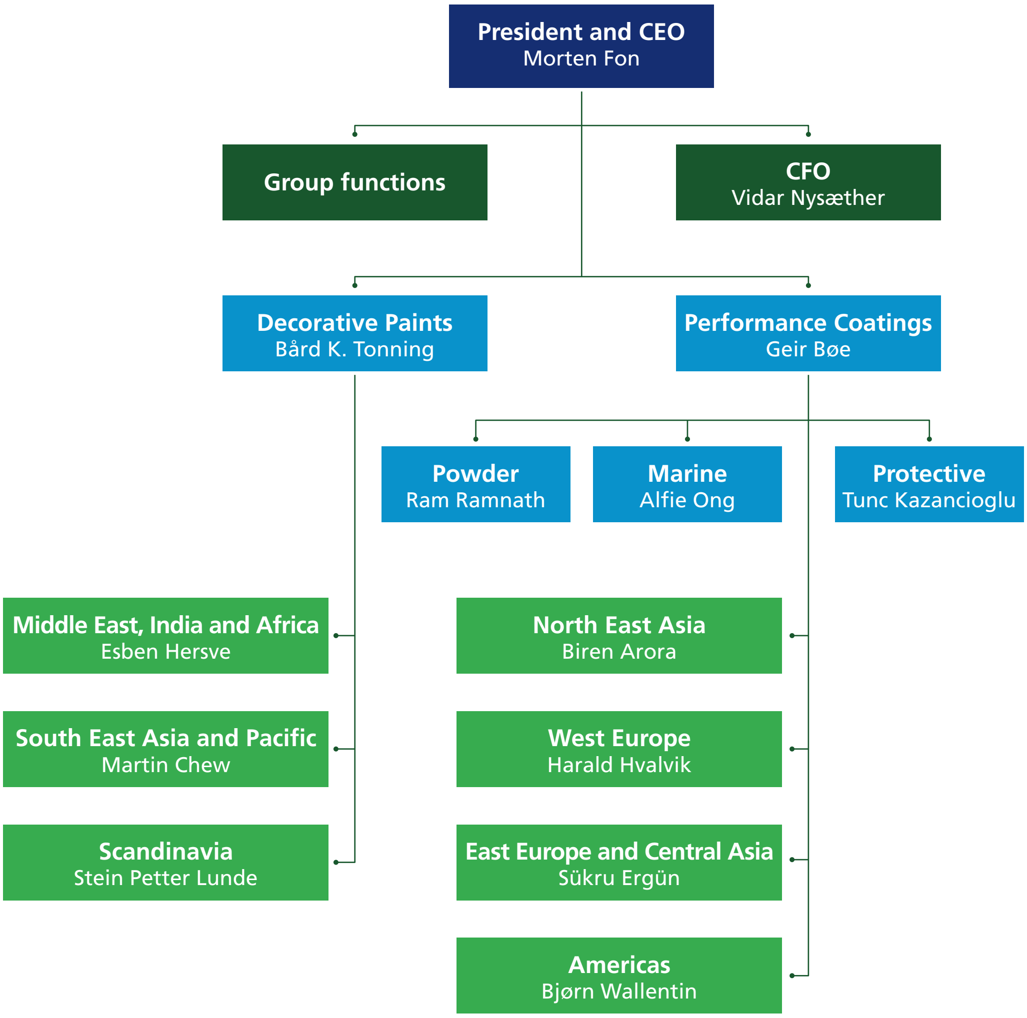
Opinion on registration and documentation

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, 6 February 2018
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

March 2018



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Einar Abrahamsen
Birger Amundsen
Terje Andersen
Richard Arnesen
Nicolai A. Eger
Karl Otto Tveter
Per Kristian Aagaard

CORPORATE ASSEMBLY

Anders A. Jahre, Chairman
Richard Arnesen d.y.
Terje V. Arnesen
Kornelia Eger Foyn-Bruun
Anne Cecilie Gleditsch
Bjørn Ole Gleditsch
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