Jotun Protects Property

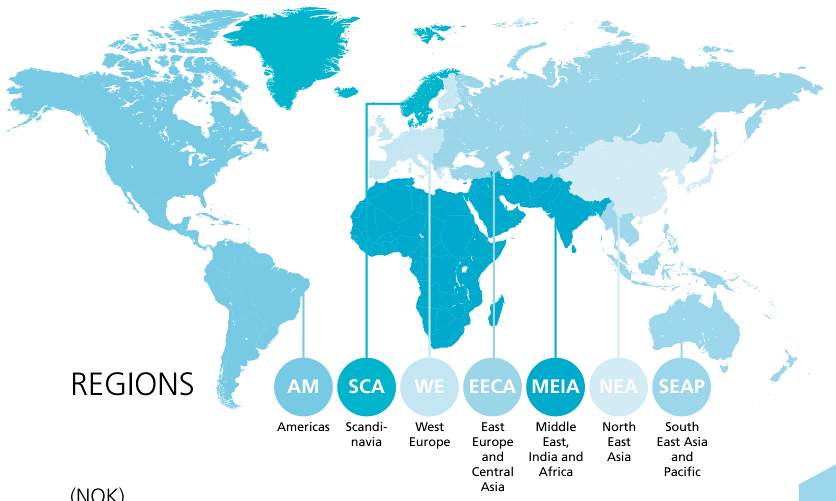
ANNUAL REPORT 2016

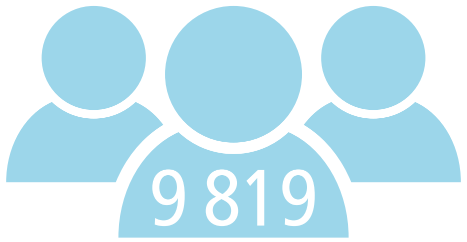
CONTENTS

AT A GLANCE

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

The company has 37 production facilities in 21 countries, 63 companies in 45 countries and is represented in more than 100 countries around the world.



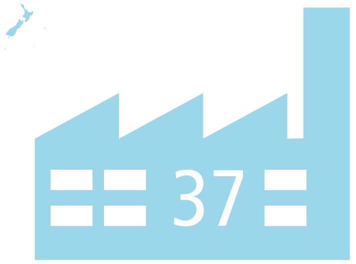


PEOPLE

(NOK)

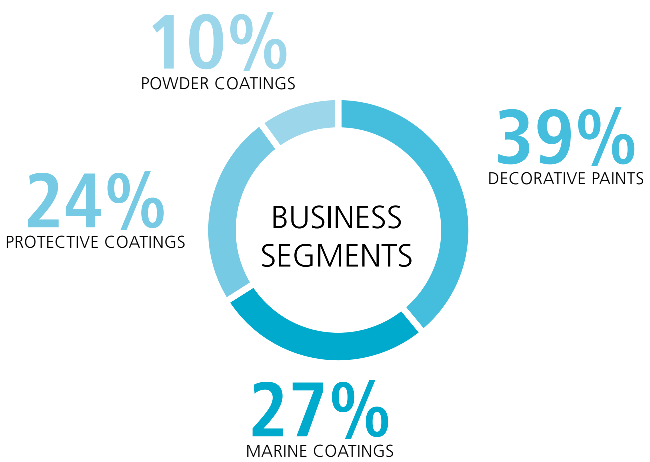
15 785 000 000

OPERATING REVENUE



FACTORIES

COUNTRIES



SEGMENTS

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

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 industry.

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

GROUP KEY FIGURES

(NOK MILLION)

PROFIT/LOSS		2016	2015	2014	2013	2012
Operating revenue		**15 785**	16 282	13 171	12 034	11 351
Operating revenue outside Norway in %		**85**	86	83	82	80
Operating profit		**1 763**	2 064	1 314	1 258	1 126
Profit before tax		**1 594**	1 918	1 301	1 191	1 055
Net cash flow from operating activities		**2 027**	1 500	919	819	902
PROFITABILITY						
Return on capital employed, in %	1)	**20.5**	24.2	17.2	20.0	19.5
Operating margin, in %	2)	**11.2**	12.7	10.0	10.5	9.9
Return on equity, in %	3)	**14.1**	17.9	14.0	15.5	15.8
YEAR-END FINANCIAL POSITIONS						
Total assets		**15 158**	15 187	13 300	10 799	9 317
Investments in intangible and fixed assets		**1 133**	922	911	733	590
Equity (including non-controlling interests)		**8 035**	7 932	6 739	5 515	5 016
Equity / assets ratio, in %		**53.0**	52.2	50.7	51.1	53.8
Number of employees in the Group		7 281	7 284	7 158	6 695	6 379
Number of employees in the Group, including 100 per cent in joint ventures and associated companies		9 819	9 842	9 676	8 991	8 740

DEFINITIONS

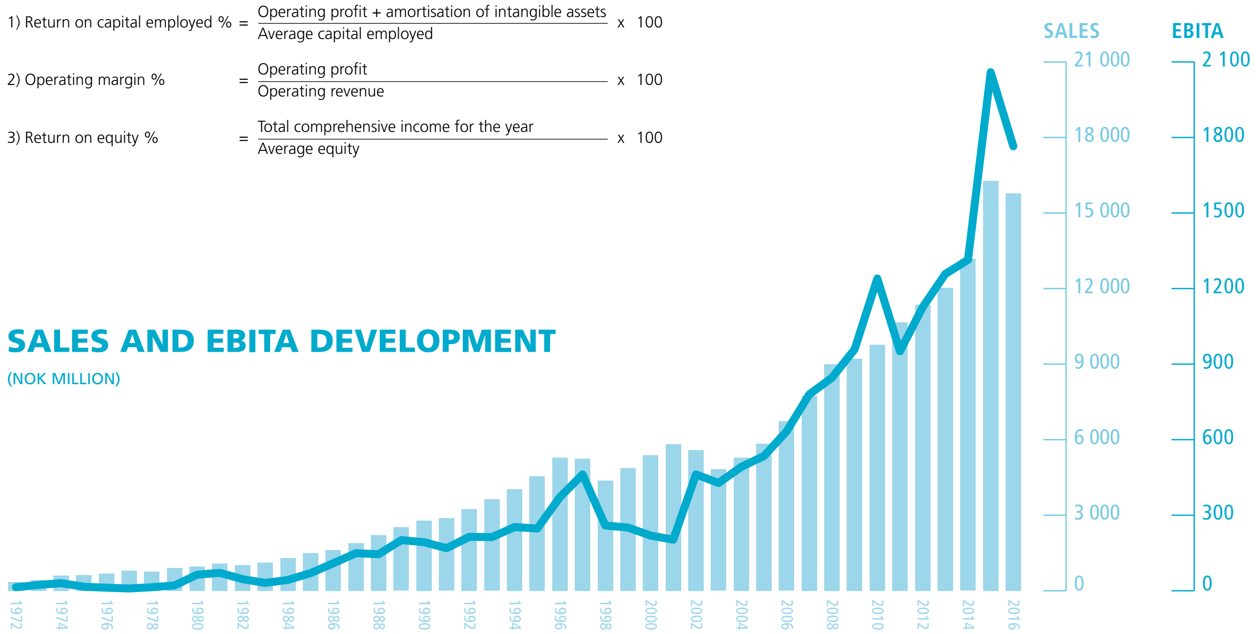
1) Return on capital employed % $= \frac{\text{Operating profit + amortisation of intangible assets}}{\text{Average capital employed}} \times 100$

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

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

SALES AND EBITA DEVELOPMENT

(NOK MILLION)



MORE WORK TO BE DONE

Jotun has enjoyed uninterrupted growth for more than a decade, a trend that continued in 2016. However, slow growth in some segments has encouraged an increased focus on efficiency.

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

While Jotun's overall growth in 2016 was slower than the previous year, the company recorded satisfactory results. Indeed, when considering the macro-economic trends that impacted the sale of marine and protective coatings (and other segments in regions experiencing political unrest), Jotun's positive growth represents a genuine achievement. Growth in the Decorative Paints segment was especially strong and the Board is pleased with developments in the Powder Coatings segment.

PRODUCT INTEGRITY

Jotun's regional and segment diversity has helped the company weather events beyond our control. For example, despite strong sales in Egypt, Jotun experienced significant losses due to the currency crisis. In other markets, Jotun's profitability was impacted by the performance of customers struggling in depressed markets.

However, in some areas where the company does have control, there is more work to be done. Despite Jotun's excellent record over the years, 2016 saw an increase in product integrity and quality issues on some projects, which impacted overall profitability. The Board is satisfied with the company's rapid response to manage these issues and confident that systems put in place to prevent these errors in the future will make 2016 the exception, not the rule.

Meanwhile, Jotun continues a bold investment programme, adding production and warehouse capacity throughout the network. Jotun also began construction of a new headquarters and R&D centre in Sandefjord. Over the past five years, the Board has approved a broad range of investments in systems and tools to support improved project execution and operational and administrative efficiency. While these (and other) investments have resulted in an unwelcome rise in costs, these are in line with expectations.

FOCUS ON SAFETY AND THE ENVIRONMENT

Jotun's rapid growth will challenge the Group in other ways, too. The company recognises that more factories represent more risk to the environment. Furthermore, Jotun is likely to reach a critical milestone – 10 000 workers in 2017. 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. While the Board will maintain its support for Jotun's ambitious growth strategy, these health, safety and environmental issues will continue to be a priority focus area going forward.

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, Western Europe, Eastern 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: Marine, Protective, Powder Coatings and Decorative Paints.

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, energy, infrastructure, and hydrocarbon processing industries.

POWDER COATINGS

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

Jotun is a global company made up of 63 companies in 45 countries, including 37 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 operating revenue, approximately 22 per cent is related to its activities in Norway while 78 per cent is related to the rest of the global network.

2. REVIEW OF THE ANNUAL ACCOUNTS

In 2016, the Jotun Group recorded a total operating revenue of NOK 15 785 million. This is a reduction in revenue of 3 per cent compared to 2015 (NOK 16 282 million), a year in which revenue increased by 24 per cent.

While the Decorative Paints and Powder Coatings segments both delivered good sales growth, lower demand in the shipping and offshore markets led to reduced sales in the Marine and Protective Coatings segments. In addition, sales in some regions were impacted by political unrest and economic turmoil in key markets. However, total sales volume continued to grow, showing an increase of 10 per cent in 2016.

The Group achieved good profitability supported by favourable raw material prices, delivering the second highest profit for the year in the Group's history.

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

PROFITS

The Group achieved an operating profit for the year of NOK 1 763 million compared to NOK 2 064 million in 2015. The decline in profit is explained by other operating expenses higher than normal due to product claims, currency losses tied to the sharp devaluation of the Egyptian pound and bad debt primarily related to a few large customers. Net financial costs totalled NOK 169 million, and the pre-tax profit amounted to NOK 1 132 million. Jotun's activities are subject to ordinary company tax in the countries in which the Group operates. The tax costs decreased by NOK 40 million to NOK 462 million for 2016.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 948 million, compared to NOK 905 million in 2015.

Allocation of profit for the year:
In 2016, Jotun A/S posted profit for the year of NOK 948 million. The Board of Directors proposes the following allocation:

Proposed dividend	NOK 513 million
Transfer to equity	NOK 435 million

Associated companies and joint ventures consist of Jotun's shareholding in companies in South Korea, China, the UAE and Saudi Arabia. The Group's share of profits from these companies totalled NOK 690 million compared to NOK 562 million in 2015.

FINANCIAL POSITION, CAPITAL STRUCTURE AND RISK

The Jotun Group generated a net cash flow from operating activities of NOK 2 027 million in 2016, an increase of NOK 527 million compared to 2015. The stronger cash flow is tied to a reduction in working capital and higher dividends received from associated companies and joint ventures. The net cash flow from operating activities funded both investments of NOK 1 133 million and dividend payments of in total NOK 551 million.

The Jotun Group had a positive cash position of NOK 1 586 million at year end 2016 compared to NOK 1 521 million as of 31 December 2015.

The Group increased its investments in 2016 to NOK 1 133 million from NOK 922 million in 2015. Investment activity in 2016 has mainly been related to new production facilities in Oman, 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 1 523 million as of 31 December 2016, compared to NOK 1 591 million as of 31 December 2015. 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 1 036 million in non-current bank debt outstanding. 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 backstop for short-term certificate loans as well as a strategic reserve for financing of the Group. At year end, these credit lines were unused.

The Group's equity ratio was 53 per cent at the end of the year as compared to 52 per cent the previous year. The increase in equity ratio is attributable to profit for the year exceeding declared and paid dividends during 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 company has established procedures for currency and commodity hedging as well as customer credit rating. The Group hedges its currency risk connected to the USD, USD-related currencies and the EUR through forward contracts, options and foreign currency loans. Jotun's procedures and measures in this respect are considered satisfactory in relation to the Group's exposure to risk.

3. THE MARKET

DECORATIVE PAINTS

Jotun manages the sale of interior and exterior paints to both consumers and professional contractors through a global network of about 7 500 dealer shops. Despite political unrest in Turkey and economic turmoil in Egypt, Jotun recorded good growth in 2016, especially in the Middle East and South East Asia.

To reach more consumers and generate more business, Jotun is working to develop and expand its dealer network to raise the standard of their shops. Other initiatives, such as the launch of the 2016 Global Colour Trends (Home Living), regional launches of both premium and medium range products, and local sales and marketing efforts helped generate sales volume and strengthened Jotun's brand in key markets.

Jotun is also active in the project market, working with owners, architects, and designers to ensure Jotun products are specified for hotels, residential complexes, hospitals, stadiums, convention centres and airports. Jotun has also implemented a more structured approach to helping owners achieve "green building" certification to meet demand for more environmentally sustainable buildings. By continuing to invest in new products, and building long-term relationships with retailers and project owners, the Board is confident that the company will continue to enjoy steady growth in the Decorative Paints segment.

JOTUN PROTECTIVE COATINGS

Growth slowed in the Protective Coatings segment following a period of low crude oil prices, resulting in a decline in investments in offshore construction projects. In 2016, Jotun focused on launching products and solutions to help owners save money by extending maintenance intervals for existing offshore assets, and shifted resources to other industrial segments, such as the infrastructure, energy, and the hydrocarbon processing industries.

Jotun's successful development of thin-film intumescent steel protection coatings products helped Jotun achieve positive growth in supplying to infrastructure projects (stadiums, airports, convention centres, hospitals etc.) in key markets. Jotun has also devoted more resources to serving the hydrocarbon processing industry (HPI). In 2016, Jotun introduced functional coatings, including Jotachar 1709, a mesh-free epoxy passive fire protection material for pool fires and Jotatemp 250, a two-component glass flake reinforced epoxy coating for service in high temperature operations. Jotun has also identified significant potential in the maintenance market for refineries, petrochemical plants and gas processing facilities. To serve these projects more effectively, Jotun has launched an initiative to expand its dealer and distributor networks to make protective coatings products more available, closer to where they are needed. Growth in the Energy concept (wind towers, thermal, hydropower etc.) remains stable.

JOTUN MARINE COATINGS

Sales of Jotun Marine Coatings declined in 2016 compared to the year before, consistent with expectations. However, the company has retained its leading market share in antifoulings and secured about 150 contracts for its premium offering, Hull Performance Solutions (HPS), launched in 2011.

The Board notes that with freight rates near historic lows, newbuilding activity has slowed dramatically, which will impact Jotun's business going forward. To offset expected declines in the newbuilding market, Jotun has shifted resources to concentrate on maintenance, developing new products to help owners preserve assets, reduce waste and extend periods between dry dockings. Jotun also continues to gain market share in the specialised tank coating concept and is working to secure a larger share of business within the leisure boat and yachting markets.

Looking ahead, the company does not expect signs of recovery in the merchant marine market to emerge until 2018. However, by adapting quickly to the new market reality, the company will be in a strong position when industry players begin to order new vessels.

JOTUN POWDER COATINGS

The Board was encouraged by developments within the Powder Coatings segment, which achieved sales growth in all regions except for the Middle East, where the business was impacted by an economic slowdown in Saudi Arabia. Growth was particularly strong in the Czech Republic, UAE, India, Pakistan, Vietnam, Indonesia, China and Turkey, despite uncertain political and economic conditions.

Jotun exceeded expectations in the General Industries concept, supplying powder coatings to light industrial manufacturers of electrical switchgear, shelving, interior lighting and automotive components like alloy wheels and coiled springs. Jotun also found success in supplying the Building Components concept, while sales in the Pipeline concept were down, mostly due to the slowdown in the oil and gas industry.

Jotun also supplies to both local and multinational furniture and appliance manufacturers. While Jotun has a relatively modest share in these market segments, the Board is encouraged by steps taken to generate faster growth. Jotun has won the confidence of some of the world's leading manufacturers of appliances and furniture, and continues to develop products that can be used to coat wood substrates. And to increase sales penetration in geographically larger countries (e.g. China, Russia, India, Turkey), Jotun launched an initiative to expand its dealer and distributor network.

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), Northern Asia (South Korea and China), Eastern Europe (Turkey) and the Americas (USA). 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. In addition to being 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.

Innovation remains a critical focus area for Jotun. In 2016, Jotun R&D successfully completed a five-year binder technology project to develop the capacity to produce its own alkyd emulsions – a key building block in many paints and coatings. Jotun also announced the construction of a new passive fire protection laboratory in the UK, complete with two testing furnaces, scheduled to begin operations in early 2017.

To help the company retain its edge in product development, Jotun welcomed the start of 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 lab 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

Every year, Jotun invests significant resources to recruit, train and develop our personnel. In addition to on-the-job training, Jotun provides a broad range of competence development programmes through Jotun Academy. The Academy includes training programmes in human resources, marketing, sales, purchasing, R&D, operations, technical sales support, customer service, finance, and management, as well as a number of stand-alone modules.

Jotun's Competence Board is responsible for securing a focus on competence development in all of Jotun's business activities. The Board approves new global competence development initiatives. In 2016, over 2500 employees participated in 38 Jotun Academy training programmes, around the world. In addition, 212 online courses are available to employees through Jotun's e-learning portal, a virtual training environment that connects the entire global organisation. Jotun added three new Academy training courses in 2016, 25 new e-learning modules and over 60 nano learning lessons.

Through recruiting and training, Jotun continues to invest in the company's leadership pipeline. In 2016, Jotun formalised requirements for high-level management positions, and 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 according to ISO 9001, 14001 and OHSAS 18001.

In 2016, Group HSEQ carried out 13 audits of Jotun's production facilities. The year was also notable for the roll out of the HSEQ Management System, which divides the HSEQ responsibility across the local management organisation, allowing for more individual focus on key elements and making standards easier to manage.

TRAINING

Competence development is critical for Jotun to achieve HSE objectives and build a culture of effective health and safety environmental practices. In addition to HSE training courses offered through Jotun Academy, and e-learning modules, all production facilities are required to have a HSEQ manager, responsible for organising at least one "HSE Day" every year, covering all aspects of HSE. In 2016, each employee in Jotun received an average of 10 hours of general HSE training.

In 2016, 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 ENVIRONMENT

No fatalities were reported in 2016.

There were 52 injuries reported resulting in lost-time due to injury (LTI) absences in 2016, compared with 60 in 2015. The number of injuries resulting in an absence of one day or more per one million working hours (Lost Time Injury Rate) was 2.6 (3.2 in 2015). The H value for Jotun A/S was 2.6 per cent, compared with 1.3 per cent in 2015. Absence due to sickness for the Group in 2016 was 1.45 per cent, compared to 1.7 per cent in 2015. Absence due to sickness in Jotun A/S was 4.83 per cent in 2016, compared with 4.03 per cent in 2015.

ENVIRONMENT

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 CO2 output of each area and company, and providing a detailed picture of Jotun's overall environmental performance.

In 2016, Jotun recorded global emissions of 85 409 tons CO_2-equivalents, marking an overall reduction of 8.6 per cent per ton produced. The total electrical consumption in 2016 was 138 kWh/tonnes produced, the same as in 2015.

The waste generated relative to the volume produced was 2.0 per cent in 2016 compared to 1.9 per cent in 2015.

There were no discharges to water or soil causing any significant pollution to the environment in 2016.

SAFETY

Fire represents 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 2016 there was a total of 28 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.

In 2016, the company introduced a number of new systems and procedures to further minimise risk.

To prevent fires in the future, Jotun collected information ("Lessons Learned") and distributed it to personnel. A global forklift agreement, including a maintenance contract, has been established to ensure quality of purchase and operation of forklifts. There has been a continued focus on the control of electrical installations and thermography in new projects. Jotun has also established policies and offered training on new maintenance policies related to electrical installations, fire-fighting and emergency systems.

CHALLENGES AHEAD

In 2017, Jotun is likely to reach a critical milestone – 10 000 workers. 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. Emphasis is placed on training via e-learning courses and regular practical dilemma training, especially for individuals working in management, purchasing and sales. In 2016, Jotun senior management participated in a series of seminars in different regions to focus on anti-corruption. Anti-corruption training is included in the induction programme for new employees as well as in Jotun Academies.

8. DIVERSITY

Jotun is committed to eliminating discrimination in all forms. 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 seven senior management positions that report to the President & CEO are female. Of those with personnel responsibility in Jotun A/S, 29 per cent are women (30 per cent in 2015). Women make up nine per cent of skilled workers (10 per cent in 2015), while the corresponding percentage for women among office staff is 29 per cent, compared to 36 in 2015.

While Jotun employees come from many different cultures and backgrounds and work in over 200 different locations around the world, we are joined by our common set of values; Loyalty, Care, Respect and Boldness. 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, the price of oil, currency fluctuations, international trade volume and, more generally, global GDP growth. Political trends likely to impact Jotun's business are more difficult to predict, but may include changing political alliances, threats to existing trade relationships (protectionism) and the 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 achieving sustainable and profitable growth, not only by increasing production capacity, but also by leveraging efficiencies 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. This durable strategy has allowed the company to achieve uninterrupted growth for more than a decade, through many crises, both global and local.

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 also continue to develop new paints and coatings solutions. In 2016, the company began construction of a new headquarters and R&D centre in Sandefjord, Norway – the company's largest investment to date. In 2016, Jotun completed construction of a new factory in Oman, a distribution warehouse in Thailand, and opened a sales office in Taiwan. Jotun also began construction of new factories in Myanmar, The Philippines, and Malaysia, among other projects.

The Board notes that declines in newbuilding orders and decreased investments in offshore development will slow the company's growth in the short term, and that new unforeseen events may impact our 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, 9 February 2017
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Ingrid Luberth

Karl Otto Tveter

Morten Fon
President and CEO

JOTUN GROUP

CONSOLIDATED INCOME STATEMENT

(NOK THOUSAND)	NOTE	2016	2015
Operating revenue		15 784 604	16 282 314
Share of profit from associated companies and joint ventures	2	689 598	562 013
Cost of goods sold		–8 141 537	–8 656 661
Payroll expenses	3, 4	–2 601 717	–2 520 743
Other operating expenses	5, 21	–3 421 406	–3 129 834
Depreciation, amortisation and impairment	7, 8	–546 817	–473 118
Operating profit		**1 762 724**	**2 063 972**
Net financial items	5	–168 985	–145 916
Profit before tax		**1 593 739**	**1 918 055**
Income tax	6	–461 518	–502 011
Profit for the year		**1 132 221**	**1 416 044**
Profit for the year attributable to:			
Equity holders of the parent company		1 107 985	1 338 284
Non-controlling interests	18	24 236	77 760
Total		**1 132 221**	**1 416 044**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(NOK THOUSAND)	NOTE	2016	2015
Profit for the year		**1 132 221**	**1 416 044**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain / loss (–) on defined benefit pension plans	4	–22 638	–2 113
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain / loss (–) on hedge of net investments in foreign operations	11	16 051	–118 563
Currency translation differences on net investment in foreign operations	11	–472 324	459 498
Other comprehensive income for the year, net of tax		**–478 911**	**338 822**
Total comprehensive income for the year		**653 310**	**1 754 866**
Total comprehensive income attributable to:			
Equity holders of the parent company		676 244	1 648 330
Non-controlling interests	18	–22 934	106 537
Total		**653 310**	**1 754 866**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK THOUSAND)	NOTE	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Deferred tax assets	6	219 768	164 287
Other intangible assets	7	364 028	312 000
Property, plant and equipment	8	4 542 575	4 220 218
Investments in associated companies and join ventures	2	1 766 487	1 839 810
Other investments	12	8 248	8 248
Other interest-bearing receivables	12, 15	125 419	165 557
Total non-current assets		**7 026 525**	**6 710 119**
Current assets			
Inventories	9	2 041 432	2 198 483
Trade and other receivables	12, 13	4 504 319	4 757 059
Cash and cash equivalents	12, 14	1 586 034	1 520 840
Total current assets		**8 131 786**	**8 476 382**
Total assets		**15 158 311**	**15 186 501**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	102 600	102 600
Other equity		7 783 384	7 620 141
Non-controlling interests	18	148 573	209 757
Total equity		**8 034 557**	**7 932 497**
Non-current liabilities			
Pension liabilities	4	225 461	214 012
Deferred tax liabilities	6	27 828	46 161
Provisions	10, 19	33 980	32 539
Interest-bearing debt	12, 15	2 357 102	2 323 512
Interest-free debt		34 465	31 858
Total non-current liabilities		**2 678 837**	**2 648 082**
Current liabilities			
Interest-bearing debt	12, 15	877 352	954 374
Trade and other payables	12	1 693 379	1 702 541
Current tax payable	6	159 554	185 275
Other current liabilities	10, 12, 16	1 714 634	1 763 731
Total current liabilities		**4 444 918**	**4 605 921**
Total liabilities		**7 123 754**	**7 254 003**
Total equity and liabilities		**15 158 311**	**15 186 501**

Sandefjord, Norway, 9 February 2017
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Ingrid Luberth

Karl Otto Tveter

Morten Fon
President and CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK THOUSAND)	NOTE	2016	2015
Cash flow from operating activities			
Profit before tax		1 593 739	1 918 055
Adjustments to reconcile profit before tax to net cash flows:			
Share of profit of associated companies and joint ventures	2	–689 598	–562 013
Dividend paid from associated companies and joint ventures	2	712 571	491 634
Depreciation, amortisation and impairment	7, 8	546 817	473 118
Change in accruals, provisions and other		–100 153	293 375
Working capital adjustments:			
Change in trade and other receivables		252 740	–709 535
Change in trade payables		–9 163	187 758
Change in inventories		157 052	–242 651
Tax payments	6	–437 072	–349 973
Net cash flow from operating activities		**2 026 933**	**1 499 769**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	8	6 848	46 837
Purchase of property, plant and equipment	8	–1 029 562	–856 858
Purchase of intangible assets	7	–103 538	–65 293
Net cash flow used in investing activities		**–1 126 252**	**–875 314**
Cash flows from financing activities			
Proceeds from borrowings	15	259 344	255 365
Repayment of borrowings	15	–299 413	–295 434
Dividend paid to equity holders of the parent	17	–513 000	–513 000
Dividend paid to non-controlling interests		–38 250	–48 136
Net cash flow from financing activities		**–591 320**	**–601 206**
Net currency translation effect		–244 166	76 169
Net increase / decrease (–) in cash and cash equivalents		309 361	23 250
Cash and cash equivalents at 1 January	14	1 520 840	1 421 421
Cash and cash equivalents as of 31 December	14	**1 586 034**	**1 520 840**

The Group had unused credit facilities of NOK 900 million as of 31 December 2016 (2015: NOK 900 million).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOTE	(NOK THOUSAND)	ATTRIBUTABLE TO PARENT COMPANY EQUITY HOLDERS					
		Share capital	Other equity	Translation differences	Total	Non–controlling interests	Total equity
	Equity as of 1 January 2015	**102 600**	**5 502 749**	**982 063**	**6 587 412**	**151 356**	**6 738 767**
17	Dividends		–513 000		–513 000	–48 136	–561 136
	Profit for the year		1 338 284		1 338 284	77 760	1 416 044
	Other comprehensive income		–22 024	332 070	310 045	28 777	338 822
	Equity as of 31 December 2015	**102 600**	**6 306 009**	**1 314 133**	**7 722 741**	**209 757**	**7 932 497**
17	Dividends		–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**

NOTES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL
The Jotun Group consists of Jotun A/S and its subsidiaries. The consolidated financial statement consists of the Group and 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 if, and only if Jotun Group has:
- Power over the investee (i.e., existing rights that give it the current ability 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:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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 influence over. Under the equity method the investments in the joint venture and associated companies are recognized in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture and associate. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the Group's share of the result of operation of the joint venture and associated company. This is the profit attributable to equity holders of the joint venture and associated company, after tax and non-controlling interests in the subsidiaries of the joint venture and associated company.

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 its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, 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 the 'share of profit of an associate' in the 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 transition. 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 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 statement of income as they occur during the accounting period.

TRANSLATION TO NOK OF FOREIGN OPERATIONS
Assets and liabilities in entities with other functional currency than NOK are translated into NOK using the exchange rate applicable at 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 the disclosure of contingent liabilities, at the end of the reporting period. However, 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 statement for the Group.

6. IMPAIRMENT OF FINANCIAL AND NON-CURRENT 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 statement of income.

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, the 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 by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses are recognised in the statement of profit or loss 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. Such reversal is recognised in the statement of profit or loss.

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 the payment is being 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 in finance income in the 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
Current 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 this is possible under 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 non-current 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 are recognised as a change in an estimate.

Assets under construction are classified as fixed assets and recognised at cost until the assets are ready for its intended use. Assets under construction are not depreciated until the asset is ready for its 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 costs and recognised in the statement of income 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

I) 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 in finance income or finance costs in the 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. The losses arising from impairment are recognised in the income statement in finance costs.

DERECOGNITION

A financial asset (or, where applicable a 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.

II) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the 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.

III) 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.

IV) 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.

V) 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 10.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

HEDGES OF A 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. The Group uses a USD loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 14 and 16 for more details.

13. INVENTORIES

Inventories are recognised at the lowest of cost and net realisable value.

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

RAW MATERIALS

The cost of inventories (raw materials) 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

Finished goods include cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding 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.

14. CASH AND CASH EQUIVALENTS

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

15. POST EMPLOYEE BENEFITS

Post-employment benefits are recognised in accordance with IAS 19 Employee Benefits. The Group has both defined contribution plans and defined benefit pension plans, primarily in Norway and UK. The defined contribution plans represent the majority of the Groups pension plans.

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 the agreed percentage of the employee's salary (in Norway the rate is 3-5 per cent). The pension premiums are charged to expenses as they are incurred. The return on the pension funds will affect the size of the employees' pension.

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 statement of income when they arise.

MULTI-EMPLOYER PLANS

Multi-employer plans are accounted for as defined contribution plans.

OTHER SEVERANCE SCHEMES

Obligations under "other severance schemes" comprise mainly obligations to employees in other countries that fall due for payment when employees leave a Jotun company. 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.

16. PROVISIONS

A provision is recognised when the Jotun group has an obligation (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 measured reliably. 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 claim is recognised when it is probable that there will be a financial settlement that has been measured reliably. The provision is measured and based on evaluated information from customer, technical, legal and sales department.

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 have been notified of the plans main features.

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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 on closure of inactive sites. Expenditures that relate to an existing condition caused by past operations and 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.

17. 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.

18. EVENTS AFTER THE REPORTING PERIOD

New information on the company's financial position on the end of the reporting period which 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 on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

19 STANDARDS ISSUED BUT NOT YET EFFECTIVE

For comments related to standards issued but not yet effective, see note 23.

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 forecast for the next three years and do not include restructuring activities that the Group is not yet committed to, or significant future investments that will enhance the asset's performance of the cash generating unit (CGU) being tested. Estimate uncertainty is in some cases considerable, as both valuation and estimated useful life are based on future information that is always subject to a certain degree of 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.

CLAIMS

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 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 DEBTS

Accounts receivable are assessed at nominal value less allowance for bad or doubtful debts. Allowances for bad or doubtful debts are recognised when there are objective indicators that the Group will not receive settlement in accordance with the original terms. The allowance for bad or doubtful debts represents the difference between the asset's carrying amount and the fair value (estimated collectible amount). Management has used its best estimate in setting the fair value of account receivables. The carrying amount of accounts receivable at 31 December 2016 is NOK 3 865 million and allowance for bad or doubtful debts at year-end is NOK 169 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 and this requires judgement in determining net realisable value. Management has used its best estimate in setting net realisable value for inventory. The carrying amount of inventory at 31 December 2016 is NOK 2 041 million and write-down at year-end is NOK 112 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 obligation 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, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. 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 cost are made based on currently available facts;

- 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 are made by independent specialists in the field.
- Prior experience in remediation of contaminated sites

Future expenditures for remediation work depends 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, refer 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 the level of future taxable profits together with future tax planning strategies.

Jotun Group has tax loss carry forwards amounting to NOK 1 244 million (2015: NOK 1 159 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, 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 295 million. Further details on taxes are disclosed in note 6.

NON-CONSOLIDATION OF ENTITY IN WHICH THE 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 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 involved in production and sales of products within all of the Group's four segments, and joint ventures in North East Asia involved in the production and sales of marine and protective coatings. The Group's interests in associated companies and joint ventures are recognised in the consolidated financial statement accounts 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

The Jotun Group's total overview of investments in associated companies and joint ventures:

	2016			2015		
(NOK THOUSAND)	Associated companies	Joint ventures	Total	Associated companies	Joint ventures	Total
Balance as of 1 January	924 380	915 430	1 839 810	731 921	759 100	1 491 021
Net profit / loss (–) during the year	560 735	128 863	689 598	408 624	153 388	562 013
Exchange differences	–13 089	–39 251	–52 339	167 823	111 877	279 699
Items charged to equity	–	1 991	1 991	–	–1 289	–1 289
Dividend	–460 314	–252 257	–712 571	–383 988	–107 646	–491 634
Balance as of 31 December	**1 011 712**	**754 776**	**1 766 487**	**924 380**	**915 430**	**1 839 810**

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	40.0%	40.0%	34.4%	41.5%	51.6%	46.6%	47.0%	
Balance as of 1 January 2016	43 798	297 506	54	290 073	126 039	86 988	79 921	924 380
Net profit / loss (–) during the year	3 973	210 614	–563	205 614	89 323	–4 565	56 338	560 735
Exchange differences	–758	–450	–39	–424	–172	–1 876	–9 371	–13 089
Dividend	–4 592	–179 076	–	–162 512	–69 504	–	–44 630	–460 314
Balance as of 31 December 2016	**42 421**	**328 594**	**–548**	**332 751**	**145 687**	**80 547**	**82 259**	**1 011 712**

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).

A summary of the financial information on the individual associated companies as of 2016 and 2015, based on 100 per cent figures:

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**

2015 (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	60 840	421 960	4 159	131 199	62 504	73 370	75 751
Current assets	101 388	738 174	1 374	708 962	293 477	176 194	190 211
Total assets	**162 228**	**1 160 134**	**5 532**	**840 161**	**355 981**	**249 563**	**265 962**
Equity	109 496	743 766	156	702 798	244 262	186 670	176 916
Non-current liabilities	20 389	61 344	5 376	25 214	1 691	8 690	2 416
Current liabilities	32 343	355 024	–	112 149	110 028	54 204	86 631
Total equity and liabilities	**162 228**	**1 160 134**	**5 532**	**840 161**	**355 981**	**249 564**	**265 962**
Revenues	–	1 738 455	–	1 661 656	620 368	278 212	463 132
Profit /loss (–) for the year	**16 180**	**376 567**	**–550**	**368 073**	**134 259**	**–9 276**	**72 360**

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)	Chockwang 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	50.0 %	50.0 %	50.0 %	
Balance as of 1 January 2016	319 986	262 663	332 781	915 430
Net profit / loss (–) during the year	35 033	41 129	52 700	128 863
Exchange differences	–12 673	–23 169	–3 409	–39 251
Items charged to equity	1 991	–	–	1 991
Dividend	–53 700	–	–198 557	–252 257
Balance as of 31 December 2016	**290 637**	**280 623**	**183 515**	**754 776**

A summary of the financial information on the individual joint ventures as of 2016 and 2015, based on 100 per cent figures:

2016 (NOK THOUSAND)	Chockwang 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**

2015 (NOK THOUSAND)	Chockwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.
Non-current assets	329 090	630 742	802 548
Current assets	946 017	1 336 076	415 757
Total assets	**1 275 106**	**1 966 818**	**1 218 305**
Equity	639 972	525 327	1 003 835
Non-current liabilities	68 072	462 255	–
Current liabilities	567 062	979 236	214 470
Total equity and liabilities	**1 275 106**	**1 966 818**	**1 218 305**
Revenues	1 545 643	2 327 061	854 443
Profit /loss (–) for the year	**73 659**	**94 178**	**138 940**

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)	2016	2015
Wages including bonuses	2 069 964	1 995 003
Social costs	255 750	234 845
Pension costs defined contribution plans	168 449	180 088
Pension costs defined benefit plans, ref. note 4	13 250	20 451
Other personnel costs	94 305	90 355
Total	**2 601 717**	**2 520 743**
Average full-time equivalent	6 909	6 794

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 ordinary annual salary.

REMUNERATION TO PRESIDENT & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	5 101	2 500	260	1 586	9 447

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 the Board and Corporate Assembly.

REMUNERATION OF THE BOARD OF DIRECTORS

(NOK THOUSAND)	Ordinary compensation	Bonus	Benefits in kind	Pension cost	Total
Board of Directors	2 850	–	–	–	2 850
Corporate Assembly	180	–	–	–	180
Total	**3 030**	**–**	**–**	**–**	**3 030**

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

EXTERNAL AUDITOR REMUNERATION

(NOK THOUSAND)	2016	2015
Statutory audit	11 457	11 506
Other attestation services	146	259
Tax services	2 784	3 178
Other services	1 354	2 187
Total	**15 740**	**17 130**

4 PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

The Group 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 plan, 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. The majority of the Jotun Group's pension plans are defined contribution plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans comprise pension 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 the Jotun Group are mainly covered by pension plans that are classified as contribution plans. Costs associated with defined contribution plans are specified in note 3 Payroll expenses.

DEFINED BENEFIT PLANS

The Jotun Group has pension plans that are classified as funded benefit plans and unfunded benefit plans, recognised in the Group's balance sheet. A large part of the Group's benefit plans are in Norway and the United Kingdom, about 80 per cent of the total net obligation as of 31 December 2016.

Norway

The schemes define a pension benefit of up to 60 per cent of final salary at retirement, limited up to twelve times the social security basic amount (12G). As of 31 December 2016 the basic amount (1G) is NOK 90 068. The pension liability of the company is linked to changes in Norwegian social security benefits. Other schemes with net pension obligations include the contractual-pension scheme (AFP) and final funding of the old AFP scheme (early retirement). In addition, there are unfunded pension obligations related to social security benefits. Other schemes with net pension obligations include those related to old-age pensions, previous early retirement agreements for Jotun Group's senior executives, and book liabilities related to contribution-based plans for employees who earn more than twelve times the social security basic amount (12G).

United Kingdom

The defined benefit schemes in the UK are closed for all members. 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.

Middle East and South East Asia

In other countries like Indonesia and Thailand there are pension schemes based on a final salary principle. These are included in net pension obligations.

OTHER SEVERANCE SCHEMES

Obligations indicated under "Other severance schemes" (see below) 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 Jotun's operating pension schemes in the Norwegian companies regarding a 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 iBoxx Sterling Corporates AA 15+ index is used as the basis for the discount rate. The index showed an annual yield on its corporate bonds of 2.6 per cent per annum as of 31 December 2016. However, the average term of the collection of bonds within the iBoxx index is significantly shorter than the term of the liabilities of the scheme, and the discount rate has consequently been adjusted accordingly.

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 S1PxA (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. NOK 86 million in actuarial losses for the year is mainly due to changes in discount rates for the liabilities in the UK.

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 actual return and breakdown of pension plan assets may be seen in the tables below. Contributions to pension plan assets during 2016 are expected to be approximately NOK 6 million.

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AS OF 31 DECEMBER	2016	2015
Cash and cash equivalents in %	0.5	0.2
Bonds in %	47.7	49.1
Shares in %	47.3	45.5
Property in %	4.5	5.2
Total pension plan assets	**100.0**	**100.0**

	NORWAY		UK	
ACTUARIAL ASSUMPTIONS	2016	2015	2016	2015
Discount rate in %	1.4	1.9	2.8	3.9
Expected return in %	1.4	1.9	2.8	3.9
Wage adjustment in %	2,25	2.5–3.25	2.4	3.3
Inflation / increase in social security basic amount (G), in %	2.25	2.3	3.4	2.3
Pension adjustment in %	1.8	0.5–2.25	3.3	3.3

	INDONESIA	
	2016	2015
Discount rate in %	8.3	9.0
Expected return in %	8.0	9.0
Wage adjustment in %	8.0	8.0
Inflation / increase in social security basic amount (G), in %	3.0	5.0

SCHEMES WITH NET PENSION OBLIGATIONS

(NOK THOUSAND)	2016	2015
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY		
Pension obligation at the beginning of the period	506 938	458 819
Translation difference at the beginning of the period	–73 094	46 052
Curtailment in future increase in wages	92	–
Pension earning for the year	5 798	14 652
Interest cost on pension obligations	15 940	18 552
Actuarial loss / gain (–)	83 262	320
Social security upon paying pension premiums	–187	–190
Pension payments	–27 644	–31 267
Pension obligation at the end of the period	**511 105**	**506 938**

CHANGES IN PLAN ASSETS

Plan assets at the beginning of the period	351 036	313 998
Translation difference at the beginning of the period	–65 284	38 776
Expected return on plan assets	11 061	14 803
Settlement	7 627	8 397
Actuarial loss / gain (–)	53 125	–2 538
Payments in / out (–)	3 423	497
Pension payments	–7 389	–22 898
Plan assets at the end of the period	**353 598**	**351 036**

RECONCILIATION OF PENSION LIABILITIES/ASSETS RECOGNISED IN THE BALANCE SHEET

Net pension obligation – overfunded / underfunded (–)	–157 507	–155 902
Other severance schemes	–67 954	–58 110
Total pension assets / liabilities (–)	**–225 461**	**–214 012**

THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY

Pension earnings for the year	8 543	14 672
Interest cost for the pension obligations	15 837	18 550
Expected return on plan assets	–11 130	–12 771
Pension cost recognised in income statement	**13 250**	**20 451**

Actuarial gain (–) / loss recognised in other comprehensive income (net of taxes)	**22 638**	**2 113**

BREAKDOWN OF NET PENSION LIABILITIES AT 31 DECEMBER IN UNFUNDED AND FUNDED SCHEMES

Present value of funded pension obligations	–445 232	–442 456
Pension plan assets	353 598	351 036
Net funded pension assets	–91 634	–91 420
Present value of unfunded pension obligations	–133 827	–122 592
Capitalised net pension liabilities	**–225 461**	**–214 012**

5 OTHER OPERATING EXPENSES AND NET FINANCIAL ITEMS

OTHER OPERATING EXPENSES

(NOK THOUSAND)	2016	2015
Manufacturing costs	379 954	341 554
Warehouse costs	142 060	145 021
Transport costs	431 792	437 552
Sales costs	1 146 426	1 146 777
Technical service	141 616	112 967
Research and development	168 726	167 436
General and administrative	642 992	637 570
Other	367 841	140 958
Total	**3 421 406**	**3 129 834**

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 above.

The item "Research and development" consists of costs from projects in a research phase and development costs related to cancelled projects.

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

FINANCE INCOME

(NOK THOUSAND)	2016	2015
Fair value changes financial instruments	21 768	–
Interest income	55 183	60 176
Interest income on loan to associated companies	4 341	3 417
Net foreign exchange gain	3 757	9 956
Other financial income	13 307	12 540
Total	**98 356**	**86 090**

FINANCE COSTS

(NOK THOUSAND)	2016	2015
Fair value changes financial instruments	–	–27 278
Interest costs	–106 503	–99 817
Net foreign exchange loss	–139 512	–81 842
Other financial costs	–21 326	–23 069
Total	**–267 342**	**–232 006**

Net financial items	**–168 985**	**–145 916**

Net foreign exchange loss in 2016 is affected by the significant devaluation of the Egyptian pound.

6 INCOME TAX

Taxes refer 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 in "taxes". Taxes are 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 2016 and 2015 are:

CONSOLIDATED INCOME STATEMENT

(NOK THOUSAND)	2016	2015
Current income tax charge:		
Tax payable	524 766	506 268
Deferred tax:		
Relating to original and reversal of temporary differences	–63 248	–4 256
Income tax expense reported in the income statement	**461 518**	**502 011**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(NOK THOUSAND)	2016	2015
Net loss (–) / gain on translation difference on net investment in foreign operations	–5 854	–6 637
Net loss (–) / gain om actuarial gains and losses	–7 149	–704
Income tax charged directly to other comprehensive income	**–13 003**	**–7 341**

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 25%:

(NOK THOUSAND)	2016	2016	2015
Profit before tax as reported in the income statement		1 593 739	1 918 055
Share of profit of associated companies and joint ventures (JVs) net of tax		–689 598	–562 013
Profit before tax excluding associated companies and JVs		**904 142**	**1 356 043**
Expected income taxes at statutory tax rate	25%	226 035	366 132
Effect of credit deduction*)	2%	19 348	23 229
Correction previous years	3%	23 471	12 355
Tax effect on dividends and permanent differences related to equity accounted companies	9%	78 687	71 766
Non-deductible expenses and non-taxable income	5%	42 509	38 656
Tax loss asset not recognised	14%	124 285	84 495
Foreign tax rate differences	–6%	–52 818	–94 621
Total income tax expense		**461 518**	**502 011**
Effective tax rate based on profit before tax		29%	26%
Effective tax rate excluding profit from associated companies and JVs		51%	37%

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 joint ventures 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)	2016	2015
Tax payable for the year	524 766	506 268
Prepaid taxes	–316 778	–225 286
Withholding taxes receivable	-88 038	–103 401
Other tax payable	39 603	7 694
Total	**159 554**	**185 275**

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)	2016	2015
Non-current assets	168 728	165 880
Current assets	–53 480	–155 971
Liabilities	–536 197	–345 940
Tax losses carried forward	–62 732	–109 728
Net temporary differences	**–483 682**	**–445 760**

NET DEFERRED TAX PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Recognised deferred tax liabilities	–27 828	–46 161
Recognised deferred tax asset	219 768	164 288

SPECIFICATION OF TAX LOSS CARRY FORWARD AND UNUSED TAX CREDITS

(NOK THOUSAND)	2016	2015
2016	–	12 437
2017	37 840	41 656
2018	49 719	51 334
2019	78 944	76 285
2020	73 612	585 285
2021 and after	500 642	–
Without expiration	502 995	392 258
Total loss carry forward	**1 243 751**	**1 159 254**
Calculated nominal tax effect of tax loss carry forward	449 473	414 926
Valuation allowance	431 797	384 202
Deferred tax asset recognised in the statement of financial position	**17 677**	**30 724**

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the unit recently reported a profit or because assets with excess value have been identified. To the extent that there is not likely to be future profits sufficient to absorb the tax-reducing timing differences, no deferred tax asset has been recognised.

Jotun entities in Spain and Pakistan have substantial tax reducing timing differences that have been recognized based on the expected improvement in profitability the coming years.

The Group's operations in the US, India and Brazil have substantial tax reducing timing differences that have not been recognised due to uncertainty with regard to utilisation.

7 INTANGIBLE ASSETS

(NOK THOUSAND)	DEVELOPMENT COST	IT APPLICATIONS	TOTAL
COST			
Balance as of 1 January 2015	129 198	312 733	441 931
Additions	27 129	38 164	65 293
Disposals	–4 368	–4 452	–8 819
Foreign currency translation effect	–	13 175	13 175
Balance as of 31 December 2015	**151 959**	**359 620**	**511 579**
Additions	31 394	72 143	103 538
Disposals	–3 806	–1 812	–5 618
Foreign currency translation effect	–	–13 331	–13 331
Balance as of 31 December 2016	**179 548**	**416 619**	**596 167**
AMORTISATION/IMPAIRMENT			
Balance as of 1 January 2015	–19 895	–140 528	–160 423
Amortisation	–9 656	–23 583	–33 239
Disposals	530	75	604
Foreign currency translation effect	–	–6 521	–6 521
Balance as of 31 December 2015	**–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**
NET BOOK VALUE			
Balance as of 31 December 2016	**138 784**	**225 244**	**364 028**
Balance as of 31 December 2015	122 937	189 063	312 000

Amortisable intangible assets are amortised over the following useful lifetimes:

ASSET CATEGORY	USEFUL LIFE
Development cost	8–10 years
Other intangible assets	up to 10 years

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

DEVELOPMENT COST

Development costs are capitalised if the costs can be measured reliably, the related product or process is technically and commercially feasible, sufficient future economic benefits will be generated and sufficient resources are available to complete the development. The expenditures capitalised include the cost of materials and direct labour. Capitalised development costs are amortised on a straight-line basis.

Research and development (R&D) cost that are not eligible for capitalization have been expensed and are recognized in administrative expenses (Note 5).

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 concepts, highly durable coatings with the need of less maintenance, optimization 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 are the global phase out Lead Chromate during 2015 and Cobalt salts during 2016.

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

8 PROPERTY, PLANT AND EQUIPMENT

(NOK THOUSAND)	LAND	BUILDINGS	ELECTRICAL INSTALLATION	MACHINERY, VEHICLES AND EQUIPMENT	CONTRUCTION IN PROGRESS	TOTAL
COST						
Balance as of 1 January 2015	260 191	2 382 569	187 565	3 240 747	867 964	6 939 036
Additions	59 745	150 946	8 626	294 174	343 367	856 858
Disposals	–19 123	–87 181	17 859	–333 241	–18 242	–439 928
Reclassifications	49 668	205 629	5 207	49 526	–310 030	–
Foreign currency translation effect	16 231	123 966	6 628	131 675	39 527	318 026
Balance as of 31 December 2015	**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	1 029 562
Disposals	–505	–31 311	–970	–127 244	–2 876	–162 905
Reclassifications	–	313 368	72 637	35 438	–421 443	–
Foreign currency translation effect	–21 010	–116 504	–15 888	–147 955	–38 045	–339 401
Balance as of 31 December 2016	**309 898**	**3 208 937**	**312 134**	**3 534 315**	**835 964**	**8 201 247**
DEPRECIATION AND IMPAIRMENT						
Balance as of 1 January 2015	–5 637	–1 021 662	–57 308	–2 099 915	–	–3 184 522
Depreciation	–1 323	–131 630	–47 476	–180 443	–	–360 872
Depreciation on disposals	144	95 448	1 251	286 219	–	383 062
Impairment	–	–62 490	–1 572	–14 944	–	–79 006
Foreign currency translation effect	–79	–31 479	–5 259	–175 618	–	–212 435
Balance as of 31 December 2015	**–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	–	138 999
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**	**–**	**–3 658 673**
NET BOOK VALUE						
Balance as of 31 December 2016	**297 071**	**1 912 110**	**186 869**	**1 310 560**	**835 964**	**4 542 575**
Balance as of 31 December 2015	359 816	1 624 116	115 520	1 198 180	922 586	4 220 218

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

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 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 Russia, the Philippines, Thailand, Indonesia, Myanmar, Malaysia, Egypt and Norway.

IMPAIRMENT

The impairment charges on property, plant and equipment amounts to NOK 117 million in 2016, and relates to production facilities in Brazil. Jotun Group completed the construction of a new factory in Brazil in 2015. Current operational losses in combination with generally challenging market conditions reducing the projected future cash inflow, led to the impairment. The recoverable amount of the fixed assets is NOK 165 million based on assessment of their value in use.

In assessing value in use, the 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. Separate discount rates for different future periods, varying from 12.7 per cent to 11.6 per cent as the value in use is sensitive to the term structure of interest rates.

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)	31.12.2016	31.12.2015
Raw materials	850 961	915 750
Finished goods	1 190 470	1 282 733
Total	**2 041 432**	**2 198 483**
Total allowance for obsolete inventories	112 419	88 652

10 PROVISIONS

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	32 354	292 649
Non-current	9 078	24 600	302	33 980
Total	**221 609**	**72 365**	**32 656**	**326 630**

PROVISIONS 2015

(NOK THOUSAND)	CLAIMS	ENVIRONMENTAL	OTHER	TOTAL
Balance as of 1 January	52 355	40 805	21 889	115 048
Provisions arising during the year	11 202	44 000	15 197	70 399
Utilised	–3 802	–5 821	–22 160	–31 783
Unused amounts reversed	–7 735	–	–	–7 735
Currency translation effect	3 797	–	467	4 264
Balance as of 31 December	**55 817**	**78 984**	**15 392**	**150 192**
Current, ref. note 16	47 882	54 379	15 392	117 653
Non-current	7 934	24 605	–	32 539
Total	**55 817**	**78 984**	**15 392**	**150 192**

CLAIMS

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 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 2018. These provisions are estimates of amounts payable or expected to become payable.

11 FINANCIAL RISK MANAGEMENT

The Jotun Group is exposed to financial risks like currency risk, liquidity risk and credit risk. The Jotun Group handles these risks in accordance with the Group's Treasury policy.

The responsibility for managing financial risk in the Jotun Group is divided between the individual operational entities and Group level. At Group level, Group Treasury manages risk related to centralised activities like funding and currency risk. Furthermore, Group Treasury monitors and advises the local entities on risk issues and ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives;

- Have financing available for investments and growth
- Ensure that working capital is giving satisfactory return
- Provide prudent financial risk management throughout the Group
- Utilise internal cash resources to minimise external borrowings
- Secure dividend inflows from subsidiaries and associates
- Maintain efficient and safe cash management routines
- Streamline processes for internal loans and equity transactions

Group Treasury shall ensure that the Group has financing available to meet both short-term funding needs and the long-term strategic ambitions of the Jotun Group. Minimizing the cost of capital shall be secondary to maintaining financial flexibility in line with the Jotun Group's strategy and business objectives. It is the Group's policy not to trade for speculative purposes. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Jotun Group's management of funding is further described in Note 15. The Group has no official credit rating, but actively monitors quantitative and qualitative measures which affect its creditworthiness.

As of 31 December 2016, all of the Group's financial instruments related to hedging are owned by the parent company Jotun A/S.

A) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that cash flows, profits and balance sheet items will fluctuate because of future changes in foreign exchange rates. As the Norwegian krone (NOK) is the functional currency for Jotun A/S and the presentation currency for the Jotun Group, the Group is exposed to currency risk between NOK and other currencies.

During 2016 NOK has strengthened moderately versus most other functional currencies within the Group, with the notable exceptions of the Egyptian Pound and Turkish Lira, which both weakened substantially versus NOK. Currency translation at year-end was based on the following key exchange rates:

	CLOSING RATE		
NORWEGIAN KRONE 1 =	2016	2015	CHANGE %
Chinese renminbi (CNY)	1.24	1.353	–8%
Hong Kong Dollar (HKD)	1.111	1.134	–2%
Malaysian Ringgit (MYR)	1.92	2.048	–6%
Thai Baht (TBH)	0.241	0.244	–1%
Egyptian Pound (EGP)	0.468	1.122	–58%
Omani Rial (OMR)	22.369	22.824	–2%
Saudi Riyal (SAR)	2.296	2.341	–2%
South Korean Won (KRW)	0.007	0.007	–4%
U.S. Dollar (USD)	8.611	8.786	–2%
Turkish Lira (TRY)	2.444	3.003	–19%

FOREIGN CURRENCY RISK ON OPERATIONAL AND FINANCIAL CASH FLOWS

Each operating unit has a net inflow or outflow of foreign currency related to product sales and raw material purchases. The currency risk arises when the movements in currency rates can not immediately be passed on to the product prices. This creates an impact on the operational result. The Jotun Group has a policy to hedge against this effect in companies where the effect is significant. There has been no hedging in companies in 2016, except Jotun A/S.

Foreign currency financial cash flows such as dividend payments, royalty payments, interest payments, instalments and issuing of loans and equity, give a currency exposure. For the Group this risk is concentrated to Jotun A/S. The policy is to hedge this exposure. Hedge accounting in accordance with IAS 39 is not applied. Both realised and unrealised effects are recognised in the financial result.

Jotun A/S has financial and operational foreign exchange income and costs which are hedged as a net position according to the policy of Jotun Group, relating to USD and EUR. This represents all hedging relationships for the Group. During 2016 Jotun A/S has hedged USD cash inflows and EUR cash outflows, in accordance with the Treasury policy. The table below shows the status as of 31 December 2016:

2016 (NOK THOUSAND)	**HEDGED VALUE 31.12.2016**	**UNREALISED GAIN / LOSS(–) 31.12.2016**	**REALISED EFFECT 2016**
Hedging of cash flows	952 941	–14 625	–743

2015 (NOK THOUSAND)	**HEDGED VALUE 31.12.2015**	**UNREALISED GAIN / LOSS(–) 31.12.2015**	**REALISED EFFECT 2015**
Hedging of cash flows	1 146 597	–36 392	–34 557

Unrealised gain from financial instruments of NOK 22 million is reported under net financial items, ref. note 5. Market value information related to the tables above is gathered from:

- Reuters 31 December 2016 and market value estimates generated by Jotun Group's financial system CRM.
- The valuations are based on inputs that are derived from observable prices and are hence categorized as a "Level 2" input according to the three-tier fair value hierarchy in IFRS.

TRANSLATION RISK IN SALES AND OPERATING RESULT

When all local sales and profit figures are converted to NOK and consolidated into Group accounts, there is a translation effect in the NOK numbers. This reflects the currency movement between NOK and all the relevant foreign currencies. This translation effect is not hedged.

SENSITIVITY ANALYSIS ON TRANSLATION EFFECTS

The Jotun Group has approximately 80 per cent of its sales and operational profit arising from foreign currency. Translating local currency figures into NOK, a ten per cent currency change would give an impact on the sales and operational profit of NOK 1 248 million and NOK 141 million respectively.

Changes in currency exchange rates had a moderate impact on sales and operating profit during 2016. The reported decline in operating revenue of NOK 497 million from NOK 16 282 million in 2015 to NOK 15 788 million, would theoretically have been NOK 301 million given equal currency exchange rates in 2015 and 2016. Similarly, the reported decline in operating profit for 2016 of NOK 301 million would have been NOK 283 million in the theoretical scenario of equal currency exchange rates in 2015 and 2016.

TRANSLATION RISK ON NET INVESTMENT

Net investment in a foreign operation equals the booked value of equity and intercompany loans in foreign currency where settlement is neither planned nor likely to occur in the foreseeable future, adjusted for the Jotun's ownership share. Currency translation risk arises when the financial statements of subsidiaries, joint ventures and associated companies presented in local currencies, are translated into NOK.

In 2016, a currency loss of in total NOK 472 million has been recognised related to the net investments in subsidiaries, joint ventures and associated companies (2015: gain NOK 459 million). This currency effect, net after tax, is presented in the consolidated statement of other comprehensive income.

(NOK THOUSAND)	**2016**	**2015**
EGP	–149 689	23 673
CNY	–115 223	142 732
TRY	–80 792	–20 535
GBP	–49 040	29 227
MYR	–16 697	–19 378
AUD	–14 632	3 112
KRW	–12 360	28 038
AED	–11 420	34 818
SEK	–10 920	7 490
Other	23 037	131 668
Total	**-437 736**	**360 846**

The currency loss in 2016 is mainly arising from translation differences related to the booked value of equity in the following underlying functional currencies:

In addition, translation differences related to intercompany loans classified as net investments in foreign operations resulted in a currency loss of NOK 35 million (2015: gain NOK 99 million).

The Group uses a traditional debt instrument in the form of a USD 120 million loan for hedging net investments in foreign subsidiaries. The net investment hedging is carried out in accordance with IAS 39. Foreign exchange gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income. In 2016, a foreign exchange gain of NOK 16 million was recognised (2015: loss NOK 119 million).

B) 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 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. This fixed rate bond is accounted for based on amortised cost.

The Jotun Group has low net interest-bearing debt, and the Group's policy is not to hedge the interest risk exposure. This policy will be re-considered if the debt increases to a significantly higher level.

C) 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 as a preparation for the spring and summer sales 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. 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.

D) CREDIT RISK

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

Jotun Group's credit risk is mainly related to markets with generally high days sales outstanding (DSO). Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed by the respective business unit and individual credit limits are defined in accordance with this assessment. 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 requirement for impairment 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.

E) COMMODITY PRICE RISK

The Group is exposed to a significant price risk in respect of a number of raw materials. Raw material purchases accounts for approximately 55 per cent of total sales revenue. Volatility in raw material prices can have a significant impact on the Group's results. Large short-term increases in the raw material prices cannot be compensated immediately in the product prices, and in the period until product prices can be increased, the profit will be negatively impacted in the short term. Currently, Jotun does not hedge this risk.

F) COMMODITY PRICE SENSITIVITY

In 2016, the cost of goods sold (COGS, which is mainly raw materials) was NOK 8 141 million. The effect of a ten per cent general increase in raw material prices would, all other variables constant, reduce the profit before tax by NOK 814 million.

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 subsequent 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.

2016

(NOK THOUSAND)	NOTE	MEASURE-MENT LEVEL	FINANCIAL INSTRUMENTS AT FAIR VALUES THROUGH STATEMENT OF INCOME	FINANCIAL LIABILITIES MEASURED AT AMOTISED COST	DEPOSITS AND RECEIVABLES	TOTAL	OF THIS INTEREST BEARING
NON-CURRENT ASSETS							
Share investments		3	8 248			8 248	
Other interest-bearing 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**

Total measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities
Total measurement level 2 (Other techniques for which all inputs that have significant effect on the recorded fair value are observable, directly or indirectly)
Total measurement level 3 (Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data)
Share investment consisting of 33.4 per cent of the shares in Nor-Maali OY.

2015

(NOK THOUSAND)	NOTE	MEASURE-MENT LEVEL	FINANCIAL INSTRUMENTS AT FAIR VALUES THROUGH STATEMENT OF INCOME	FINANCIAL LIABILITIES MEASURED AT AMOTISED COST	DEPOSITS AND RECEIVABLES	TOTAL	OF THIS INTEREST BEARING
NON-CURRENT ASSETS							
Share investments		3	8 248			8 248	
Non-current financial receivables					165 557	165 557	165 557
Total			**8 248**	**–**	**165 557**	**173 805**	**165 557**
CURRENT ASSETS							
Accounts receivable	13				4 104 342	4 104 342	
Other current receivables	13				652 717	652 717	
Cash and cash equivalents	14				1 520 840	1 520 840	1 520 840
Total			**–**	**–**	**6 277 899**	**6 277 899**	**1 520 840**
Total financial assets			**8 248**	**–**	**6 443 456**	**6 451 703**	**1 686 397**
NON-CURRENT LIABILITIES							
Non-current							
Financial liabilities	15	2		2 323 512		2 323 512	2 323 512
Total			**–**	**2 323 512**	**–**	**2 323 512**	**2 323 512**
CURRENT LIABILITIES							
Interest-bearing debt	15, 11			954 374		954 374	954 374
Trade and other payables				1 702 541		1 702 541	
Current tax liabilities	6			185 275		185 275	
Other liabilities	16			1 763 028		1 763 028	
Current derivatives	11	1	702			702	
Total			**702**	**4 605 218**	**–**	**4 605 921**	**954 374**
Total financial liabilities			**702**	**6 928 731**	**–**	**6 929 433**	**3 277 887**

Total measurement level 1 (Quoted, unadjusted prices in active markets for identical assets and liabilities
Total measurement level 2 (Other techniques for which all inputs that have significant effect on the recorded fair value are observable, directly or indirectly)
Total measurement level 3 (Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data)
Share investment consisting of 33.4 per cent of the shares in Nor-Maali OY.

13 TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES

(NOK THOUSAND)	31.12.2016	31.12.2015
Accounts receivable	3 865 385	4 104 342
Bank receivables	249 394	187 089
Other receivables	389 540	465 628
Total	**4 504 319**	**4 757 059**

Bank receivables consist of bank drafts received from customers for payment of accounts receivable.

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.

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

ALLOWANCES FOR BAD DEBT

(NOK THOUSAND)	31.12.2016	31.12.2015
Balance as of 1 January	183 742	186 210
Allowances for bad debt made during the period	57 840	40 269
Realised losses for the year	–72 091	–42 737
Balance as of 31 December	**169 492**	**183 742**

The maximum credit risk exposure at year end is the fair value of each class of receivables mentioned above. Further information regarding credit risk and foreign exchange risk regarding accounts receivable is discussed in note 16.

Aging of accounts receivable at 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
2016*	4 034 877	2 684 177	466 318	193 139	135 118	556 126
2015*	4 288 085	2 868 497	528 558	257 600	141 908	491 521

*) Does not include allowance for bad debt.

14 CASH AND CASH EQUIVALENTS

For the purpose of the Consolidated statement of cash flows, cash equivalents comprise the following at 31 December:

(NOK THOUSAND)	31.12.2016	31.12.2015
Cash at banks and on hand	1 081 202	1 520 840
Short-term deposits	504 832	–
Total	**1 586 034**	**1 520 840**

Cash and cash equivalents have a maturity between one day and three months. Cash at banks earns 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. The average interest rate for bank deposits is approximately 2.3 per cent for 2016 (2015: 2.0 per cent).

As of 31 December 2016, the Group had available NOK 900 million (2015: NOK 900 million) of undrawn credit facilities, of which NOK 800 million is long term.

Cash at banks and on hand are attributable 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:

(NOK THOUSAND)	31.12.2016	31.12.2015
Egypt	127 900	274 131
China	101 122	161 560
Net position Group cash pool	100 320	227 555
Indonesia	88 003	37 449
Malaysia	78 922	71 002
Vietnam	66 704	43 794
Thailand	63 587	128 147
United States	47 493	39 655
Oman	45 686	31 253
Other	361 465	506 294
Total	**1 081 202**	**1 520 840**

All cash is available for Jotun A/S, except for Egypt where currency restrictions makes the cash unavailable.

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 per cent of consolidated sales. Commercial papers and money markets 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 2016, 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 5–10 years.

In 2016 the Jotun Group has reduced its bond funding from NOK 1 300 million to NOK 1 000 million. The Group's bilateral loan with the Nordic Investment Bank (NIB) of USD 120 million is maintained. The table below gives an overview of both total interest-bearing debt and net interest-bearing debt.

	BOOK VALUE*				
(NOK THOUSAND)	31.12.2016	31.12.2015	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 3.85%	2021
Bank debt (NIB), unsecured	1 035 624	1 056 744	USD	US LIBOR + 1.2%	2024
Bank debt Oman, pledge in tangible assets	217 181	145 433	OMR	Oman BLR - 9.5%	2019
Bank debt BNDES Brazil, secured with bank guarantee	96 072	104 839	BRL	TJLP + 1.8%	2021
Other bank debt, unsecured	154 346	157 489			
Total	**2 503 224**	**2 464 506**			
of this current liabilities (first year's repayment)	–146 121	–140 994			
Total non-current interest-bearing liabilities	**2 357 102**	**2 323 512**			
CURRENT INTEREST-BEARING LIABILITIES					
Bond 2013–16	–	300 000	NOK	NIBOR + 1.2%	2016
Certificate loans, unsecured	200 000	–	NOK	1.62%	2017
Credit line facilities	29 072	14 616			
Bank loans, maturity < 1 year	146 121	140 994			
Other loans	502 158	498 765			
Total current interest-bearing liabilities	**877 352**	**954 374**			
Total interest-bearing liabilities	**3 234 454**	**3 277 887**			
Non-current interest-bearing receivables	125 415	165 557			
Cash and cash equivalents	1 586 034	1 520 840			
Net interest-bearing liabilities	**1 523 005**	**1 591 490**			

* The fair value of interest-bearing assets and liabilities in the table above is equal to the respective book values.

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 9.5 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 318 million (2015: NOK 154 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.

NON-CURRENT INTEREST-BEARING RECEIVABLES

Non-current interest-bearing receivables consists mainly of other financial assets like prepayment of lease and, as a part of the Decorative strategy, financing of Multicolor machines in selected markets.

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 pools 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							
31.12.2016	3 234 454	877 352	313 707	804 302	175 271	572 663	491 160
31.12.2015	3 277 887	954 374	60 905	202 624	802 026	177 886	1 080 071
Unutilised credit facilities							
31.12.2016	800 000	–	–	400 000	–	–	400 000
31.12.2015	800 000	–	–	–	400 000	–	400 000

NON-CURRENT INTEREST-BEARING DEBT BY CURRENCY

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

	31.12.2016		31.12.2015	
(NOK THOUSAND)	CURRENCY AMOUNT	NOK	CURRENCY AMOUNT	NOK
NOK	1 000 000	1 000 000	1 000 000	1 000 000
USD	125 184	1 077 937	120 449	1 058 317
OMR	9 709	217 181	6 372	145 433
BRL	36 296	96 072	47 242	104 839
Other		–34 088		14 923
Total non-current interest-bearing liabilities		**2 357 102**		**2 323 512**

LOAN 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 equity ratio (equity / total assets) and the debt 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 covenants apply:

(NOK THOUSAND)	REQUIRED LEVEL (COVENANT)	STATUS YEAR END 2016
Equity ratio	Minimum 25%	53%
Net debt/EBITDA*	Maximum 4.0	0.7

*) EBITDA = Operating Profit before amortisation and depreciation

16 OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES

(NOK THOUSAND)	31.12.2016	31.12.2015
Public charges and holiday pay	269 136	274 953
Prepaid dividend	319 716	315 014
Other accrued expenses	833 132	1 056 109
Total current provisions, ref. note 10	292 649	117 653
Total	**1 714 634**	**1 763 731**

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

17 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Jotun A/S at 31 December 2016 consists of the following share classes:

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

At the 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 at 31 December 2015 was 746. The largest shareholders were:

SHAREHOLDERS	A-SHARES	B-SHARES	TOTAL	OWNERSHARE	VOTING INTEREST
Lilleborg AS	42 014	103 446	145 460	42.5 %	38.3%
Odd Gleditsch AS	11 443	36 990	48 433	14.2 %	11.1%
Mattisberget AS	29 387	546	29 933	8.8 %	21.5%
Leo Invest AS	2 994	7 522	10 516	3.1 %	2.7%
Abrafam Holding AS	3 375	3 815	7 190	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	3 016	2 353	5 369	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	4 063	567	4 630	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	1 000	2 084	3 084	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	**102 512**	**201 070**	**303 582**	**88.8%**	**89.6%**
Total others	11 488	26 930	38 418	11.2%	10.4%
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	3 375	3 823	7 198
Nicolai A. Eger	Member of the Board	1 110	5 202	6 312
Richard Arnesen	Member of the Board	1 855	2 128	3 983
Karl Otto Tveter	Member of the Board		4	4
Birger Amundsen	Member of the Board		2	2
Terje Andersen	Member of the Board		2	2
Anders A. Jahre	Chairman of the Corporate Assembly		4	4
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	10 555
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 670	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
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 aquisitions.

DIVIDENDS PAID AND PROPOSED

DECLARED AND PAID DURING THE YEAR	2016	2015
Dividends on ordinary shares:		
Final dividend for 2015: 1 500 NOK per share (2014: 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):	2016	2015
Dividends on ordinary shares:		
Final dividend for 2016: 1 500 NOK per share (2015: 1 500 NOK per share)	513 000	513 000

18 LIST OF SUBSIDIARIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(SHARE CAPITAL AND VALUES IN NOK THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	FACE VALUE	STAKE %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	335 000	12 110	234 500	70.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	AUD	9 350	16 050 001	9 350	100.00
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	225 655	999 900	225 632	99.99
Jotun Brasil Imp.. Exp. & Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	280 000	279 999 999	280 000	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	104 223 850	272 000	103 650 619	99.45
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	6 050	1 517 190	5.00
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	176 000	41 800	167 200	95.00
Jotun Libya J.S.Co.	Tripoli	Libya	LYD	7 184	65 000	5 747	80.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	MYR	50 000	50 000 000	50 000	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	MYR	48 000	48 000 002	48 000	100.00
Jotun Mexico. S.A. de C.V.	Veracruz	Mexico	MXN	11 392	99	11 278	99.00
Jotun Maroc SARL D Associe Unique	Casablanca	Morocco	MAD	33 000	330 000	33 000	100.00
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	5 035 589	299 611	5 035 086	99.99
Jotun B.V.	Spijkenisse	Netherlands	EUR	1 316	29 001	1 316	100.00
Scanox AS	Drammen	Norway	NOK	4 000	20 000	4 000	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	NOK	87 000	87 000	87 000	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	OMR	250	15 500	155	62.00
Jotun Pakistan (Private) Limited	Lahore	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.zo.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	85 719	158	85 719	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 Paints (Europe) Ltd	Flixborough	UK	GBP	7 500	7 500 000	7 500	100.00
Jotun Paints Inc.	New Orleans	US	USD	89 600	100	89 600	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 NOK 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
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	114 950	28 826 613	95.00
Jotun Kenya Limited	Nairobi	Kenya	KES	176 000	2 200	8 800	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 (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	China	TWD	30 000	30 000 000	30 000	100.00
Jotun B.V.							
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	16.67
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	297	9	2.60
Jotun (Malaysia) Sdn.Bhd.							
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	225 655	1	23	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	5 035 589	1	504	0.01
Jotun Singapore Pte Ltd							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	104 223 850	1 500	573 231	1

The voting interest corresponds to the share interest.

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.

DISPUTES AND CLAIMS

Jotun Group is, through its on-going business, involved in disputes and claims cases 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 Group's financial position.

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 Group makes investments and/or incurs costs to meet more stringent emission standards or to take remedial actions related to e.g. soil contamination.

20 CONTRACTUAL OBLIGATIONS AND GUARANTEES

PURCHASE OBLIGATIONS

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 415 million is contractual committed capital expenditures (CAPEX) at year-end. These contractual commitments mainly relate to Norway, the Philippines and Myanmar. 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.

SALES OBLIGATIONS

The Jotun Group has several sales contracts that are material for each entity. We have evaluated existing contracts with contract value of NOK 10 million or more. These contracts are mainly related to the Protective Coatings and the Marine Coatings business. Products are often considered to be commodities in these markets, and alternative suppliers and products are available. Contracts can easily be transferred to other suppliers without inconvenience to the customer and therefore there is no actual commitment involved. There are also contracts within the Marine Coatings segment where certain performance guarantees are given. The actual commitment related to these contracts is approximately NOK 45 million.

For most sales contracts within the Group there are no penalty clauses involved. In some situations, a contractual breach could cause an obligation to compensate the customer for change of supplier, including price variations. This type of commitment is considered to be insignificant for the Group.

OTHER OBLIGATIONS

On behalf of subsidiaries and joint ventures, Jotun A/S issued Letters of Comfort amounting to NOK 2 324 million in 2016 (2015: NOK 2 496 million). Guarantees covering tax withholding and other guarantees for subsidiaries amounted to approximately NOK 301 million in 2016 (2015: NOK 303 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 197 million have been used as payment as of 31 December 2016.

21 LEASES

Operating lease expenses included in other operating expenses are:

(NOK THOUSAND)	2016	2015
OPERATING LEASE EXPENSES		
Machinery, vehicles and equipment	63 208	58 819
Factory, premises and buildings	53 616	57 255
Land	3 187	2 685
Total	**120 011**	**118 759**

OVERVIEW OF FUTURE MINIMUM LEASE PAYMENTS RELATED TO OPERATING LEASES	2016	2015
Cost next year	123 280	105 196
Cost next 2-5 years	183 204	168 335
Cost after 5 years	71 605	94 115
Total	**378 088**	**367 647**

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. Financial leases are capitalised. There are no capitalised financial leases as of 31 December 2016.

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 2016 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 information and dividend 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.

The Group also has lending's to joint venture companies mainly in China and in Korea. 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 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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.

2016 (NOK THOUSAND)	PURCHASE SALES TO	FROM	LOAN TO	INTERESTS 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**

2015 (NOK THOUSAND)	PURCHASE SALES TO	FROM	LOAN TO	INTERESTS ON LOANS TO	OTHER CURRENT LIABILITIES	TRADE AND OTHER RECEIVABLES
Joint ventures	1 319 213	514 521	33 348	1 109	99 556	304 300
Associated companies	87 073	124 792	1 601	104	121 174	64 242
Total	**1 406 286**	**639 313**	**34 950**	**1 213**	**220 730**	**368 542**

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 2016.

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 2 and 15. Besides remuneration and shares, Jotun Group has not identified any transactions with the Board of Directors or Group Management during 2016.

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, if applicable, 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 a preliminary assessment of the impact of IFRS 15 and the impactions are not expected to be 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. The Jotun Group has carried out an assessment of the detailed implications, by identifying all lease arrangement that fall within the scope of IFRS 16. If the current lease agreements held by the Group were to be measured and recognized in accordance with the new standard, then the equity ratio would reduce by approximately 2 percentage points, and the operational result before depreciations and amortization (EBITDA) would increase by an estimated 5 percentage points. IFRS 16 is 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

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.

JOTUN A/S

STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT

(NOK THOUSAND)	NOTE	2016	2015
Operating revenue	1	3 099 821	3 170 003
Cost of goods sold		–1 397 180	–1 382 368
Payroll expenses	2	–863 742	–854 975
Other operating expenses	4, 20	–852 530	–733 444
Depreciation, amortisation and impairment	6, 7	–120 919	–114 042
Operating profit		**–134 550**	**85 174**
Dividend/group contribution from subsidiaries		890 627	777 241
Dividend from joint ventures and associated companies		651 700	319 863
Net finance costs	4, 19, 21	–331 507	–126 016
Profit before tax		**1 076 270**	**1 056 262**
Income tax expense	5	–128 308	–151 470
Profit for the year		**947 961**	**904 791**

OTHER COMPREHENSIVE INCOME

	NOTE	2016	2015
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/loss (–) on defined benefit pension plans	3	–2 659	–2 805
Other comprehensive income for the year, net of tax		**–2 659**	**–2 805**
Total comprehensive income for the year		**945 302**	**901 986**
Proposed dividend		**513 000**	**513 000**

STATEMENT OF FINANCIAL POSITION

(NOK THOUSAND)	NOTE	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Deferred tax assets	5	64 959	29 130
Other intangible assets	6	275 966	209 924
Property, plant and equipment	7	897 103	801 533
Investments in subsidiaries	8	2 672 911	2 753 063
Investments in associated companies and joint ventures	9	268 469	254 242
Other investments	10	8 728	8 728
Other non-current receivables	13, 15, 21	2 510 921	2 364 843
Total non-current assets		**6 699 057**	**6 421 463**
Current assets			
Inventories	11	412 802	378 695
Trade and other receivables	12, 13	789 371	1 013 069
Cash and cash equivalents	15	660 469	231 087
Total current assets		**1 862 642**	**1 622 851**
Total assets		**8 561 698**	**8 044 314**

(NOK THOUSAND)	NOTE	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
Equity			
Share capital	14, 22	102 600	102 600
Other equity	22	4 551 936	4 119 633
Total equity		**4 654 536**	**4 222 233**
Non-current liabilities			
Pension liability	3	127 863	115 654
Provisions	17, 18	33 678	32 539
Interest-bearing debt	15, 21	2 035 624	2 056 744
Total non-current liabilities		**2 197 165**	**2 204 937**
Current liabilities			
Interest-bearing debt	15	200 000	300 000
Trade and other payables	13	365 565	320 683
Provisions	17	158 001	10 526
Current tax liabilities	5	51 673	26 679
Other current liabilities	13, 15, 16	934 758	959 256
Total current liabilities		**1 709 997**	**1 617 144**
Total liabilities		**3 907 162**	**3 822 081**
Total equity and liabilities		**8 561 698**	**8 044 314**

Sandefjord, Norway, 9 February 2017
The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Ingrid Luberth

Karl Otto Tveter

Morten Fon
President and CEO

STATEMENT OF CASH FLOWS

(NOK THOUSAND)	NOTE	2016	2015
Cash flow from operating activities			
Profit before tax		1 076 270	1 056 261
Adjustments to reconcile profit before tax to net cash flow:			
Gains(–)/losses on sale of fixed assets	7	–	–24 403
Depreciation, amortisation and impairment	6, 7	132 010	114 042
Impairment of shares	8	376 000	127 500
Gains(–)/losses on liquidation of shares		–	–291
Change in accruals and other provisions		74 424	186 650
Working capital adjustments:			
Change in trade and other receivables		72 181	–27 605
Change in trade payables		44 882	43 698
Change in inventories		–34 108	–57 624
Tax payments	5	–159 514	–159 404
Net cash flow from operating activities		**1 582 146**	**1 258 824**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	7	–	27 029
Proceeds from sale of shares		–	630
Purchase of property, plant and equipment	7	–195 816	–78 729
Purchase of intangible assets	6	–97 806	–46 860
Investments in subsidiaries, joint ventures and associated companies		–310 075	–434 020
Net cash flow used in investing activities		**–603 697**	**–531 950**
Cash flows from financing activities			
Repayment(–)/proceeds in group account system		70 204	–53 614
Cash payments for new lending		14 850	–527 219
Proceeds from borrowings		–121 119	–41 917
Dividend paid		–513 000	–513 000
Net cash flow from financing activities		**–549 066**	**–1 135 750**
Net increase/decrease (–) in cash and cash equivalents		429 383	–408 875
Cash and cash equivalents as of 1 January		231 087	639 962
Cash and cash equivalents as of 31 December		**660 470**	**231 087**

The company had unused credit facilities of NOK 900 million as of 31 December 2016 (2015: NOK 900 million). There are no restrictions on the 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 2015		**102 600**	**3 596 423**	**3 699 023**
Dividends	14		–513 000	–513 000
Dividend not recognised in statement of comprehensive income			134 224	134 224
Profit of the year			904 791	904 791
Other comprehensive income			–2 805	–2 805
Equity as of 31 December 2015		**102 600**	**4 119 633**	**4 222 232**
Dividends	14		–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**

In 2015 Jotun A/S received dividend from Jotun Powder Coatings AS. NOK 134 million of the dividend was related to Jotun Powder Coatings AS profit on sales of shares in Jotun Powder Coatings (N) AS to Jotun A/S in 2014. The amount was recognised in the statement of comprehensive income for Jotun Powder Coatings AS in 2014, and therefore recognised directly in other equity in Jotun A/S in 2015.

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)	2016	2015
Sales revenue	1 436 888	1 428 275
Sales revenue from subsidiaries and joint ventures	898 339	907 488
Other revenue	197 411	266 164
Other revenue from subsidiaries	567 183	568 075
Total	**3 099 821**	**3 170 003**

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

2 PAYROLL EXPENSES

WAGES AND OTHER SOCIAL COSTS

(NOK THOUSAND)	2016	2015
Wages including bonuses	698 750	682 958
Social security tax	110 903	96 907
Pension costs defined benefit plans, ref. note 3	4 377	4 950
Pension costs defined contribution plans	70 286	81 423
Other personell costs	–20 574	–11 263
Total	**863 742**	**854 975**
Average full time equivalent	913	897

REMUNERATION TO PRESIDENT & CEO

(NOK THOUSAND)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
Morten Fon	5 101	2 500	260	1 586	9 447

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 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 the Board and Corporate Assembly.

REMUNERATION OF THE BOARD OF DIRECTORS

(NOK THOUSAND)	Ordinary compensation
Board of Directors	2 850
Corporate Assembly	180
Total	**3 030**

Shares owned by members of the Board of Directors and the Group Management are specified in note 14.

EXTERNAL AUDITOR REMUNERATION

(NOK THOUSAND)	2016	2015
Statutory audit	2 220	1 562
Tax services	536	121
Other services	671	1 250
Total	**3 427**	**2 933**

3 PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

The company 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 plan, the company is responsible for paying an agreed pension to the employee based on his or her 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 Payroll expenses.

DEFINED BENEFIT PLANS

The company has pension plans that are classified as funded benefit plans and unfunded benefit plans, recognised in the statement of financial position.

The schemes define a pension benefit of up to 60 per cent of final salary at retirement, limited up to twelve times the social security basic amount (12G). As of 31 December the basic amount (1G) is NOK 92 576. The pension liability of the company is linked to changes in Norwegian social security benefits. Other schemes with net pension obligations include the contractual-pension scheme (AFP) and unfunded pension obligations related to old-age pensions, previous early retirement for Jotun's senior executives and book liabilities related to contribution-based plans for employees who earn more than twelve times the social security basic amount (12G).

OTHER SEVERANCE SCHEMES

Included in this scheme are Jotun's operating pension schemes in the Norwegian companies regarding a pension base exceeding twelve times the basic amount (12G).

ASSUMPTIONS RELATING TO THE DEFINED BENEFIT PLANS

The discount rate related to the defined benefit plans in Norway is based on the market yield 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 the 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 estimated return will vary depending on the composition of the various class of assets. The actual return and breakdown of pension plan assets may be seen in the notes below.

The number of active employees and pensioners in the various schemes is shown in the table below:

BREAKDOWN OF PENSION PLAN ASSETS (FAIR VALUE) AT 31 DECEMBER	2016	2015
Cash and cash equivalents in %	2	4
Bonds in %	74	52
Shares in %	10	32
Property in %	14	12
Total	**100**	**100**
ACTUARIAL ASSUMPTIONS		
Discount rate in %	1.40	1.90
Expected return in %	1.40	1.90
Wage adjustment in %	2.25	2.50
Inflation / increase in social security basic amount (G), in %	2.25	2.25
Pension adjustment in %	0.50–2.50	1.50–2.50
SCHEMES WITH NET PENSION FUNDS		
Defined benefit scheme – active employees	–	–
Defined benefit scheme – pensioners	5	5
SCHEMES WITH NET PENSION OBLIGATIONS		
Old-age pensioners in unfunded schemes	14	14
Early-retirement-pension agreements – agreed and implemented	12	19
Senior-executive schemes – active employees	3	7
Senior-executive schemes – pensioners	5	1
Contractual pension (AFP) – pensioners	–	–
Benefit scheme financed over operations	–	–

SCHEMES WITH NET PENSION OBLIGATIONS

(NOK THOUSAND)	2016	2015
CHANGES IN PENSION OBLIGATIONS INCLUDING SOCIAL SECURITY		
Pension obligation at the beginning of the period	76 464	71 983
Pension earning for the year	2 997	3 064
Interest cost on pension obligations	1 388	1 865
Actuarial loss / gain (–)	3 501	5 830
Social security upon paying pension funds	–188	–190
Pension payments	–7 067	–6 089
Pension obligation at the end of the period*	**77 095**	**76 464**
CHANGES IN PLAN ASSETS		
Plan assets at the beginning of the period	2 104	1 005
Expected return on plan assets	10	–20
Actuarial loss / gain (–)	2	2 091
Payments in / out (–)	1 330	1 347
Pension payments	–1 414	–2 318
Plan assets at the end of the period	**2 032**	**2 104**
RECONCILIATION OF PENSION LIABILITIES/ASSETS RECOGNISED IN THE BALANCE SHEET		
Net pension obligation – overfunded / underfunded (–)	–75 063	–74 360
Total pension liabilities	**–75 063**	**–74 360**
THE PERIOD'S PENSION COSTS INCLUDING SOCIAL SECURITY		
Pension earnings for the year	3 016	3 084
Interest cost for the pension obligations	1 361	1 863
Expected return on plan assets	–	3
Pension cost recognised in the profit or loss statement	**4 377**	**4 950**
Actuarial loss/gain(–) recognised in other comprehensive income (net of taxes)	**2 659**	**2 805**
PENSION OBLIGATIONS IN THE BALANCE SHEET		
Benefit schemes and other unsecured schemes	–75 063	–74 360
Other severance schemes	–52 800	–41 294
Plan liabilities recognised in the statement fo financial position	**–127 863**	**–115 654**

*) including unsecured schemes

4 OTHER OPERATING EXPENSES AND FINANCE INCOME/COSTS

OTHER OPERATING EXPENSES

(NOK THOUSAND)	2016	2015
Manufacturing costs	63 653	64 653
Warehouse costs	17 975	15 362
Transport costs	41 659	43 692
Sales costs	165 097	196 934
Research and development	191 775	179 352
General and administrative	113 010	148 137
Royalty costs	41 132	57 029
Other	218 229	28 287
Total	**852 530**	**733 444**

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 above.

The item "Research and development" consists of cost from projects in a research phase and development costs related to cancelled projects.

The item "Other" mainly consists of claims, technical service cost, and change in cost of conversion. The increase from last year is mainly caused by high claims provisions in 2016.

(NOK THOUSAND)	2016	2015
NET FINANCE INCOME		
Interest income	5 090	5 520
Interest income on loan to group companies	98 416	100 326
Other financial income	15 702	12 637
Total	**119 208**	**118 483**
FINANCE COST		
Interest costs	–50 271	–58 914
Net realised foreign currency loss	–15 155	–12 516
Net unrealised foreign currency loss	–6 331	–43 248
Write down of financial fixed assets	–376 000	–127 500
Other financial costs	–2 958	–2 322
Total	**–450 715**	**–244 500**
Total net finance income / cost (–)	**–331 507**	**–126 016**

5 INCOME TAX

INCOME STATEMENT

(NOK THOUSAND)	2016	2015
Tax payable	163 297	160 841
Changes in deferred tax	–34 990	–9 372
Income tax expense reported in income statement	**128 308**	**151 470**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(NOK THOUSAND)	2016	2015
DEFERRED TAX RELATED TO ITEMS CHARGED DIRECTLY TO OTHER COMPREHENSIVE INCOME DURING THE YEAR:		
Actuarial gains / losses (–) on defined benefit pension plans	840	935
Income tax expenses charged directly to other comprehensive income	**840**	**935**

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

(NOK THOUSAND)	2016	2015
Profit before tax	**1 076 270**	**1 056 262**
Expected income taxes according to income tax rate 25 per cent in Norway	269 068	285 191
Exempted tax on dividends	–330 874	–252 954
Tax on dividends and surplus in NOKUS companies	52 531	60 475
Non-deductible expenses and non taxable income*	80 614	23 821
Correction previous year and change in temporary differences	8 422	10 003
Taxation outside Norway less deductible in Norwegian Tax	48 546	24 933
Total income tax expense	**128 308**	**151 470**
Effective tax rate	12%	14%

*) Non-deductible expenses are primarily connected to write down of shares. See note 8 for further information.

TAX PAYABLE PRESENTED IN THE STATEMENT OF THE FINANCIAL POSITION

(NOK THOUSAND)	2016	2015
Tax payable for the year	163 297	160 841
Net foreign tax paid	–27 858	–24 933
Norwegian tax settlement for previous years	566	–6 738
Withholding taxes receivable	–58 815	–69 660
NOKUS tax receivable	–23 451	–30 728
Skattefunn receivable	–2 066	–2 104
Total tax payable in Norway and abroad	**51 673**	**26 679**
Tax payable in Norway	30 986	26 679

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)	2016	2015
Non-current assets	55 190	68 467
Current assets	8 313	10 125
Liabilities	–334 166	–195 112
Net temporary differences	**–270 663**	**–116 519**
Tax rate*	24%	25%
Deferred tax asset recognised in the statement of financial position	**64 959**	**29 130**

*) The Norwegian nominal statutory tax rate will be reduced from 25 per cent in 2016 to 24 per cent in 2017.

6 INTANGIBLE ASSETS

(NOK THOUSAND)	TECHNOLOGY	SOFTWARE	DEVELOPMENT COST	TOTAL
COST				
Balance as of 1 January 2015	5 334	168 478	129 177	302 989
Additions and internal development	–	19 731	27 129	46 860
Disposals	–	–	–4 346	–4 346
Balance as of 31 December 2015	**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**
AMORTISATION/IMPAIRMENT				
Balance as of 1 January 2015	–2 000	–93 587	–19 896	–115 482
Amortisation	–1 067	–9 901	–9 657	–20 624
Disposals	–	–	530	530
Balance as of 31 December 2015	**–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**
NET BOOK VALUE				
Balance as of 31 December 2016	**1 200**	**136 096**	**138 670**	**275 966**
Balance as of 31 December 2015	2 267	84 721	122 937	209 924

Amortisable intangible assets are amortised over the following lifetimes:

ASSET CATEGORY	USEFUL LIFE
Technology	5 years
Software	8 years
Development costs	up to 10 years

See Jotun Group's note 7 for further information.

7 PROPERTY, PLANT AND EQUIPMENT

(NOK THOUSAND)	LAND	BUILDINGS	ELECTRICAL INSTALLATION	MACHINERY, VEHICLES AND EQUIPMENT	CONTRUCTION IN PROGRESS	TOTAL
COST						
Balance as of 1 January 2015	14 642	718 554	94 758	1 147 596	18 649	1 994 199
Additions	–	5 513	1 160	22 758	49 297	78 729
Disposals	–	–87 585	–	–222 389	–	–309 973
Balance as of 31 December 2015	**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**
DEPRECIATION AND IMPAIRMENT						
Balance as of 1 January 2015	–	–429 991	–21 117	–721 363	–	–1 172 470
Depreciation	–	–20 527	–9 507	–63 385	–	–93 418
Disposals	–	84 766	–	219 703	–	304 469
Balance as of 31 December 2015	**–**	**–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**
NET BOOK VALUE						
Balance as of 31 December 2016	**20 304**	**258 447**	**57 951**	**369 052**	**191 349**	**897 103**
Balance as of 31 December 2015	14 642	270 731	65 295	382 920	67 946	801 533

Disposals in 2015 are primarily related to the sales of two dormant production sites located in Fredrikstad and Manger, as well as demolition of production facilities in Sandefjord. Disposals in 2016 is related to demolition at Gimle in Sandefjord in preparation for construction of new facilities.

See Jotun Group's note 8 for further information.

8 LIST OF SUBSIDIARIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(SHARE CAPITAL AND VALUES IN NOK THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	BOOK FACE VALUE	VALUE NOK	STAKE %
Jotun Algerie S.A.R.L	Algiers	Algerie	DZD	335 000	12 110	234 500	18 012	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	225 655	999 900	225 632	20 948	99.99
Jotun Brasil Imp., Exp. & Ind De Tintas Ltda.	Rio De Janeiro	Brazil	BRL	280 000	279 999 999	280 000	16 390	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	104 223 850	272 000	103 650 619	87 881	99.45
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	6 050	1 517 190	–	5.00
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	176 000	41 800	167 200	16 185	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 /AU	Casablanca	Marocco	MAD	33 000	330 000	33 000	26 563	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	MXN	11 392	99	11 278	5 723	99.00
Jotun Myanmar Company Ltd.	Yangon	Myanmar	MMK	5 035 589	299 611	5 035 086	38 256	99.99
Jotun Myanmar Services Company ltd.	Yangon	Myanmar	MMK	1 302 500	100 000	1 289 475	8 770	99.00
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) Ltd.	Lahore	Pakistan	PKR	146 124	2 761 349	146 124	3 604	100.00
Jotun (Philippines) Inc	Manila	Philippines	PHP	780 651	15 463 695	780 651	99 619	100.00
Jotun Polska Sp.zo.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	85 719	158	85 719	35 036	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 Paints (Europe) Ltd	Flixborough	UK	GBP	7 500	7 500 000	7 500	86 408	100.00
Jotun Paints Inc.	New Orleans	US	USD	89 600	100	89 600	287 463	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	VND	258 921 490	–	258 921 490	60 360	100.00
Total							**2 673 391**	

The voting interest corresponds to the share interest.
Jotun Brasil Imp. Exp. & Industria de Tintas Ltda. was written down with NOK 350 million in 2016.
Jotun Paints South Africa (Pty) Ltd was written down with NOK 26 million in 2016.

SHARES HELD BY SUBSIDIARIES

(SHARE CAPITAL AND FACE VALUE IN NOK 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
PT Jotun Powder Coatings Indonesia	Jakarta	Indonesia	IDR	30 343 803	114 950	28 826 613	95.00
Jotun Kenya Limited	Nairobi	Kenya	KES	176 000	2 200	8 800	5.00
Jotun Powder Coatings (M) 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 (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	China	TWD	30 000	30 000 000	30 000	100.00
Jotun B.V.							
Jotun (Deutschland) Gmbh	Hamburg	Germany	EUR	614	1 200	102	16.67
Jotun Hellas Ltd.	Glyfada	Greece	EUR	343	297	9	2.60
Jotun (Malaysia) Sdn.Bhd.							
Jotun Bangladesh Ltd	Dhaka	Bangladesh	BDT	225 655	1	23	0.01
Jotun Myanmar Services Company LTD	Yangon	Myanmar	MMK	1 302 500	50	13 025	1.00
Jotun Myanmar Company Limited	Yangon	Myanmar	MMK	5 035 589	1	504	0.01
Jotun Singapore Pte Ltd							
P.T. Jotun Indonesia	Jakarta	Indonesia	IDR	104 223 850	1 500	573 231	0.55

The voting interest corresponds to the share interest.

9 SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

SHARES HELD DIRECTLY BY THE PARENT COMPANY

(SHARE CAPITAL AND VALUES IN NOK THOUSAND)

COMPANY	CITY	COUNTRY	CURRENCY	SHARE CAPITAL	NO. OF SHARES	BOOK FACE VALUE	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	11 140 000	557 000	5 570 000	31 953	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							**268 469**	

SHARES HELD BY SUBSIDIARIES AND ASSOCIATED COMPANIES

(SHARE CAPITAL AND FACE VALUE IN NOK 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

The voting interest corresponds to the share interest.
For extended information regarding joint ventures and associated companies see Jotun Group's note 2.

10 FINANCIAL INVESTMENTS

(SHARE CAPITAL AND VALUES IN NOK THOUSAND)

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

11 INVENTORIES

(NOK THOUSAND)	31.12.2016	31.12.2015
Raw materials at cost	164 522	139 188
Finished goods at cost	254 824	247 806
Goods in transit	4 057	–
Allowance for obsolescence	–10 600	-8 300
Total	**412 802**	**378 695**

Inventories are valued at the lowest value of cost and net realiasable value.
Cost of inventories are assigned by using weighted average cost formula.

12 RECEIVABLES

(NOK THOUSAND)	31.12.2016	31.12.2015
Accounts receivable external*	69 453	69 542
Accounts receivable group companies	541 307	576 944
Other receivables external	68 948	72 475
Other receivables group companies	109 663	294 108
Total receivables	**789 371**	**1 013 069**

*) 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)	2016	2015
Allowances for bad debt as of 1 January	2 576	50
Allowances for bad debt made during the period	2 354	2 584
Realised losses for the year	–632	–58
Total allowances for bad debt as of 31 December	**4 298**	**2 576**

Credit risk and foreign exchange risk regarding accounts receivable is discussed in note 21.

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
2016**	73 751	54 729	12 052	338	210	6 423
2015**	72 118	56 761	9 317	695	105	5 241

**) Does not include allowances for bad debt.

13 BALANCES WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

	SUBSIDIARIES		JOINT VENTURES/ ASSOCIATED COMPANIES	
(NOK THOUSAND)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
NON-CURRENT ASSETS				
Other non-current receivables	2 502 484	2 356 037	1 349	1 601
Total non-current assets	**2 502 484**	**2 356 037**	**1 349**	**1 601**
CURRENT ASSETS				
Trade receivables	469 967	507 636	71 340	69 308
Other current receivables	109 663	260 696	–	33 412
Total current assets	**579 631**	**768 332**	**71 340**	**102 720**
Total assets	**3 082 114**	**3 124 368**	**72 688**	**104 321**
CURRENT LIABILITIES				
Trade creditors	85 676	93 300	13 434	19 869
Other current liabilities	348 738	279 437	360 978	339 308
Total liabilities	**434 414**	**372 737**	**374 412**	**359 177**

14 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Jotun A/S as of 31 December 2016 consists of the following share classes:

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

At the 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 2015 was 746. The largest shareholders were:

SHAREHOLDERS	A-SHARES	B-SHARES	TOTAL	OWNERSHARE	VOTING INTEREST
Lilleborg AS	42 014	103 446	145 460	42.5 %	38.3%
Odd Gleditsch AS	11 443	36 990	48 433	14.2 %	11.1%
Mattisberget AS	29 387	546	29 933	8.8 %	21.5%
Leo Invest AS	2 994	7 522	10 516	3.1 %	2.7%
Abrafam Holding AS	3 375	3 815	7 190	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	3 016	2 353	5 369	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	4 063	567	4 630	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	1 000	2 084	3 084	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	**102 512**	**201 070**	**303 582**	**88.8%**	**89.6%**
Total others	11 488	26 930	38 418	11.2%	10.4%
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	3 375	3 823	7 198
Nicolai A. Eger	Member of the Board	1 110	5 202	6 312
Richard Arnesen	Member of the Board	1 855	2 128	3 983
Karl Otto Tveter	Member of the Board		4	4
Birger Amundsen	Member of the Board		2	2
Terje Andersen	Member of the Board		2	2
Anders A. Jahre	Chairman of the Corporate Assembly		4	4
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	10 555
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 670	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
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 aquisitions.

DIVIDENDS PAID AND PROPOSED

DECLARED AND PAID DURING THE YEAR	2016	2015
Dividends on ordinary shares:		
Final dividend for 2015: 1 500 NOK per share (2014: 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):	2016	2015
Dividends on ordinary shares:		
Final dividend for 2016: NOK 1 500 per share (2015: NOK 1 500 per share)	513 000	513 000

15 FUNDING AND BORROWINGS

Cash flow from Jotuns 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 1 547 million in dividends from Jotun Group in 2016, compared to NOK 1 097 million in 2015.

(NOK THOUSAND)	31.12.2016	31.12.2015
NON-CURRENT INTEREST-BEARING LIABILITIES		
Bonds	1 000 000	1 000 000
Bank debt (NIB), unsecured	1 035 624	1 056 744
Total non-current liabilities	**2 035 624**	**2 056 744**
CURRENT INTEREST-BEARING LIABILITIES		
Certificate loans	300 000	200 000
Other current interest-bearing liabilities (cash pool)	289 945	206 804
Total current liabilities	**489 945**	**506 804**
Total interest-bearing liabilities	**2 525 569**	**2 563 548**
INTEREST-BEARING RECEIVABLES		
Non-current interest-bearing receivables	2 510 921	2 364 843
Current interest-bearing receivables	108 405	256 395
Cash and cash equivalents	660 469	231 087
Total interest-bearing receivables	**3 279 795**	**2 852 324**
Net interest-bearing receivables / liabilities (–)	**754 226**	**288 777**

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 long term loan from the Nordic Investment Bank (NIB) which will be repaid through installments of USD 10 million twice a year from 2018 until 2024.

The non-current interest-bearing receivables consist mainly of intercompany loans to subsidaries, 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.

16 OTHER CURRENT LIABILITIES

(NOK THOUSAND)	31.12.2016	31.12.2015
OTHER CURRENT LIABILITIES		
Liabilities to subsidiaries, joint ventures and associated companies	709 716	618 744
Public charges and holiday pay	134 524	129 221
Other accrued expenses	90 519	211 292
Total	**934 758**	**959 256**

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

17 PROVISIONS

PROVISIONS 2016

(NOK THOUSAND)	CLAIMS	RESTRUCTURING	ENVIRONMENTAL	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
Total provisions as of 31 December	**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**

PROVISIONS 2015

(NOK THOUSAND)	CLAIMS	RESTRUCTURING	ENVIRONMENTAL	TOTAL
Balance as of 1 January	9 585	6 923	40 805	57 313
Provisions arising during the year	2 009	–	–	2 009
Utilised	–2 019	–6 776	–5 826	–14 621
Unused amounts reversed	–1 636	–	–	–1 636
Total provisions as of 31 December	**7 939**	**147**	**34 979**	**43 065**
Current	–	147	10 379	10 526
Non–current	7 939	–	24 600	32 539
Total	**7 939**	**147**	**34 979**	**43 065**

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 incurred in the next five years. 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.

RESTRUCTURING PROVISIONS

Remaining provisions for restructuring are related to demolish-ment of the old factory at Gimle in Sandefjord, Norway. The project was completed in 2016.

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 clean-up activities will continue until 2018. These provisions are estimates of amounts payable or expected to become payable.

18 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.

DISPUTES AND CLAIMS

Jotun A/S is, through its on-going business, involved in disputes and claims cases 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.

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 17). Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

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

19 CONTRACTUAL OBLIGATIONS AND GUARANTEES

OTHER OBLIGATIONS NOT ACCOUNTED FOR:

NOK THOUSAND)	GUARANTEES
Guarantees for tax withholding	45 000
Letter of Comfort on behalf of subsidiaries	1 970 022
Letter of Comfort on behalf of joint ventures	354 267
Guarantees for subsidiaries	250 884
Sureties for customers etc. and guarantees for Jotun A/S	5 289
Total	**2 625 462**

20 LEASES

(NOK THOUSAND)	2016	2015
OPERATING LEASE EXPENSES		
Vehicles	11 470	11 597
Premises and buildings	3 725	1 455
Cost current year	**15 195**	**13 052**
OVERVIEW OF FUTURE MINIMUM LEASE PAYMENTS RELATED TO OPERATING LEASES:		
Cost next year	11 993	14 068
Cost next 2 years	14 314	22 903
Future minimum lease payments	**26 307**	**36 971**

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

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ORGANISATION OF FINANCIAL RISK MANAGEMENT

Jotun operates internationally and is exposed to financial risks like currency risk, interest rate risk, commodity price risk, liquidity risk and credit risk. 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 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 15. 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 16 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 2016 was NOK 2 512 million, of which NOK 2 442 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	31.12.2016		31.12.2015	
(NOK THOUSAND)	CURRENCY AMOUNT	NOK	CURRENCY AMOUNT	NOK
USD	88 952	765 949	98 490	865 373
IDR	532 775 000	340 603	589 775 000	375 923
MYR	168 875	324 261	108 000	221 195
EUR	24 837	225 504	24 837	238 041
RUB	1 607 358	224 788	1 167 358	138 916
CNY	129 540	160 578	64 540	87 310
GBP	7 700	81 570	7 700	100 216
SGD	10 000	59 614	16 347	101 619
TRY	22 676	55 414	22 676	68 103
PHP	280 000	48 560	200 000	37 500
BRL	18 000	47 644	26 000	57 699
AUD	5 386	33 498	5 386	34 596
KRW	-	-	4 464 295	33 348
Other		74 461		52 338
Total		**2 442 444**		**2 412 175**

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

CURRENCY	31.12.2016		31.12.2015	
(NOK THOUSAND)	CURRENCY AMOUNT	NOK	CURRENCY AMOUNT	NOK
USD	120 270	1 035 624	120 270	1 056 744

FOREIGN CURRENCY RISK ON OPERATIONAL CASH FLOWS

Jotun A/S has inflows and outflows of foreign currency related to product sales and raw material purchases. The 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 RISK ON FINANCIAL CASH FLOWS

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

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's core relationship banks with satisfactory ratings.

COMMODITY PRICE RISK

Jotun A/S is exposed to a significant price risk in respect of a number of raw materials. Raw material purchases account for almost 60 per cent of total sales revenue. Volatility in raw material prices can have a significant impact on the company's results. Large short-term increases in the raw material prices can not be compensated immediately in the product prices, and in the period until product prices can be increased, the profit will be nagatively impacted.

Most of the raw materials do not have a financial derivative price market, and therefore most of the raw material prices are not accessible for hedging. Two raw material prices have previously been hedged, namely copper and zinc prices. Copper and zinc account for around five percent of the total raw material purchase in the company. Jotun A/S has no hedging positions at 31 December, but might hedge this risk in the future if significant effects are anticipated.

HEDGING OF OPERATIONAL AND FINANCIAL CASH FLOWS

Jotun A/S has financial and operational foreign exchange income and costs which are hedged as a net position according to the policy of Jotun A/S. The table below shows the status as of 31 December:

2016 (NOK THOUSAND)	HEDGED VALUE 31.12.2016	UNREALISED GAIN / LOSS(–) 31.12.2016	REALISED EFFECT 2016
Hedging of cash flows	952 941	–14 625	–743

2015 (NOK THOUSAND)	HEDGED VALUE 31.12.2015	UNREALISED GAIN / LOSS(–) 31.12.2015	REALISED EFFECT 2015
Hedging of cash flows	1 146 597	–36 392	–34 557

MARKET VALUE:

Market value information is gathered from:

- Reuters 31 December 2016 and estimates generated by Jotun's financial system CRM.
- Valuation is based on inputs that are derived from observable prices and are hence categorized as a "Level 2" input according to the three-tier fair value hierarchy in IFRS.

HEDGING OPERATIONAL AND FINANCIAL CASH FLOWS

Jotun A/S do not apply hedge accounting for cash flow hedging.

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

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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 statements of financial position as at 31 December 2016, comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2016, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year 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 2016 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 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 is 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 determine 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 have fulfilled their 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, 16 February 2017
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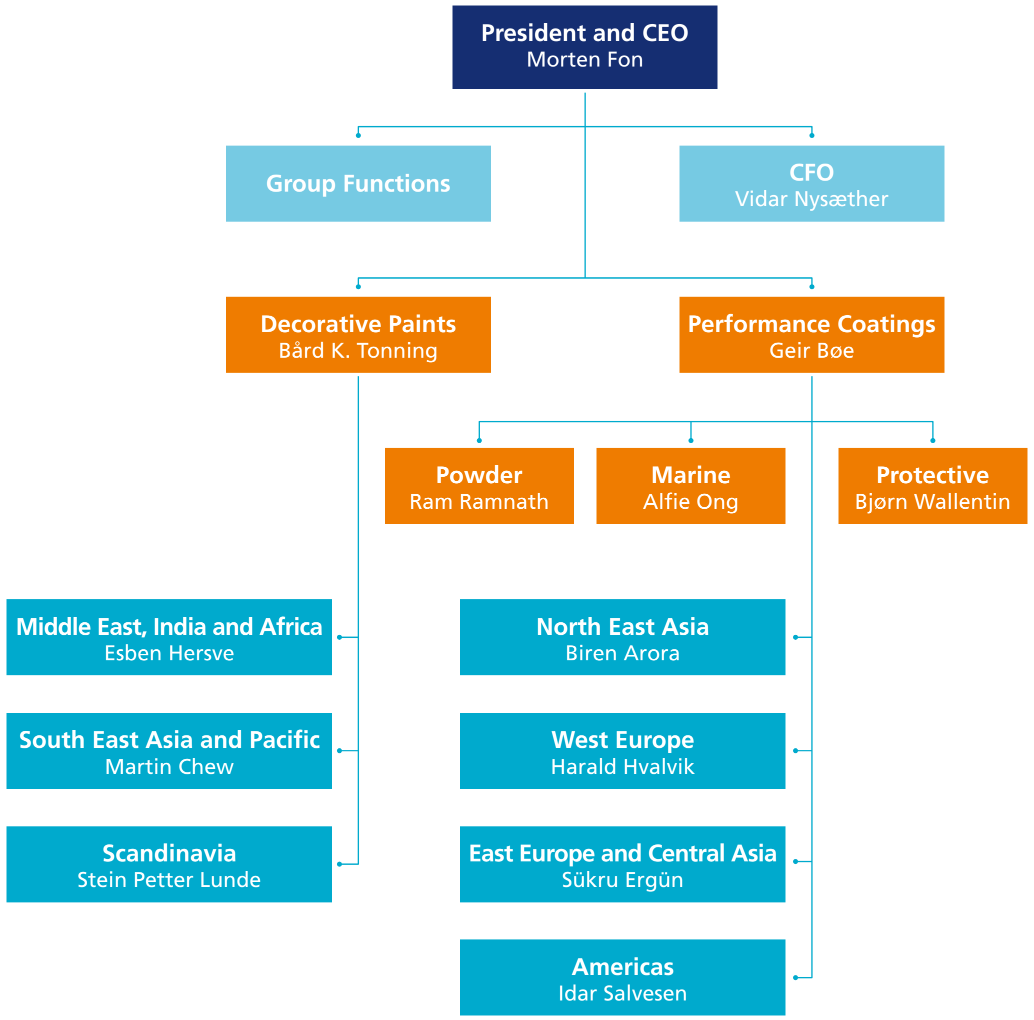
Eirik Tandrevold
State Authorised Public Accountant (Norway)



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Birger Amundsen
Terje Andersen
Richard Arnesen
Nicolai A. Eger
Ingrid Luberth
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