



Jotun Protects Property



ANNUAL REPORT  
2020

# Our Values

## LOYALTY

Reliable and trustworthy

Long-term relationships between customers,  
Jotun and colleagues

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

## CARE

Help and support others

Display trust and empathy

Appraise and judge fairly

Protect internal and external environment



# RESPECT

- Value differences in people
- Be honest and fair
- Build diverse teams across culture and gender
- Follow laws and regulations
- Treat others the way they expect to be treated

# BOLDNESS

- Take initiatives to create the future
- Initiate and nurture change
- Communicate openly, honestly and with integrity
- Be proactive
- Address difficulties constructively

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# Group key figures

(NOK MILLION)	2020	2019	2018	2017	2016	2015	2014	2013
<b>Profit/loss</b>								
Operating revenue	<b>21 070</b>	19 652	17 660	16 401	15 785	16 282	13 171	12 034
Sales revenue outside Norway, in %	<b>89</b>	89	88	88	88	88	85	83
Operating profit	<b>3 489</b>	2 320	1 361	1 354	1 763	2 064	1 314	1 258
Profit before tax	<b>3 158</b>	2 079	1 115	1 236	1 594	1 918	1 301	1 191
Net cash flow from operating activities	<b>3 272</b>	2 448	1 018	1 097	2 027	1 500	919	819
<b>Year-end financial positions</b>								
Total assets	<b>20 574</b>	19 136	16 715	15 708	15 158	15 187	13 300	10 799
Investments in intangible and fixed assets	<b>1 407</b>	1 464	1 089	967	1 133	922	911	733
Equity (including non-controlling interests)	<b>11 128</b>	9 584	8 469	8 254	8 035	7 932	6 739	5 515
Equity / assets ratio, in %	<b>54.1</b>	50.1	50.7	52.5	53.0	52.2	50.7	51.1
Number of employees in the Group, including 100 % in associates and joint ventures	<b>9 855</b>	10 007	9 872	9 789	9 819	9 842	9 676	8 991
<b>Profitability</b>								
Return on capital employed, in %	<b>27.2</b>	18.7	12.2	12.8	17.9	20.9	15.1	17.9
Return on equity, in %	<b>23.0</b>	17.2	8.1	9.8	14.1	17.9	14.0	15.5
Operating margin, in %	<b>16.6</b>	11.8	7.7	8.3	11.2	12.7	10.0	10.5

## Profitability

# 27.2 %

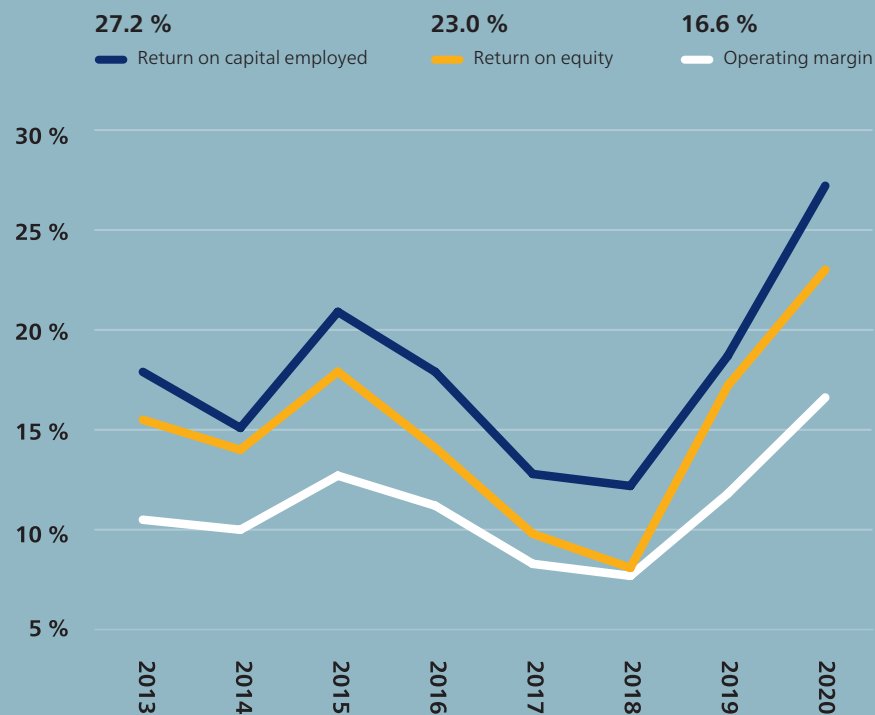
Return on capital employed

# 23.0 %

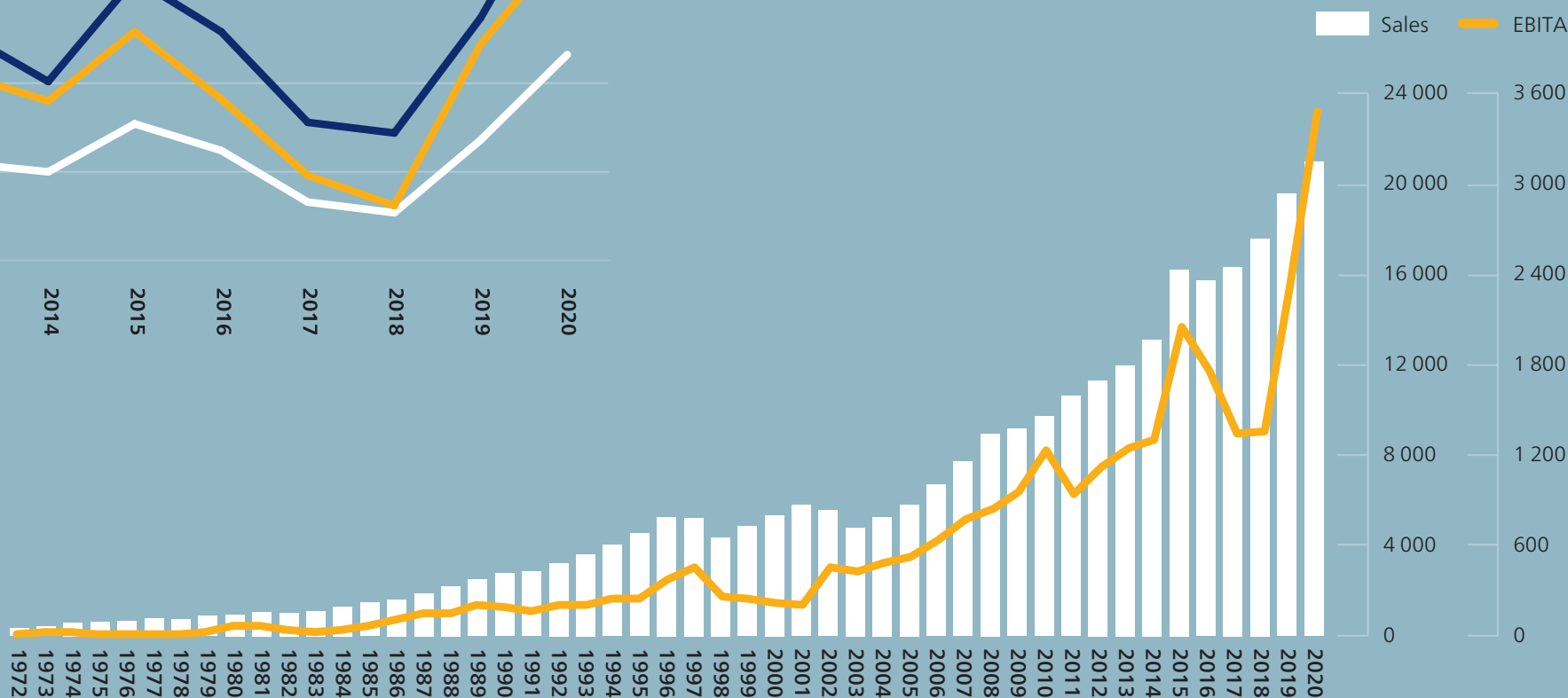
Return on equity

# 16.6 %

Operating margin



### Sales and EBITA development (NOK MILLION)



# Jotun at a glance

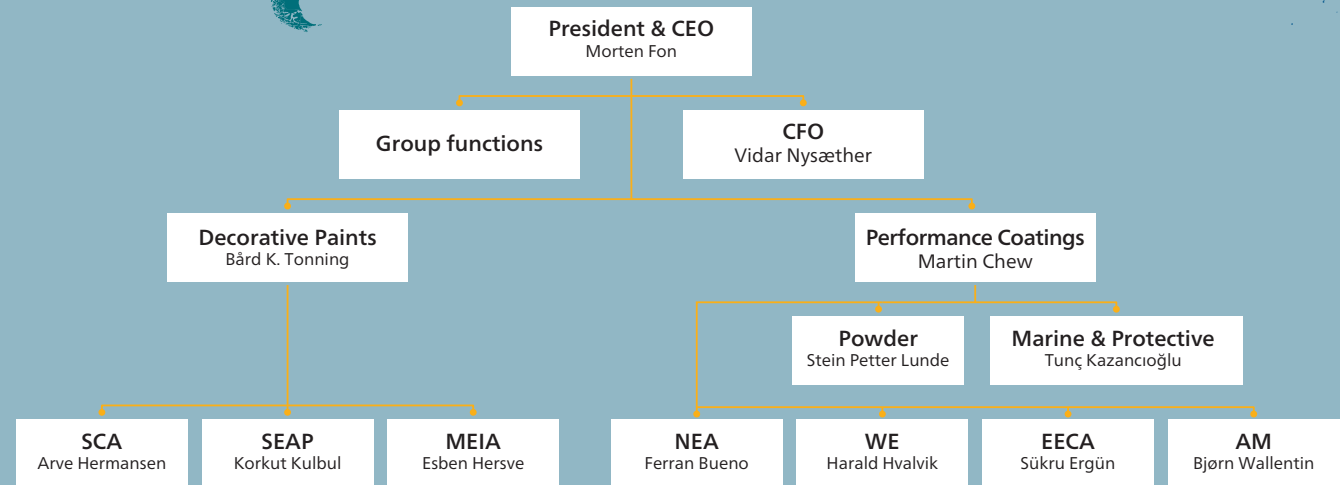
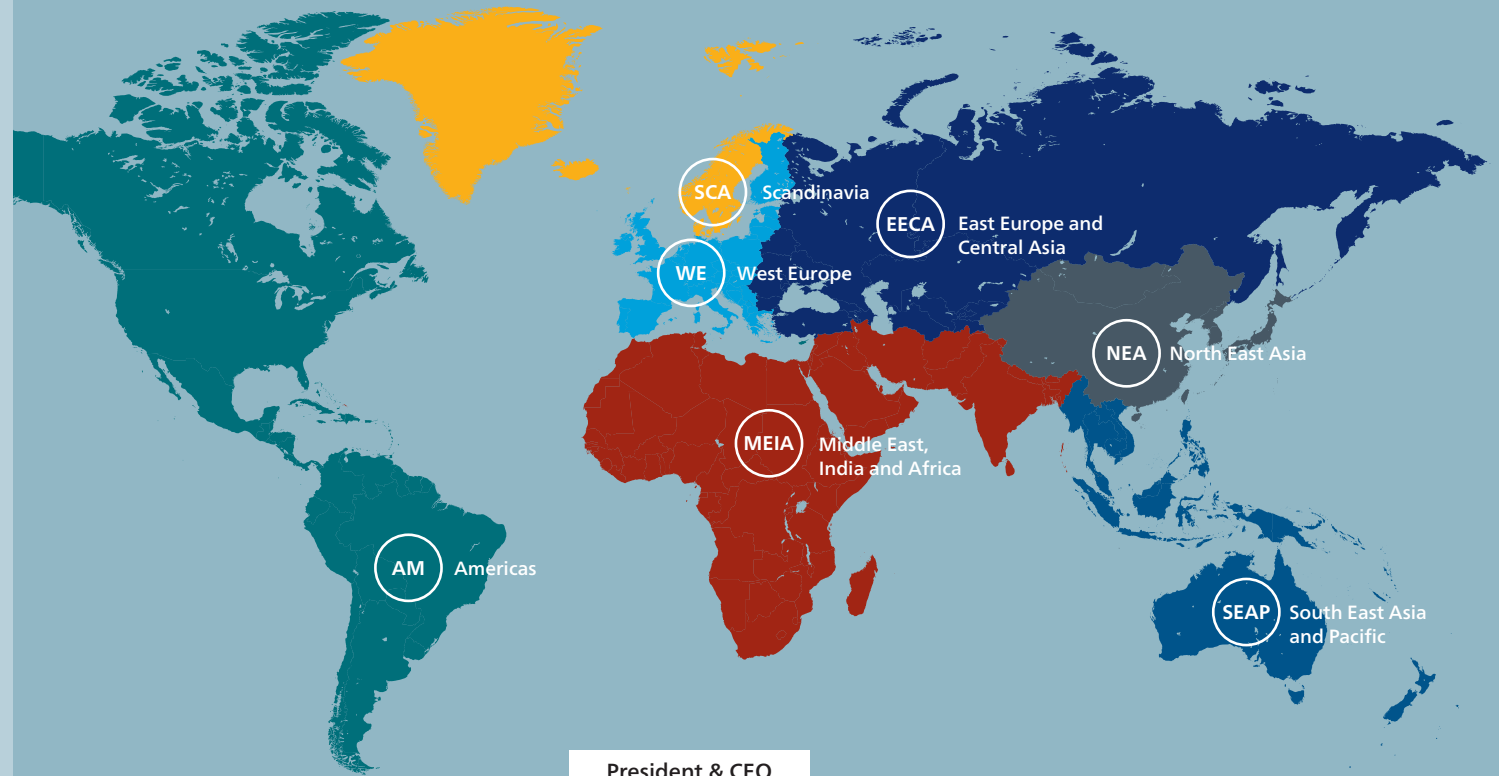
The Jotun Group is a matrix organisation with sales of Decorative Paints and Marine, Protective and Powder Coatings organised into seven regions.

The company has 38 production facilities in 23 countries, with 67 companies in 47 countries, and represented in more than 100 countries overall around the world.

**100+**  
Countries

**38**  
Factories

**9 855**  
Employees



# Four segments



- 26 % Marine Coatings
- 26 % Protective Coatings
- 8 % Powder Coatings
- 40 % Decorative Paints

\* Incl. 100 % of sales in associates and joint ventures

## MARINE COATINGS

Jotun is the market leader in high performance hull coatings for the maritime industry, delivering high quality coatings for seastock, newbuilding, tanks, cargo holds and drydocking projects, as well as for megayachts and leisure yachts.



- 39 % Newbuilding
- 33 % DryDock
- 22 % SeaStock
- 6 % Other



## PROTECTIVE COATINGS

Jotun delivers high quality protective coatings for on- and offshore oil and gas, energy and infrastructure projects including passive fire protection, metallic finishes, high temperature coatings and state-of-the-art anticorrosive protection.

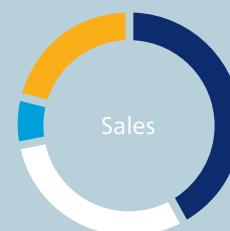


- 29 % Infrastructure
- 25 % HPI
- 17 % Energy
- 12 % Offshore
- 17 % Other



## POWDER COATINGS

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

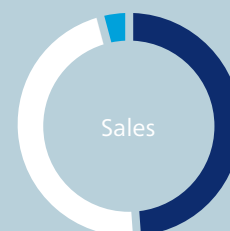


- 42 % General Industries
- 30 % Building Components
- 7 % Pipeline
- 21 % Other



## DECORATIVE PAINTS

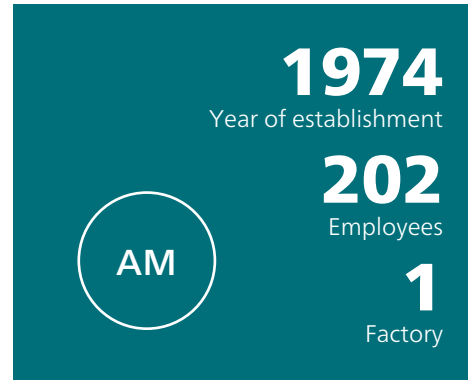
Jotun Decorative is a leading paint supplier to commercial buildings, public buildings and homes, serving both professionals and consumers, directly and through a substantial network of Jotun Multicolor centres.



- 49 % Interior
- 47 % Exterior
- 4 % Other



# Regional highlights



## AMERICAS

- Jotun Mexico supplied products to the Siervo de la Nacion bridge project, a 14.5 km urban viaduct over Mexico City's Gran Canal boulevard to link the northern side of the capital with the Naucalpan-Ecatepec highway.
- Jotun Brazil supplied protective coatings for 216 wind towers in 2020 and secured a record-breaking 256 contracts for wind towers, scheduled for delivery in 2021.
- In the US, Jotun has taken a sizable market share supplying high-performance antifouling systems and has joined the rest of the Jotun Marine Coatings network in offering high-quality underwater hull inspections for analysis and valuable decision support services.
- Jotun increased sales in the Americas for Passive Fire Protection solutions (Jotachar and Steelmaster) for both hydrocarbon and cellulosic protection.

## SCANDINAVIA

- Jotun completed the installation of high speed, fully automated filling lines at its factory in Norway. Further upgrade of the production facilities will continue in 2021.
- Jotun posted record high sales and profitability in the Decorative Paints segment in Scandinavia, with all companies exceeding 20 per cent growth. Jotun increased its market share, won the loyalty of professional customers and secured more contracts in the project market than ever before.
- Marine Coatings secured frame agreements for SeaStock solutions covering 150 vessels, supplied products for 22 DryDock projects for Grieg Star and GearBulk and secured six Hull Performance Solutions (HPS) contracts with Höegh Autoliners
- Jotun Protective Coatings secured two major Floating Production, Storage and Offloading (FPSO) refurbishment projects at the Aibel yard in Haugesund and Rosenberg Worley yard in Stavanger.
- Jotun Powder Coatings found success with the Velvet Collection, supplying products to Hay, a leading Danish furniture manufacturer, for their newly launched Hay Hee furniture collection.



## WEST EUROPE

- Jotun approved seven powder coatings application companies, which are now certified to use Jotun Facade products through the Jotun Approved Applicator programme (JAA).
- In Italy, Jotun secured its first Hull Skating Solutions newbuilding contract with MSC, one of Europe's largest shipping companies.
- Jotun strengthened its Hull Performance Solutions (HPS) and SeaQuantum X200 customer portfolio by adding high profile shipping companies in the UK, Ireland, France and Cyprus.
- Jotun supplied products, including Steel Master 1200WF and Hardtop XP, to a fuel cell battery factory expansion project in Wroclaw, Poland.
- In Spain, Jotun Iberica secured the Saint Brieuc Offshore Wind Farm project.



### EAST EUROPE AND CENTRAL ASIA

- All segments ended the year with profitable growth, increasing sales by 25 per cent.
- Jotun secured many prestigious Single Source Solution projects, including the Istanbul International Financial Centre and the Haliç Port project.
- Jotun Powder Coatings achieved record sales and profitability due to the increased number of customers and high market penetration through Jotun's dealer network.
- Jotun Turkey completed the digital launch of a Corporate Responsibility (CR) programme to create a forest of 15 000 native plants and raise awareness about climate change.
- Jotun Romania secured a contract to supply protective coatings to the "Braila", the longest suspension bridge in Balkans.

**1991**  
Year of establishment

**924**  
Employees

**4**  
Factories

EECA

**1962**  
Year of establishment

**2 707**  
Employees

**13**  
Factories

MEIA

### MIDDLE EAST, INDIA AND AFRICA

- Launched Jotashield Carbo, a product with unique anti-carbonation properties, developed and tested for car parks.
- Secured contract to supply decorative, protective and flooring products to the airport terminal in Kuwait.
- Signed contract to supply Jotun's premium tank coating, Tankguard Flexline, for a 10 vessel newbuilding project ordered by Bahri from a Korean shipyard.
- Jotun recorded strong sales in ultra and premium powder coatings products including Durasol, Jotun's premium powder coatings product for building components, which saw sales increase by 70 per cent.
- Jotun launched Jotafloor PU Crete and Jotafloor EPC 300 to support the company's rapid growth in the highly specialised flooring market.

### NORTH EAST ASIA

- Positive development in North East Asia was supported by sales growth, good cost control and favourable raw material prices.
- In Marine Coatings, Jotun maintained its leading market position due to the strong performance in China and South Korea. In South Korea, Jotun signed a Memorandum of Understanding with Hyundai Heavy Industries shipyard and HMM (a leading containership company) to implement Hull Skating Solutions. In China, Jotun increased activity in the drydocking market by 14 per cent.
- Jotun delivered a record year in Protective Coatings thanks to developments in the Energy concept. Jotun also secured its first-ever megaproject from Sinopec, a leading Chinese petrochemicals company.
- Jotun continued the positive development in the premium decorative paints market by opening more flagship Nordic shops and promoting the Lady brand of paints across China.
- Jotun strengthened its position among its selected customer portfolio, resulting in substantial improvements in the Powder Coatings segment.

**1983**  
Year of establishment

**1 879**  
Employees

**4**  
Factories

NEA

**1968**  
Year of establishment

**2 205**  
Employees

**11**  
Factories

SEAP

### SOUTH EAST ASIA AND PACIFIC

- Jotun celebrated the successful launch of Essence Easy Clean, a new interior product in the medium category in Vietnam, Thailand, Malaysia, Singapore and Indonesia.
- The construction of a new factory in Vietnam is on budget and on schedule, recording zero injuries in more than two million manhours of labour.
- In Indonesia and Thailand, Jotun implemented a Transport Management System to improve efficiency and reduce costs.
- Jotun became a major supplier for renewable wind energy projects managed by Vestas and Nordex in South East Asia.
- Jotun Myanmar secured an important Single Source Solution contract for the iconic Yoma Central Project, a mixed-use development in Yangon.

# Long-term thinking creates value

Jotun's long-term investments in developing its workforce and expanding production capacity contributed to achieving exceptional results in a remarkable year.

As a privately controlled company, Jotun can afford to be patient, making long-term investments that help the company achieve consistent growth, even in challenging markets. In 2020, this patient approach to building the business not only enabled Jotun to post outstanding results in a year characterised by a global pandemic, but also helped the company outperform less resilient competitors in many countries and segments.

## HIGH COST, HIGH REWARD

Jotun's organic growth strategy allows the company to recruit, train and retain skilled personnel over time to create a highly adaptable and experienced workforce in all markets where we are active. The company's significant investments in competence development and its consistent efforts to build a culture grounded in the company's values of Loyalty, Care, Respect and Boldness, have helped create a highly adaptable organisation that kept Jotun in business, and thriving, for most of 2020. As a result, Jotun was able to retain workers at full salaries, even in markets facing strict lockdowns.

Jotun's long-term investments in factory construction and modernisations also proved critical in 2020. For example, Jotun was able to meet a spike in demand for decorative paints in Scandinavia last summer thanks to the recent modernisation of the company's factory in Norway. And in China, where the company operates two, state-of-the-art factories in Qingdao and Zhangjiagang, production was able to restart quickly to meet pent up demand after lockdowns were eased in the spring.



*As a privately controlled company, Jotun can afford to be patient, making long-term investments that help the company achieve consistent growth, even in challenging markets.*

### CHAIRMAN OF THE BOARD

Odd Gleditsch d.y.



Board of Directors, from left: Jannicke Nilsson, Einar Abrahamsen, Per Kristian Aagaard, Nicolai A. Eger, Birger Amundsen and Terje Andersen. In front Odd Gleditsch d.y. (Chairman) and Camilla Hagen Sørli. (Birger Amundsen passed away in December 2020)

## STEADY COURSE

Even though Jotun faced challenging market conditions this year due to the pandemic, the company did not lose focus on its long-term objectives. In 2020, the company launched important initiatives aimed at further reducing Jotun's environmental impact and building a more diverse and inclusive workforce. The Board anticipates continued challenges related to the pandemic and reduced activity in some markets in the year ahead. However, the Board is confident that the strong commitment of the company's employees and continued investment in innovation and production capacity will enable Jotun to continue to grow and put the company in a strong position when the pandemic subsides.

# 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.

Jotun is a global company made up of 67 companies in 47 countries, including 38 production facilities. The company extends its reach to other countries through a network of subsidiaries, associates, joint ventures, sales offices and distributors. The parent company, Jotun A/S, has its headquarters in Sandefjord, Norway. Of the Group's operating revenue, approximately 11 per cent is related to its activities in Norway while 89 per cent is related to the rest of the global network.

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

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

### Decorative Paints

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

### Performance Coatings

#### *Marine Coatings:*

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

#### *Protective Coatings:*

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

#### *Powder Coatings:*

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

## 2. REVIEW OF THE ANNUAL ACCOUNTS

In 2020, the Jotun Group recorded total operating revenue of NOK 21 070 million, which is an increase of seven per cent compared to 2019 (NOK 19 652 million). Excluding positive currency effects, mainly due to a weaker Norwegian krone, underlying revenue growth was three per cent.

The underlying sales growth was modest, mainly due to the coronavirus pandemic. This hampered sales growth in all segments and especially in South East Asia and the Middle East. Increased revenue was primarily achieved by good growth in Decorative Paints, due to a surge in demand in selected markets, like Scandinavia and Turkey.

Despite challenges related to the COVID-19 pandemic, including temporary shutdowns of factories in some countries, the Group achieved all-time high profit for the year.

### PROFITS

The Group achieved an operating profit for the year of NOK 3 489 million, compared to NOK 2 320 million in 2019. The profit improvement is attributable to sales growth and higher gross margins due to favourable raw material prices combined with measures to control operating costs.

Net financial costs increased by NOK 89 million to NOK 331 million, mainly due to realised currency effects related to dividend income. This resulted in a profit before tax of NOK 3 158 compared to NOK 2 079 million in 2019. Jotun's activities are subject to corporate tax in the countries in which the Group operates, and income tax amounted to NOK 780 million in 2020. This led to a profit for the year of NOK 2 378 million compared to NOK 1 549 million in 2019.

The parent company, Jotun A/S, achieved a total profit for the year of NOK 970 million in 2020, compared to NOK 639 million in 2019.

### ALLOCATION OF PROFIT FOR THE YEAR:

In 2020, Jotun A/S posted profit for the year of NOK 970 million.

The Board of Directors proposes the following allocation:

Proposed dividend	NOK 599 million
Transfer to equity	NOK 372 million

**FINANCIAL POSITION, CAPITAL STRUCTURE AND RISK**

Net cash flow from operating activities improved by NOK 824 million to NOK 3 272 million following a strong increase in operating profit and reduced operating working capital. Due to the elevated uncertainty following the coronavirus pandemic, Jotun intensified its efforts to manage liquidity and working capital. This led to an overall reduction of working capital, and at year-end the Group had a positive cash position of NOK 2 956 million compared to NOK 1 903 million as of 31 December 2019.

The Group continued to invest in production capacity and R&D facilities in 2020, with total investments amounting to NOK 1 407 million compared to NOK 1 464 million in 2019. Investment activity has mostly been related new production facilities in Vietnam and Egypt, production facility upgrades in Norway and the Czech Republic, construction of a new regional headquarter and Research and Development (R&D) facility in Dubai and finalisation of the new headquarters and R&D centre in Norway.

The net interest-bearing debt for the Group was NOK 1 514 million as of 31 December 2020, compared to NOK 2 581 million as of 31 December 2019. The reduction in net interest-bearing debt is primarily driven by the strong increase in cash flow from operations. At year-end, Jotun A/S had NOK 2 400 million in outstanding bonds, of which NOK 400 million was short-term. In addition, Jotun A/S had NOK 552 million in bank debt outstanding, of which NOK 158 million was short-term. External borrowing in the subsidiaries is primarily short-term and through local banks.

Jotun A/S has NOK 1 700 million in long-term credit lines. This committed funding serves as a strategic reserve for financing of the Group as well as a backstop for short-term certificate loans. At year-end, these credit lines were unused.

The Group is in a sound financial position with an equity ratio of 54 per cent at the end of the year (50 per cent in 2019) and a leverage ratio (Net debt/EBITDA) at 0.4 (0.8 in 2020).

In its regular business operations, Jotun is exposed to financial risks relating to customer credit and fluctuations in raw material prices, currency exchange rates, and interest rates. Procedures and guidelines for managing these risks are established in the Group's Treasury policy. Companies in the Group primarily manage financial risks through their normal operations, for example by increasing prices, when possible, to compensate for higher raw material costs and utilising credit management systems to reduce credit risk.

In addition, the parent company Jotun A/S hedges currency risk related to net cash flows in foreign currencies using forward contracts, options and foreign currency loans. Currency risk related to the parent company's net investments in subsidiaries, associates and joint ventures, is generally not hedged. Jotun's procedures and measures are considered satisfactory in relation to the Group's exposure to financial risks.

**3. THE MARKET****DECORATIVE PAINTS**

The COVID-19 pandemic resulted in significant declines in sales activity in the second quarter of 2020, especially in South East Asia and the Middle East, where Jotun has a strong market presence. However, by quickly implementing business continuity measures at company factories and offices and utilising digital technologies to strengthen relationships with key stakeholders, the company posted another year of positive results in the Decorative Paints segment.

Jotun's regional diversity allowed the company offset weak demand in some markets with strong demand in others. For example, slow sales in Malaysia in the spring were offset by strong market activity in Norway, where consumer demand during the lockdown period reached record highs. Likewise, Jotun made up for some postponed mega-projects in the UAE with excellent results in some other countries.

Jotun successfully managed the digital launch of the 2021 Global

Colour Card Collection. In addition the company launched a new, global consumer website with enhanced functionalities to showcase both interior and exterior decorative paints. While the COVID-19 pandemic's effects may continue to create uncertainty in some countries, the company is confident that as more markets open up, consumer spending will increase and many delayed projects will resume, supporting more robust growth in the years ahead.

**PROTECTIVE COATINGS**

In the Protective Coatings segment, Jotun interacts with multiple industries in different regions, allowing the company to offset weak demand in some markets with strong demand in others. This allowed the company to match last year's top line sales and deliver good profitability, even as the COVID-19 pandemic impacted different markets at different times.

Jotun experienced a decline in demand in the offshore industry, which was negatively impacted by declining investments in the construction of new units. However, despite construction delays in some countries, Jotun continued to supply to infrastructure projects, especially in China and Turkey, where activity accelerated as markets reopened in the second half of the year. Jotun also found success serving the energy industry, especially in China, where the government has incentivised investments in renewable energy projects, such as offshore and land-based wind farms. In the Hydrocarbon Processing Industry (HPI), Jotun performed well, securing an important maintenance contract with a leading US-based global energy company.

In anticipation of higher costs for raw materials in 2021, Jotun will take a more proactive approach to price increases and continue to focus on efficiency. Internally, Jotun will accelerate investments in competence development and digital tools. While Jotun acknowledges that the impacts of the COVID-19 pandemic may continue to create market uncertainties into the first half of 2021, the company is confident that demand for Jotun's protective coatings will accelerate as conditions in more countries improve.

## MARINE COATINGS

After a slow start, Jotun performed well in 2020, retaining its world-leading market position in marine coatings. In the beginning of the year, the COVID-19 pandemic resulted in low activity at key new building shipyards and financial stress on shipowners, resulting in declining sales of marine coatings. However, thanks to newbuilding contracts secured in 2018 and 2019, and increased activity in the maintenance market driven by the scrubber regulations, Jotun was able to regain momentum by the third quarter to finish the year with good results.

2020 saw the launch of several ground-breaking innovations. In March, Jotun launched the concept Hull Skating Solutions (HSS), the industry's first proactive hull cleaning system. Jotun also launched the industry's first solvent-free universal primer, enabling shipyards to achieve more efficient application and significantly increases the lifecycle of the asset.

Looking ahead, a decline in newbuilding orders and rising raw materials costs are likely to impact Jotun's business in the Marine Coatings segment next year. To prepare for a more challenging newbuilding market, Jotun will continue to support existing and new customers and shipyards with innovative solutions. In the maintenance market, Jotun will continue to develop its business support tools, such as the company's remote performance monitoring (Jotun Voyager) and demand planning (SeaStock Management Solution) to meet the demands of an increasingly data-driven industry.

## POWDER COATINGS

In early 2020, Jotun reorganised its Powder Coatings business to prioritise subsegments with the strongest market potential and enable local companies to make decisions closer to the markets and customers they serve. While overall sales were impacted by the COVID-19 pandemic in 2020, the new structure helped strengthen the technical fundamentals of the business, manufacturing and manageable costs, enabling the company to finish the year on a positive note.

By encouraging regional sales teams to focus on industries where

Jotun has especially strong products, the company was able to better capitalise on business opportunities. For example, flat growth in the Building Components and General Industries markets were rebalanced by excellent results in the Pipeline market. Likewise, Jotun's geographical footprint helped the company offset slow growth in South East Asia and West Europe with excellent results in East Europe and the Middle East. Jotun also invested new lines to the factory in Russia and completed a significant expansion of the production facility in the Czech Republic on budget and on schedule.

To improve profitability, the company will focus on the development of products with a competitive edge. These include pipeline coatings, specialised coatings for automotive components, metallics, fast-curing coatings for building components, and coatings that protect exterior metal casings for such items as electrical switchboxes, generators and outdoor furniture, among others. Jotun anticipates that as more customers seek alternatives to high solvent liquid coatings to improve environmental performance, the global market for powder coatings will increase.

## 4. RESEARCH AND DEVELOPMENT (R&D)

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

In 2020, Jotun completed construction of a new, state-of-the-art R&D centre in Sandefjord, Norway. The new facility is made up of offices and workstations for up to 350 chemists and support staff. The complex has been rated as "very good" by BREEAM-NOR, a Norwegian adaptation of the globally recognised BREEAM standard (Building Research Establishment's Environmental Assessment Method) and will be powered

in part by a custom-built heat exchanger, providing clean, renewable energy from the fjord. Also, construction of a new R&D centre in Dubai is expected to be completed in 2021.

Over the past five years, Jotun chemists have increasingly focused on meeting growing demand for healthier, more environmentally responsible paints and coatings, engineered to meet new or pending regulations. For example, Jotun has developed the industry's first solvent-free steel primer to help shipyards comply with stricter limits on the use of VOCs. To help owners and real estate developers add value to buildings, Jotun has developed solvent-free steel protection products and ultra-low VOC interior paint systems, supported by the necessary documentation, to help them win points for "green building" certification.

By investing in facilities, personnel and new technologies, Jotun will be in a stronger position to meet customers in regulatory challenges and achieve their business objectives.

## 5. COMPETENCE DEVELOPMENT

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

Because the COVID-19 pandemic placed restrictions on in-person training, Jotun concentrated their efforts to digitalise critical training courses. To make training available online, content was split into shorter modules and classes were rearranged into half-day sessions. Also, new digital-friendly learning tools were introduced. Out of the 48 training programmes available in the Jotun Academy portfolio, 21 are available digitally.

By scaling up Jotun's digital learning capabilities, the company will have more robust and flexible tools to offer employees greater access to valuable competencies they can use to build their careers and support growth in the future.

## 6. HEALTH, SAFETY AND ENVIRONMENT (HSE)

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

### COMBATING COVID-19

Jotun moved swiftly to mitigate the impact of the COVID-19 pandemic on operations and protect its people worldwide. Through a combination of clear communication from Group and sharing best practices from local companies, Jotun created a solid yet flexible approach, capable of adapting to an ever-changing pandemic reality.

In March 2020, Jotun introduced a global "I Care" campaign as the central pillar of its COVID-19 activity. This centred on 10 instructions creating a series of ground rules for work and social situations. The messages included directives on cleaning routines, social distancing, and choosing digital technology over physical meetings wherever possible. Each individual company was encouraged to document and share their approach online, enabling effective knowledge transfer and helping to continually refine Jotun's pandemic response. Infection rates from the companies were updated on a daily basis and shared across the network every month to monitor developments.

In 2020, all planned audits were completed, with Jotun adapting to COVID-19 restrictions through the use of more localised resources,

together with digitally streaming audit activity to head office for quality control and support. In 2021, a total of 12 HSEQ audits are scheduled for completion.

### TASK MANAGEMENT

2020 also saw the implementation of a new Task Management tool to enable improved follow-up on planned activities. Jotun Operations Assessments, safety walks, business reviews and a range of audits, amongst other activities, produce lists of tasks necessary to facilitate on site improvements. The Task Management tool allows users to register cases, document findings, assess root causes, and communicate progress throughout the organisation for a more effective, accountable follow-up process.

### SAFETY

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

Fire represents the most significant threat to Jotun personnel and property. The Board has approved the allocation of significant resources to manage this risk. In 2020, we had one major fire, six minor fires and 16 potential fires. In total, there is a reduction of fires from 25 in 2019 to 23 in 2020. None of these fires resulted in injuries or serious damage to property.

### WORKING CONDITIONS

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

The number of injuries resulting in an absence of one day or more per one million working hours (Lost Time Injury Rate LTIR) was 1.8 (2.2 in 2019). The LTIR for Jotun A/S was 0.6 in 2020 compared with 4.2 in 2019.

Absence due to sickness for the Group in 2020 was 1.6 per cent, compared to 1.5 per cent in 2019. Absence due to sickness in Jotun A/S was 2.8 per cent in 2020 compared with 2.9 per cent in 2019.

### TRAINING

Competence development is critical for Jotun to achieve HSE objectives and build a culture of effective HSE 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 2020, each employee in Jotun received an average of 11 hours of general HSE training. A total of five HSEQ audits were conducted in 2020, with a further 12 planned for 2021.

### SUSTAINABILITY AND THE ENVIRONMENT

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

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

### CARBON FOOTPRINT

Jotun has been reporting on its carbon footprint by region since 2009, detailing CO<sub>2</sub> output of each area and company, and providing a detailed picture of Jotun's overall environmental performance. Reporting required from each site include waste in kg per tonnes produced (per cent), total waste (hazardous and non-hazardous), energy kWh per tonnes produced, and energy kWh per tonnes produced for powder coatings.

In 2020, Jotun recorded global emissions of 73 520 tonnes CO<sub>2</sub>-equivalents, marking an overall reduction of 13 per cent per ton produced. The total electrical consumption in 2020 was 130 kWh/tonnes produced, compared to 138 kWh in 2019.

The waste generated relative to the volume produced was 1.8 per cent in 2020, the same as in 2019.

There were no discharges to water or soil causing any significant pollution to the environment in 2020.

### JOTUN GREENSTEPS

In 2011, Jotun launched Jotun GreenSteps, a programme that coordinates the company's efforts to support a more sustainable environment. Jotun GreenSteps works both as a platform to improve Jotun's environmental performance and a framework to help customers achieve their own sustainability goals. The programme allows Jotun to track its performance in five categories: Reducing VOC emissions, hazardous materials, energy consumption, carbon emissions and waste.

In 2020, Jotun decided to focus on the three most relevant United Nations (UN) Sustainability Goals where the company can make the most significant impact. For example, the company's Human Resources policies, including the implementation of diverse and inclusive human resources policies in 2020, is aligned with Goal Number 8 (Decent work and economic growth). Likewise, the development of premium antifouling and the 2020 launch of Jotun's proactive hull cleaning system, Hull Skating Solutions, is aligned with Goal Number 14 (Life below water).

Jotun has identified Goal Number 12 (Responsible consumption and production) as another area where the company can make a difference. Through the Jotun GreenSteps programme, Jotun has taken steps to align its own factory operations with this goal by implementing systems and policies to reduce waste and lower energy consumption. As a global manufacturer of paints and coatings, Jotun also occupies a unique position in the value chain between suppliers and end users.

Jotun's ability to carefully select and influence transportation and raw materials suppliers on one end and help customers extend maintenance intervals or reduce energy consumption on the other, has a big impact on environmental sustainability.

Looking ahead, Jotun's sustainability focus areas include the development of holistic solutions relevant to Jotun's unique role in the value chain. This approach will be based on transparent, scientific methodology, such as performing Life Cycle Assessments and offering Environmental Product Declarations to help customers understand and quantify how paint and coatings impact their environmental footprint. This same rigorous cradle-to-grave approach will guide Jotun's development of products and solutions and be used to strengthen and expand Jotun GreenSteps programme.

## 7. CORPORATE RESPONSIBILITY AND COMPLIANCE

Jotun's approach to Corporate Responsibility (CR) is grounded in our corporate values of Loyalty, Care, Respect and Boldness. Internally, these values define expectations for employees, help build a resilient corporate culture and encourage a more diverse and inclusive workforce. Externally, these values enable Jotun to strengthen its reputation, attract and retain skilled workers and promote ethical business practices that hold suppliers, dealers and distributors to a higher standard.

Working closely with Jotun's Board of Directors, Group Management establishes, amends and reinforces CR and Governance policies that cascade down through the organisation. Regional managers are tasked with communicating these policies and modelling good behaviour to local personnel, ensuring that the company operates with one common standard.

### ACCOUNTABILITY

Jotun has established systems, reviews and audits to make sure various

Group functions and network of companies perform in line with expectations. These systems are continuously updated to reflect new policies developed by relevant departments.

Jotun's timely investments in digital tools proved to be critical in 2020, when managing the COVID-19 pandemic prohibited in-person classes, which has been an important arena for building corporate culture with responsible attitudes. Nevertheless, Jotun was able to organise online training for a broad range of CR and Governance related topics. These included anti-corruption dilemma training and Diversity and Inclusion leadership training.

Jotun's Corporate Responsibility policies are consistent with practices outlined by the Human Rights and the International Labour Organization (ILO) conventions of the United Nations. In addition, Jotun adheres to the UN's Global Compact and principles and guidelines for multinational companies established by the Organisation for Economic Co-operation and Development (OECD).

### MAKING A DIFFERENCE

For more than three decades, Jotun has stood by the International Red Cross Red Crescent (RCRC) movement providing support to disaster relief efforts through the Norwegian Red Cross. In 2020, Jotun sponsored a number of projects to contain the spread of COVID-19. In Iraq, the ICRC is distributing hygiene kits to schools and clinics and in Pakistan ventilators and protective equipment to aid in case management. Jotun has also enabled the RCRC movement to fund support staff for screening sites in Honduras and South Sudan.

In addition to initiatives managed by Jotun Group, each of Jotun's 67 companies are required to allocate a portion of their revenue in support of a local cause. In 2020, these efforts were focused on providing support for communities impacted by the COVID-19 pandemic. For example, in the Philippines, Jotun donated Personal Protective Equipment (PPE) to first responders and health care providers at a local hospital. In Egypt, Jotun worked in partnership with local grocery stores to arrange food

support for disadvantaged families, and in Russia, the operations team at Jotun's factory near St. Petersburg collected enough of the necessary raw materials to produce 640 litres of hand sanitiser, which were donated to a nearby hospital. By raising awareness about existing and future challenges, Jotun encourages both individual responsibility and collective action.

#### COMPLIANCE

2020 saw the launch of a new Compliance in Jotun platform for accessing all relevant policies, procedures, documentation, tools, and training activities. This will simplify and streamline compliance, creating greater clarity and accessibility through a single "one-stop-shop". Looking ahead at 2021, Jotun will continue to build digital training modules for relevant compliance areas and raise further awareness of the company's policies and expected behaviour from all employees.

Jotun supports international efforts, standards, declarations and collaborations aimed at creating fair, proper and healthy business environments. The company works with Transparency International to support its campaigns against corruption, while adhering to the United Nations Global Compact (UNGC) to contribute to the goal of creating a sustainable and inclusive global economy.

#### ANTI-CORRUPTION

Jotun is committed to fighting corruption and unethical practices throughout its global organisation. The Board believes that operating a fully compliant, honest and transparent business is a cornerstone in the development of society – delivering benefits for all stakeholders while enhancing Jotun's reputation as a trusted supplier, business partner and employer, worldwide.

Jotun is focused on building a comprehensive anti-corruption support function, ensuring employees receive clear messages, instruction and assistance throughout their time with the company. This uniform corporate approach is seamlessly transferred across regions, with compliance programmes encompassing regular control measures,

systematic reviews and training activities. Corruption is a constant threat, demanding on-going vigilance.

Certain employees in certain regions face greater risk of exposure to potentially corrupt scenarios. As such, they receive tailored training initiatives, with a particular emphasis on dilemma training. Traditionally, local dilemma training has been conducted with employees in face-to-face sessions with certified trainers. However, to mitigate the risk of COVID-19 infection and comply with all relevant local health requirements, Jotun switched to digital training throughout 2020. In addition, new online compliance and anti-corruption training modules were launched to communicate expectations and build the right behavioural attitudes.

#### DATA PROTECTION

In August 2020, The Binding Corporate Rules (BCR) was finally approved by the European Data Protection Board (EDPB) since the legislation was implemented in 2018. Jotun became the first Norwegian company with approval of internal rules for handling and transferring of personal data to countries outside of Europe. One future focus area will be retention and "clean-up" within individual mailbox and other applications as well as documents stored elsewhere containing personal data. To follow up awareness and compliance on data protection in all local companies, a checklist has been included in the internal control checklist.

## 8. DIVERSITY AND INCLUSION

In 2020, Jotun launched a comprehensive Diversity and Inclusion initiative. The initiative is consistent with the UN Sustainable Development Goal number 8 (Decent work and economic growth).

Jotun believes that diverse, inclusive working environments provide benefits for all stakeholders. Moving forward in a constantly faster-paced world, a diverse workforce will enable Jotun to handle future challenges and opportunities with a more open, informed and innovative approach.

A diverse organisation is also better suited to cater for diverse customers and hence a direct competitive advantage.

The Diversity and Inclusion initiative is also closely linked to the corporate value "Respect", where all Jotun employees are expected to value differences in people, be honest and fair, treat others in the way they expect to be treated and build diverse and inclusive teams across borders, cultures and genders. Jotun also acknowledges that without an inclusive culture, diversity loses its value. By ensuring practices, policies and company culture that supports Jotun employees to feel appreciated, valued and develop a strong sense of belonging, the company can increase engagement, employee retention and hence also productivity.

#### RECRUITING POLICY

Jotun's values (Loyalty, Care, Respect and Boldness) promote equality and value differences in people in all countries where Jotun operates. These values are also the foundation for Jotun's recruitment policy which clearly promotes equality and stands against discrimination. This policy is actively applied in all Jotun's recruitment processes and information about the founding principles is communicated to employees and managers through different platforms – leadership training, Business Review sessions, the intranet and others.

#### CAREER MOBILITY

The Board believes career mobility is essential to building optimal business understanding and delivering long-term results. Therefore, Jotun encourages employees to gain cross-functional, cross-segment and cross-border experience to develop their careers and lay foundations for the next generation of company management. This is achieved by the creation and promotion of strategic recruitment, competence development and global and intra-regional mobility programmes. In 2020, 168 employees participated in mobility programmes.

#### ACCOMMODATING SPECIAL NEEDS

Jotun invests in human resources and cooperates with several institutions towards facilitating training and adjusting work conditions for Jotun



employees who, for different reasons (e.g., health, age, personal reasons), struggle with fulfilling usual working commitments. When needed, cooperation agreements are entered with relevant institutions to promote training, internship and work experience opportunities for people who struggle to enter the labour market.

#### ADDRESSING THE GENDER GAP

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

More information about Jotun's Diversity and Inclusion initiative, is found on <https://www.jotun.com/ww/en/corporate/sustainability/diversity-and-inclusion/>

## 9. FUTURE PROSPECTS

While the Board anticipates that the COVID-19 pandemic will subside in 2021 as more vaccines become available, significant market uncertainties remain. In regions most affected by the pandemic, the lingering impact on local economies is likely to slow growth, while in others, a faster return to more activity may result in more investment and consumer spending. In addition, rising raw material prices are likely to affect Jotun's profitability.

The Board recognises that the company will face challenges specific to some segments. For example, with declining newbuilding orders and low freight rates placing owners under financial pressure, sales of marine coatings may slow. Likewise, it may take time for delayed offshore and oil and gas projects to restart, which may impact sales in the Protective Coatings segment.

Nevertheless, the organisation has taken steps to prepare for changing markets by shifting resources where appropriate and strengthening relationships with key customers by offering innovative products and technical support to help them achieve their objectives. As in 2020, the company's regional and segment diversity will help to mitigate business risk. In addition, Performance Coatings has undergone a restructuring to become more cost efficient and better drive product and customer development through the regions.

Long-term, the Board is committed to supporting the company's efforts to lower its environmental footprint and work more closely with suppliers and customers to fight climate change, reduce waste and protect life under water. The Board also supports the company's diversity and inclusion initiative, consistent with the UN Sustainability Goal Number 8 (Decent work and economic growth). Jotun's significant investments in personnel and competence development give the Board confidence in the organisation to implement these changes and manage whatever challenges the company may face going forward.

Sandefjord, Norway, 18 February 2021  
The Board of Directors  
Jotun A/S



Odd Gleditsch d.y.  
Chairman



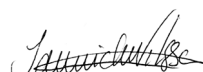
Einar Abrahamsen



Kai Roger Johansen



Terje Andersen



Jannicke Nilsson



Nicolai A. Eger



Camilla Hagen Sørli



Per Kristian Aagaard



Morten Fon  
President & CEO

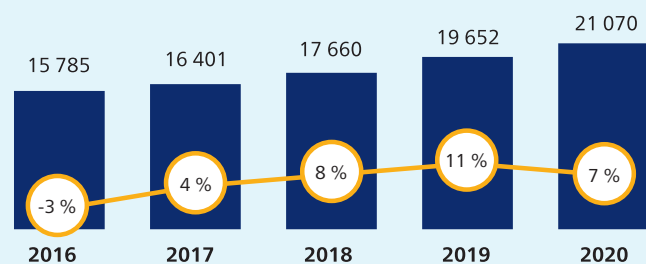
**CONSOLIDATED INCOME STATEMENT**

(NOK million)	Note	2020	2019
Operating revenue	2.1	21 070	19 652
Share of profit from associates and joint ventures	2.2, 5.5	746	497
Cost of goods sold	2.1	-10 643	-10 441
Payroll expenses	2.3	-3 277	-3 128
Other operating expenses	2.4	-3 584	-3 449
Depreciation, amortisation and impairment	3.2, 3.3	-824	-810
<b>Operating profit</b>		<b>3 489</b>	<b>2 320</b>
Net financial items	4.3	-331	-242
<b>Profit before tax</b>		<b>3 158</b>	<b>2 079</b>
Income tax expense	5.1	-780	-529
<b>Profit for the year</b>		<b>2 378</b>	<b>1 549</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the parent company		2 280	1 468
Non-controlling interests		98	81
<b>Total</b>		<b>2 378</b>	<b>1 549</b>

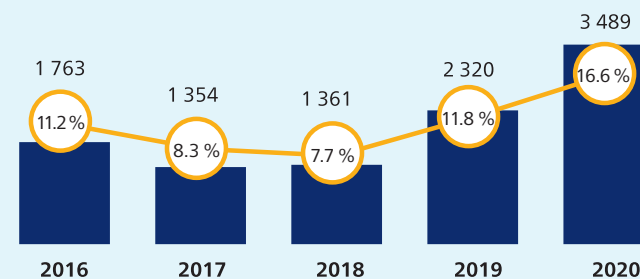
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(NOK million)	Note	2020	2019
<b>Profit for the year</b>		<b>2 378</b>	<b>1 549</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	5.2	-13	-8
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>			
Gain / loss (-) on hedge of net investments in foreign operations (net of tax)		-41	35
Currency translation differences in foreign operations		-176	4
<b>Other comprehensive income for the year, net of tax</b>		<b>-230</b>	<b>31</b>
<b>Total comprehensive income for the year</b>		<b>2 148</b>	<b>1 580</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company		2 044	1 487
Non-controlling interests		104	93
<b>Total</b>		<b>2 148</b>	<b>1 580</b>

■ Operating revenue (NOK million)  
 ○ Revenue growth (in %)



■ Operating profit (NOK million)  
 ○ Operating margin (in %)



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK million)	Note	31.12.2020	31.12.2019
<b>ASSETS</b>			
Deferred tax assets	5.1	358	360
Other intangible assets	3.2	741	712
Property, plant and equipment	3.3, 5.4	6 985	6 489
Investments in associates and joint ventures	3.4, 5.5	1 598	1 486
Share investments	5.9	16	16
Other non-current financial receivables	4.1, 5.9	65	73
<b>Total non-current assets</b>		<b>9 762</b>	<b>9 137</b>
<b>Current assets</b>			
Inventories	3.5	2 877	2 830
Trade and other receivables	3.6, 5.9	4 979	5 266
Cash and cash equivalents	4.2, 5.9	2 956	1 903
<b>Total current assets</b>		<b>10 812</b>	<b>9 998</b>
<b>Total assets</b>		<b>20 574</b>	<b>19 136</b>

(NOK million)	Note	31.12.2020	31.12.2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5.8	103	103
Other equity		10 699	9 202
Non-controlling interests		326	280
<b>Total equity</b>		<b>11 128</b>	<b>9 584</b>
<b>Non-current liabilities</b>			
Pension liabilities	5.2	243	221
Deferred tax liabilities	5.1	62	38
Provisions	3.8	314	274
Interest-bearing debt	4.1, 5.9	3 007	3 361
Other non-current liabilities		50	46
<b>Total non-current liabilities</b>		<b>3 675</b>	<b>3 939</b>
<b>Current liabilities</b>			
Interest-bearing debt	4.1	1 528	1 197
Trade payables	5.9	2 334	2 114
Tax payable	5.1	259	266
Other current liabilities	3.7, 3.8, 5.9	1 650	2 036
<b>Total current liabilities</b>		<b>5 771</b>	<b>5 613</b>
<b>Total liabilities</b>		<b>9 446</b>	<b>9 551</b>
<b>Total equity and liabilities</b>		<b>20 574</b>	<b>19 136</b>

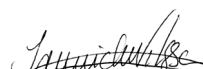
Sandefjord, Norway, 18 February 2021  
The Board of Directors  
Jotun A/S

  
Odd Gleditsch d.y.  
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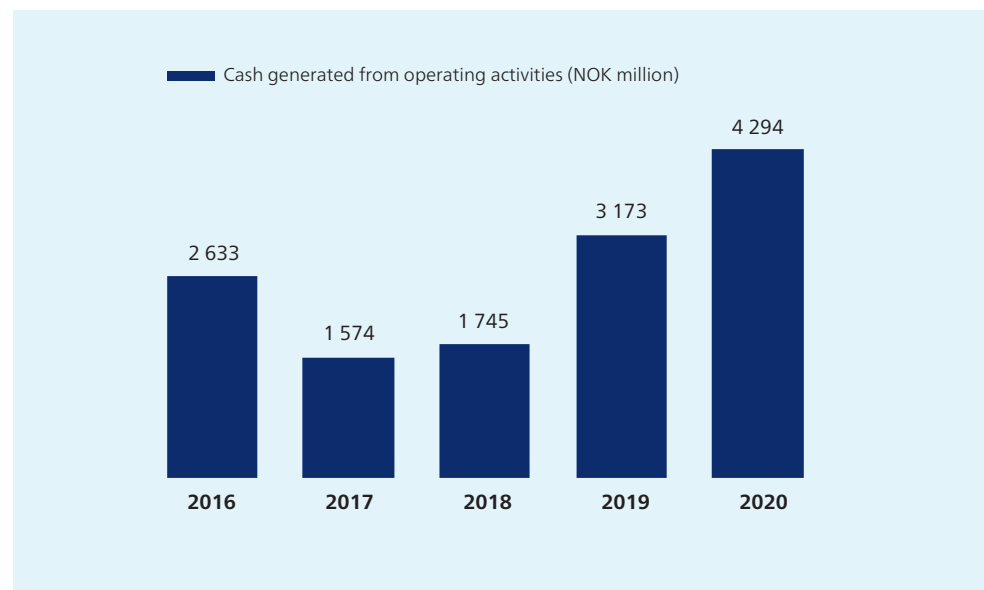
  
Camilla Hagen Sørli

  
Per Kristian Aagaard

  
Morten Fon  
President & CEO

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	EQUITY HOLDERS OF THE PARENT COMPANY						Non-controlling interests	Total equity
	Note	Share capital	Other equity	Translation differences	Total			
<b>Equity as of 1 January 2019</b>		<b>103</b>	<b>7 242</b>	<b>900</b>	<b>8 245</b>	<b>224</b>	<b>8 469</b>	
Dividends	5.8		-428		-428	-58	-485	
Profit for the year			1 468		1 468	81	1 549	
Other comprehensive income			27	-8	19	12	31	
Share capital increase			-	-	-	20	20	
<b>Equity as of 31 December 2019</b>		<b>103</b>	<b>8 310</b>	<b>892</b>	<b>9 305</b>	<b>280</b>	<b>9 584</b>	
Dividends	5.8		-547		-547	-79	-626	
Profit for the year			2 280		2 280	98	2 378	
Other comprehensive income			-54	-182	-236	6	-230	
Share capital increase			-	-	-	22	22	
<b>Equity as of 31 December 2020</b>		<b>103</b>	<b>9 989</b>	<b>710</b>	<b>10 802</b>	<b>326</b>	<b>11 128</b>	



## CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK million)	Note	2020	2019
<b>Cash flow from operating activities</b>			
Operating profit		3 489	2 320
Adjustments to reconcile operating profit to net cash flows:			
Share of profit from associates and joint ventures	2.2, 5.5	-746	-497
Dividend paid from associates and joint ventures	5.5	559	556
Depreciation, amortisation and impairment	3.2, 3.3	824	810
Change in accruals, provisions and other		-290	36
Working capital adjustments:			
Change in trade and other receivables		287	-147
Change in trade payables		220	84
Change in inventories		-48	11
<b>Cash generated from operating activities</b>		<b>4 294</b>	<b>3 173</b>
Interest received	4.3	31	33
Interest paid	4.3	-185	-236
Other financial items		-117	-39
Income tax payments		-752	-484
<b>Net cash flow from operating activities</b>		<b>3 272</b>	<b>2 448</b>
<b>Cash flows used for investing activities</b>			
Proceeds from sale of property, plant and equipment		18	13
Purchase of property, plant and equipment	3.3	-1 296	-1 176
Purchase of intangible assets	3.2	-111	-288
Share capital increase in non-controlling interests		22	20
<b>Net cash flow used for investing activities</b>		<b>-1 367</b>	<b>-1 431</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1 020	1 980
Repayment of borrowings		-1 036	-1 491
Payment of principal portion of lease liabilities		-138	-150
Dividend paid to equity holders of the parent company	5.8	-547	-428
Dividend paid to non-controlling interests		-79	-58
<b>Net cash flow from financing activities</b>		<b>-780</b>	<b>-147</b>
<b>Net increase / decrease (-) in cash and cash equivalents</b>		<b>1 125</b>	<b>870</b>
Net currency translation effect		-72	21
Cash and cash equivalents as of 1 January	4.2	1 903	1 012
<b>Cash and cash equivalents as of 31 December</b>	4.2	<b>2 956</b>	<b>1 903</b>

# Notes for the Group

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

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## BASIS OF PREPARATION

Jotun A/S is a limited liability company incorporated in Norway. The Group's headquarter is in Sandefjord, Norway, and the Group including associates and joint ventures employs around 9 900 people in 47 countries.

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

### 1.1 ACCOUNTING POLICIES

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

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

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

#### Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU), as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act.

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

#### Basis for consolidation

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

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

#### Interests in associates and joint ventures

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

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

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

#### Non-controlling interests

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

#### Foreign currency transactions

In the individual financial statements for each entity in the Group, transactions in foreign currency are initially recorded in the entity's functional currency based on exchange rates at the date of transaction. Monetary items in foreign currency are translated into functional currency using the exchange rate applicable at the balance sheet date. Non-monetary items in foreign currency are translated into functional currency using the exchange rate applicable at the transaction date.

#### Translation of foreign operations to NOK

The Group's presentation currency is Norwegian Krone (NOK). This is also Jotun A/S' functional currency. Each entity in the Group determines its own functional currency, and the majority of financial statements are denominated in other currencies than NOK.

Assets and liabilities in entities with other functional currencies than NOK are translated into NOK using the exchange rate applicable at the balance sheet date. Their income statements are translated monthly at the average exchange rate for the month. Exchange rate differences are recognised in other comprehensive income.

#### Financial risk management

Jotun A/S uses foreign currency options and forward currency contracts to ensure predictability in the short to medium term cash flows.

Hedge accounting in the Group is limited to hedge of net investment. Jotun A/S finances the majority of its subsidiaries with intercompany loans in local currencies. Intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future are accounted for as part of the net investment in foreign operations. In addition, a USD loan and a rolling currency swap serve as a hedge of net investments in foreign operations for which gains or losses related to the effective portion of the hedge are recognised in other comprehensive income.

### 1.2 NEW ACCOUNTING POLICIES

No new IFRS standards, amendments or interpretations have been issued that have a significant impact on the consolidated financial statement for the Group.

### 1.3 ESTIMATES AND JUDGEMENTS

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

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

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

### 1.4 EVENTS AFTER THE BALANCE SHEET DATE

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

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

## Section 02

This section includes notes related to the consolidated income statement.



## Results for the Year

In 2020, Jotun achieved good sales growth and record-breaking profitability despite challenges related to the coronavirus pandemic.

Coronavirus containment measures imposed by local governments hampered growth in several key markets, most notably in the Middle East and South East Asia. However, due to a surge in demand in selected markets, like Scandinavia, Turkey and China, the Group reported overall growth in operating income. Operating income increased in all segments, with the strongest growth in Decorative Paints.

Operating profit increased by 50 % in 2020 compared to last year, and operating margin reached a new all-time high at 16.6 %. The improvement in operating profit and profitability is mainly explained by stronger gross margins due to lower raw material costs. In addition, positive currency translation effects and low underlying cost growth contributed positively.

# 21 070

**Operating revenue**

(NOK million)

2019: 19 652

# 3 489

**Operating profit**

(NOK million)

2019: 2 320

# 16.6 %

**Operating margin**

2019: 11.8 %

## 2.1 OPERATING REVENUE

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

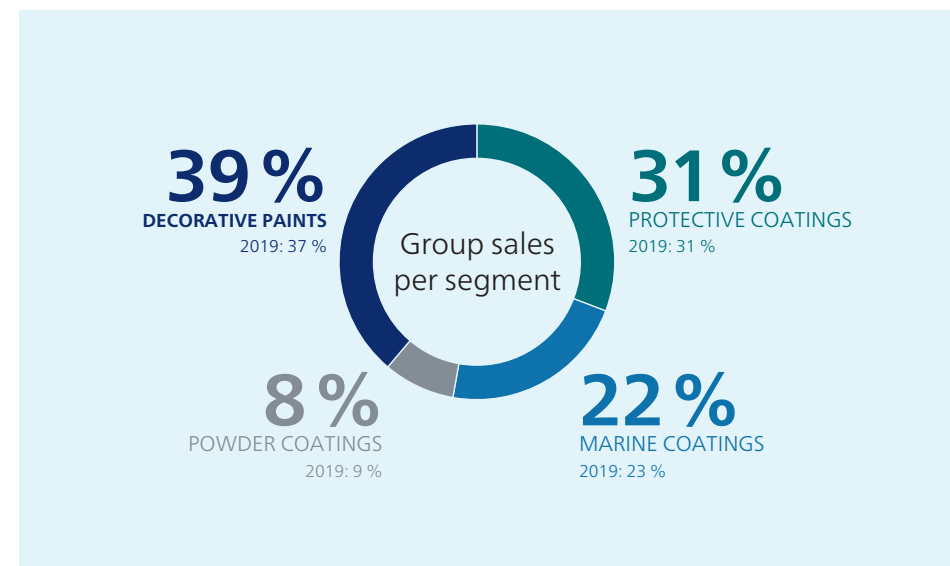
(NOK million)	2020	2019
Revenue from contracts with customers	19 735	18 251
Revenue from contracts with customers - associates and joint ventures	891	971
<b>Total revenue from contracts with customers</b>	<b>20 626</b>	<b>19 222</b>
Other revenue	123	135
Other revenue from associates and joint ventures	321	295
<b>Total operating revenue</b>	<b>21 070</b>	<b>19 652</b>

(NOK million)	2020	2019
South East Asia and Pacific	5 060	5 152
North East Asia	3 725	3 267
Scandinavia	3 449	2 903
Middle East, India and Africa	3 346	3 182
West Europe	2 506	2 328
East Europe and Central Asia	2 043	1 829
Americas	497	562
<b>Total revenue from contracts with customers</b>	<b>20 626</b>	<b>19 222</b>

(NOK million)	2020	2019
Decorative Paints	8 005	7 201
Protective Coatings	6 354	5 958
Marine Coatings	4 534	4 350
Powder Coatings	1 733	1 714
<b>Total revenue from contracts with customers</b>	<b>20 626</b>	<b>19 222</b>
Cost of goods sold	10 643	10 441
<b>Gross profit</b>	<b>9 983</b>	<b>8 781</b>

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

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



### Accounting policy

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

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

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



## 2.2 SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

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

(NOK million)	Country	Ownership	2020	2019
<b>Associates</b>				
Jotun Saudia Co. Ltd.	Saudia Arabia	40.0 %	230	169
Jotun Yemen Paints Ltd.	Yemen	34.4 %	-1	0
Jotun U.A.E Ltd. (LLC)	U.A.E.	41.5 %	174	163
Jotun Abu Dhabi Ltd. (LLC)	U.A.E.	51.6 %	67	58
Jotun Powder Coatings Saudia Arabia Co. Ltd.	Saudia Arabia	46.6 %	18	5
Jotun Powder Coatings U.A.E. Ltd (LLC)	U.A.E.	47.0 %	36	36
<b>Total associates</b>			<b>525</b>	<b>431</b>
<b>Joint ventures</b>				
Chokwang Jotun Ltd.	South Korea	50.0 %	103	23
Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	China	50.0 %	56	-1
Jotun COSCO Marine Coatings (H.K.) Ltd.	China	50.0 %	62	44
<b>Total joint ventures</b>			<b>221</b>	<b>66</b>
<b>Total associates and joint ventures</b>			<b>746</b>	<b>497</b>

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

## 2.3 PAYROLL EXPENSES

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

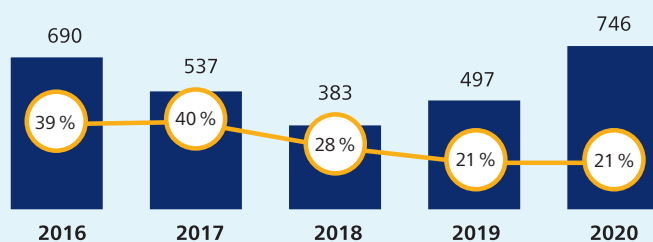
(NOK million)	2020	2019
Wages including bonuses	2 669	2 501
Social costs	317	345
Pension costs, ref. Note 5.2	177	170
Other personnel costs	115	112
<b>Total</b>	<b>3 277</b>	<b>3 128</b>
Average full-time equivalents employees	7 307	7 200

The Group has a system of annual bonuses that applies to senior management and is limited to a maximum of 20 per cent of annual basic salary. Further, all members of Group Management, including the President & CEO, are part of an annual profit-dependent bonus system limited upwards to 50 per cent of annual basic salary.

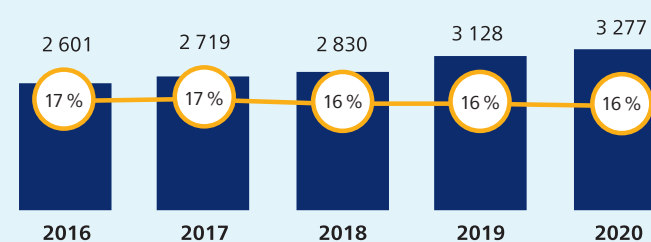
The Group's pension plans are primarily defined contribution plans. For further information see Note 5.2.

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

■ Share of profits from associates and joint ventures (NOK million)  
 ○ In % of operating profit



■ Payroll expenses  
 ○ In % of revenue from contracts with customers



## 2.4 OTHER OPERATING EXPENSES

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

(NOK million)	2020	2019
Manufacturing	452	406
Warehouse	209	168
Transportation	555	539
Sales and marketing	1 126	1 160
Technical service	151	143
Research and Development	260	236
General and administrative	611	565
Other*	220	232
<b>Total</b>	<b>3 584</b>	<b>3 449</b>

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

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

Research and Development consists of costs from projects in a research phase and development costs related to cancelled projects. Total Research and Development costs including payroll expenses are NOK 521 million (2019: NOK 514 million) of which NOK 50 million has been capitalised as intangible assets specified in Note 3.2.



## Section 03

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



## Invested Capital and Working Capital Items

Due to the heightened uncertainty following the COVID-19 pandemic, Jotun intensified its focus on managing liquidity and working capital.

Overall, operating working capital in per cent of revenue decreased to 28.7 per cent. This improvement was achieved through reductions in both customer receivables and inventories relative to revenue.

By working closely with suppliers, Jotun was able to maintain delivery of products to customers during the pandemic without significant interruptions or buildup of inventories. Effective collection of customer receivables was achieved, among other, through increased use of electronic invoicing and payment solutions.

The increase in capital employed is mainly driven by investments in new production facilities in Vietnam and Egypt, facility upgrades in Norway and the Czech Republic, construction of a new regional headquarter and R&D facility in Dubai and finalisation of the new headquarters and R&D centre in Norway.

# 28.7 %

**Operating working capital / revenue**

2019: 30.0 %

# 12 846

**Capital employed**

(NOK million)

2019: 12 416

# 1 407

**Investments in intangible and fixed assets**

(NOK million)

2019: 1 464

### 3.1 OVERVIEW

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

(NOK million)	Note	31.12.2020	31.12.2019	Change
Inventories	3.5	2 877	2 830	48
Accounts receivable	3.6	4 432	4 694	-262
Trade payables	5.9	-2 334	-2 114	-220
<b>Operating working capital</b>		<b>4 975</b>	<b>5 409</b>	<b>-434</b>
Bank drafts	3.6	134	149	-15
Other receivables	3.6	413	422	-9
Public charges and holiday pay	3.7	-344	-289	-56
Other accrued expenses	3.7	-902	-1 054	152
Current provisions	3.7, 3.8	-146	-370	223
<b>Other working capital</b>		<b>-846</b>	<b>-1 141</b>	<b>295</b>
<b>Net working capital</b>		<b>4 129</b>	<b>4 268</b>	<b>-139</b>
Intangible assets	3.2	741	712	29
Property, plant and equipment	3.3	6 985	6 489	496
Investments in associates and joint ventures	3.4	1 598	1 486	112
Non-current provisions	3.8	-314	-274	-40
Pension liabilities	5.2	-243	-221	-23
Other non-current liabilities		-50	-46	-4
<b>Invested capital</b>		<b>8 717</b>	<b>8 147</b>	<b>569</b>
<b>Capital employed</b>		<b>12 846</b>	<b>12 416</b>	<b>430</b>
Net deferred tax	5.1	296	323	-26
Tax payable	5.1	-259	-266	7
Share investments	5.9	16	16	-
Prepaid dividend from associates and joint ventures	3.7	-257	-323	66
<b>Other invested capital</b>		<b>-204</b>	<b>-250</b>	<b>46</b>
<b>Invested capital and working capital items</b>		<b>12 642</b>	<b>12 166</b>	<b>476</b>
Net interest-bearing debt	4.1	-1 514	-2 581	1 067
<b>Total equity</b>		<b>11 128</b>	<b>9 584</b>	<b>1 544</b>

### 3.2 INTANGIBLE ASSETS

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

#### Accounting policy

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

Amortisation of intangible assets with limited economic lives are calculated on a straight-line basis over the estimated useful life. The amortisation method and period are assessed at least once a year. Changes to the amortisation method and/or period are accounted for as a change in estimate. Intangible assets with unlimited useful lives are not amortised but tested for impairment annually. The methodology for impairment testing is described in Note 3.3.

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

(NOK million)	Development cost	IT applications and other intangibles	Total
<b>Cost</b>			
Balance as of 1 January 2019	324	559	<b>882</b>
Additions	77	211	<b>288</b>
Disposals	-	-	-
Reclassifications	-6	-19	<b>-25</b>
Foreign currency translation effect	-	6	<b>6</b>
<b>Balance as of 31 December 2019</b>	<b>395</b>	<b>755</b>	<b>1 150</b>
Additions	50	61	<b>111</b>
Disposals	-	-3	<b>-3</b>
Reclassifications	-	8	<b>8</b>
Foreign currency translation effect	-	-8	<b>-8</b>
<b>Balance as of 31 December 2020</b>	<b>445</b>	<b>813</b>	<b>1 258</b>
<b>Amortisation and impairment</b>			
Balance as of 1 January 2019	-70	-289	<b>-359</b>
Amortisation	-18	-54	<b>-72</b>
Disposals	-	-	-
Reclassifications	-	-4	<b>-4</b>
Foreign currency translation effect	-	-4	<b>-4</b>
<b>Balance as of 31 December 2019</b>	<b>-88</b>	<b>-350</b>	<b>-438</b>
Amortisation	-19	-59	<b>-79</b>
Disposals	-	3	<b>3</b>
Reclassifications	-	-8	<b>-8</b>
Foreign currency translation effect	-	5	<b>5</b>
<b>Balance as of 31 December 2020</b>	<b>-107</b>	<b>-410</b>	<b>-517</b>
<b>Net book value</b>			
Balance as of 31 December 2020	338	403	<b>741</b>
Balance as of 31 December 2019	308	405	<b>712</b>
Estimated useful life	8-10 years	3-8 years	

### 3.3 PROPERTY, PLANT AND EQUIPMENT

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

A major part of the amount under Construction in progress relates to the new production facilities in Vietnam and Egypt, facility upgrades in Norway and the Czech Republic and construction of a new regional headquarter and R&D facility in Dubai.

See Note 5.4 for further information related to Right-of-Use assets.

(NOK million)	Land	Buildings	Electrical installations	Machinery, vehicles and equipment	Construction in progress	Right-of-Use assets	Total
<b>Cost</b>							
Balance as of 1 January 2019	334	3 593	409	3 935	982	632	<b>9 884</b>
Additions	-1	371	103	323	381	97	<b>1 273</b>
Disposals	-	-56	-1	-32	2	-13	<b>-101</b>
Reclassifications	-	-30	35	-7	27	-	<b>25</b>
Foreign currency translation effect	16	72	-6	84	9	7	<b>182</b>
<b>Balance as of 31 December 2019</b>	<b>349</b>	<b>3 950</b>	<b>539</b>	<b>4 302</b>	<b>1 400</b>	<b>723</b>	<b>11 263</b>
Additions	2	159	92	247	795	165	<b>1 461</b>
Disposals	-	-7	-1	-121	-2	-51	<b>-183</b>
Reclassifications	-34	620	363	265	-1 133	28	<b>109</b>
Foreign currency translation effect	-9	-133	-23	-108	-58	-14	<b>-345</b>
<b>Balance as of 31 December 2020</b>	<b>308</b>	<b>4 588</b>	<b>971</b>	<b>4 584</b>	<b>1 003</b>	<b>852</b>	<b>12 306</b>
<b>Depreciation and impairment</b>							
Balance as of 1 January 2019	-15	-1 450	-172	-2 442	-	-	<b>-4 079</b>
Depreciation	-1	-142	-42	-329	-	-127	<b>-641</b>
Depreciation on disposals	-	38	1	47	-	-	<b>86</b>
Impairment	-	-78	-5	-9	-	-5	<b>-97</b>
Reclassifications	5	4	-4	4	-	-	<b>9</b>
Foreign currency translation effect	-	-7	-7	-39	-	1	<b>-52</b>
<b>Balance as of 31 December 2019</b>	<b>-11</b>	<b>-1 635</b>	<b>-229</b>	<b>-2 768</b>	<b>-</b>	<b>-131</b>	<b>-4 774</b>
Depreciation	-	-151	-64	-357	-	-152	<b>-724</b>
Depreciation on disposals	-	5	-	113	2	18	<b>138</b>
Impairment	-	-4	-	-2	-15	-	<b>-21</b>
Reclassifications	6	-41	-25	-49	-	-	<b>-109</b>
Foreign currency translation effect	-	68	12	76	1	12	<b>169</b>
<b>Balance as of 31 December 2020</b>	<b>-6</b>	<b>-1 760</b>	<b>-305</b>	<b>-2 986</b>	<b>-12</b>	<b>-252</b>	<b>-5 322</b>
<b>Net book value</b>							
Balance as of 31 December 2020	302	2 829	665	1 598	991	600	<b>6 985</b>
Balance as of 31 December 2019	338	2 314	310	1 534	1 400	593	<b>6 489</b>
Estimated useful life	indefinite	25-33 years	10-14 years	3-10 years			

#### Accounting policy

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

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

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

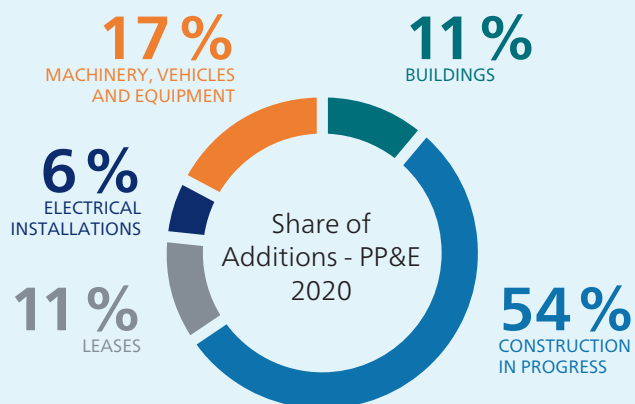
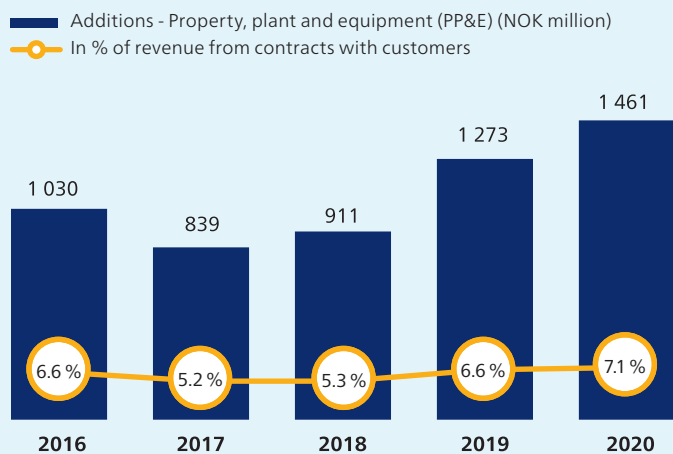
#### Estimate and judgement

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

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

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

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

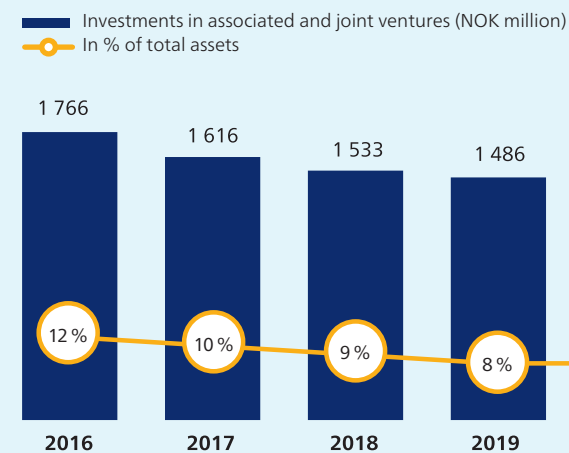


### 3.4 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(NOK million)	Country	Ownership	2020	2019
<b>Associates</b>				
Jotun Saudia Co. Ltd.	Saudia Arabia	40.0 %	341	308
Jotun Yemen Paints Ltd.	Yemen	34.4 %	-1	-1
Jotun U.A.E. Ltd. (LLC)	U.A.E.	41.5 %	211	312
Jotun Abu Dhabi Ltd. (LLC)	U.A.E.	51.6 %	112	110
Jotun Powder Coatings Saudia Arabia Co. Ltd.	Saudia Arabia	46.6 %	92	87
Jotun Powder Coatings U.A.E. Ltd. (LLC)	U.A.E.	47.0 %	71	68
<b>Total associates</b>			<b>826</b>	<b>886</b>
<b>Joint ventures</b>				
Chokwang Jotun Ltd.	South Korea	50.0 %	292	234
Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	China	50.0 %	293	233
Jotun COSCO Marine Coatings (H.K.) Ltd.	China	50.0 %	186	134
<b>Total joint ventures</b>			<b>772</b>	<b>600</b>
<b>Total associates and joint ventures</b>			<b>1 598</b>	<b>1 486</b>

For accounting policy see Note 1.1. Further financial details for the Group's investments in associates and joint ventures are set out in Note 5.5.



### 3.5 INVENTORIES

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

(NOK million)	31.12.2020	31.12.2019
Raw materials	1 211	1 184
Finished goods	1 808	1 785
Allowance for obsolete goods	-141	-139
<b>Total</b>	<b>2 877</b>	<b>2 830</b>

#### Accounting policy

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

- 1) The cost of raw materials is determined using the weighted average cost method as an overall principle for the Group. This involves the computation of an average unit cost by dividing the total cost of units by the number of units.
- 2) The cost of finished goods includes cost of direct materials and cost of conversion such as labour and a proportion of manufacturing overhead based on normal operating capacity, and excludes any borrowing costs. Change in cost of conversion is reported as manufacturing costs, see Note 2.4.

#### Estimate and judgement

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

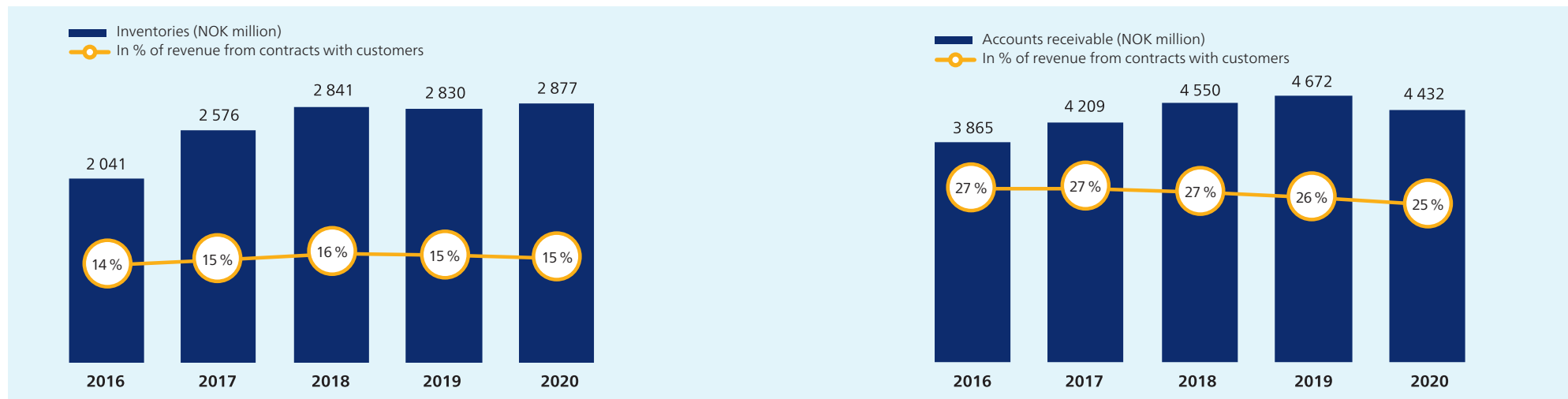
### 3.6 TRADE AND OTHER RECEIVABLES

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

(NOK million)	31.12.2020	31.12.2019
Accounts receivable	4 432	4 694
Bank drafts	134	149
<b>Trade receivables</b>	<b>4 566</b>	<b>4 844</b>
Other receivables	413	422
<b>Total</b>	<b>4 979</b>	<b>5 266</b>

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


(NOK million)	31.12.2020	31.12.2019
Balance as of 1 January	189	189
Allowances for bad debt made during the period	99	99
Realised losses for the year	-24	-100
<b>Balance as of 31 December</b>	<b>264</b>	<b>189</b>






**Ageing of accounts receivable**

(NOK million)	31.12.2020	31.12.2019
Not due	3 263	3 243
Less than 30 days	504	612
30-60 days	274	300
60-90 days	116	134
More than 90 days	539	595
Allowance for bad debt	-264	-189
<b>Total</b>	<b>4 432</b>	<b>4 694</b>

 **Accounting policy**

Accounts receivables are recognised at transaction price. The Group applies a simplified approach when accounting for expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at period end. Allowances for bad debt are based on an individual assessment of the trade receivable, considering all relevant information at the time of reporting, including historical, current and future information.

 **Estimate and judgement**

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

**3.7 OTHER CURRENT LIABILITIES**

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

(NOK million)	31.12.2020	31.12.2019
Public charges and holiday pay	344	289
Received dividend from associates or joint ventures	257	323
Other accrued expenses	902	1 054
Total current provisions, ref. Note 3.8	146	370
<b>Total</b>	<b>1 650</b>	<b>2 036</b>

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

**3.8 PROVISIONS**

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

**2020**

(NOK million)	Claims	Environmental	Other	Total
Balance sheet 1 January	497	58	88	643
Provisions arising during the year	74	48	43	165
Utilised	-249	-1	-23	-273
Unused amounts reversed	-36	-	-41	-76
Currency translation effects	1	-	-	1
<b>Balance as of 31 December</b>	<b>287</b>	<b>105</b>	<b>67</b>	<b>460</b>
Current, ref. Note 3.7	90	-	56	146
Non-current	198	105	11	314
<b>Total</b>	<b>287</b>	<b>105</b>	<b>67</b>	<b>460</b>

**2019**

(NOK million)	Claims	Environmental	Other	Total
Balance sheet 1 January	443	63	49	556
Provisions arising during the year	203	4	69	276
Utilised	-106	-8	-29	-143
Unused amounts reversed	-46	-	-2	-48
Currency translation effects	2	-	1	3
<b>Balance as of 31 December</b>	<b>497</b>	<b>58</b>	<b>88</b>	<b>643</b>
Current, ref. Note 3.7	291	1	78	370
Non-current	205	58	11	274
<b>Total</b>	<b>497</b>	<b>58</b>	<b>88</b>	<b>643</b>

Other provisions include obligations relating to ongoing restructuring programmes. The provision is expected to be utilised within the next year.

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

### Accounting policy

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

### Estimate and judgement

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

The Group has recorded provisions for environmental liabilities at some currently or formerly owned, leased and third-party sites throughout the world. Pre-studies and analysis of relevant areas have been undertaken to reliably estimate the provisions that have been recognised.

## 3.9 CONTINGENT LIABILITIES

### Product liability claims and disputes

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

### Environmental matters

The Group is through its operations exposed to environmental and pollution risk. Production facilities and product storage sites have been inspected with respect to environmental conditions in the soil. For clean-up projects where implementation is probable and reliable cost estimates exist, provisions are made accordingly. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be subject to change. In addition, further expenditures may arise as conditions at various sites have yet to be determined. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

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

### Accounting policy

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

## 3.10 CONTRACTUAL OBLIGATIONS AND GUARANTEES

### Purchase obligations

The Group's contractual purchase obligations are mainly related to investments in new plants and buildings. There is a substantial investment programme ongoing in the Group. Out of the total ongoing investment programme, NOK 681 million is contractually committed capital expenditure (CAPEX) at year end. These contractual commitments mainly relate to projects in Egypt, Dubai and Vietnam. For purchase of raw materials there are no actual commitments for the Group. In general, these contracts can be terminated without significant penalties.

### Other obligations

Jotun A/S has guarantees covering tax withholding and other guarantees for its subsidiaries. These amounted to approximately NOK 398 million in 2020 (2019: NOK 208 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 404 million (2019: NOK 448 million) have been used as payment as of 31 December 2020

## Section 04

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



## Capital Structure and Financial Items

In a year characterised by uncertainty and financial turmoil, the strength of Jotun's capital structure and financial position were demonstrated.

The Group's liquidity position remained solid throughout the year, with ample reserves available to support liquidity needs in the Group. This is testimony to the robustness and prudence of the Group's financial planning policies.

The strong financial performance in 2020 increased the equity ratio further to 54 per cent, well above the loan covenant requirement of minimum 25 per cent. The strong performance also reduced the Group's leverage ratio (Net debt/EBITDA) to 0.4, significantly below the loan covenant requirement of maximum 4.0.

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

# 54.1 %

**Equity / asset ratio, in %**

2019: 50.1 %

# 0.4

**Net debt / EBITDA**

2019: 0.8

# 27.2 %

**Return on capital employed**

(NOK million)

2019: 18.6 %

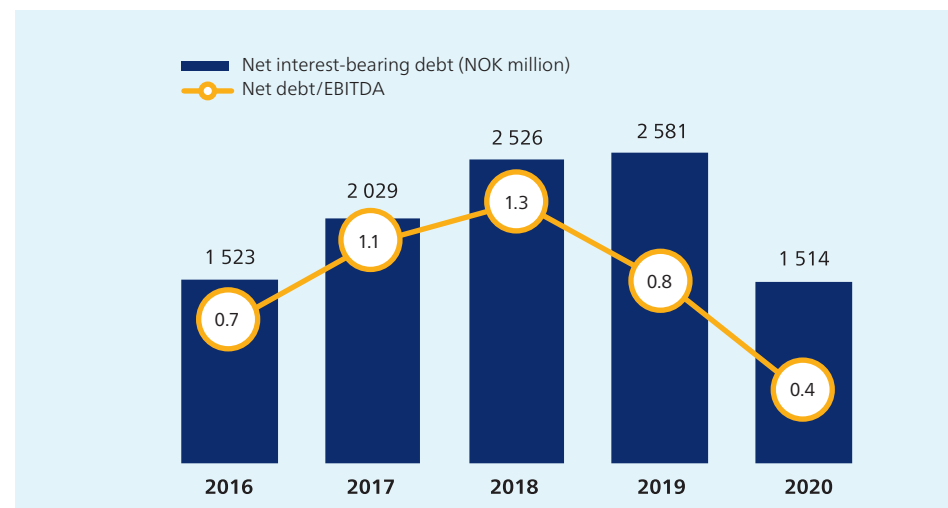
## 4.1 INTEREST-BEARING DEBT

The Group's main sources of financing are from the Norwegian Bond market and bilateral bank facilities. Certificate loans are also used as a source of liquidity. The time to maturity for new loans and credit facilities is normally 3-5 years.

Bond funding in the Group has remained unchanged during 2020. The loan from Nordic Investment Bank (NIB) of USD 120 million is maintained and semi-annual instalments began in 2018.

As of 31 December 2020, there were no drawings on the committed credit facilities.

(NOK million)	Currency	31.12.2020	31.12.2019
<b>Non-current interest-bearing debt</b>			
Bond 2014-21 (Fixed rate 3.9 %)	NOK	-	400
Bond 2018-22 (NIBOR+0.7 %)	NOK	750	750
Bond 2018-24 (NIBOR+0.9 %)	NOK	650	650
Bond 2019-23 (NIBOR+0.93 %)	NOK	600	600
Bank debt NIB 2013-24 (USD LIBOR+1.2 %), unsecured	USD	394	569
Other Bank debt, unsecured		286	58
<b>Total excl. lease liability</b>		<b>2 680</b>	<b>3 027</b>
Lease liability		327	334
<b>Total</b>		<b>3 007</b>	<b>3 361</b>
<b>Current interest-bearing debt</b>			
Bond 2014-21 (Fixed rate 3.9 %)		400	-
Bank debt NIB 2013-24 (USD LIBOR+1.2 %), unsecured		158	163
Other bank debt, unsecured		810	894
Other bank debt, secured		44	29
<b>Total excl. lease liability</b>		<b>1 412</b>	<b>1 085</b>
Lease liability, ref. Note 5.4		116	111
<b>Total</b>		<b>1 528</b>	<b>1 197</b>
<b>Total interest-bearing debt excl. lease liability</b>		<b>4 092</b>	<b>4 112</b>
Total lease liability, ref. Note 5.4		443	445
<b>Total interest-bearing debt</b>		<b>4 534</b>	<b>4 558</b>
Non-current interest-bearing receivables		65	73
Cash and cash equivalents		2 956	1 903
<b>Net interest-bearing debt</b>		<b>1 514</b>	<b>2 581</b>



### Change in interest-bearing debt balance

(NOK million)	31.12.2019	Non-cash changes			31.12.2020
		Cash	Reclass. & other	FX	
Non-current interest-bearing debt	3 361	246	-564	-36	3 007
Current interest-bearing debt	1 197	-244	700	-125	1 528

### Maturity profile interest-bearing debt and unutilised credit facilities

(NOK million)	Total	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
<b>Total interest-bearing debt excl. lease liability</b>							
<b>2020</b>	<b>4 092</b>	<b>1 412</b>	<b>936</b>	<b>785</b>	<b>736</b>	<b>4</b>	<b>218</b>
2019	4 112	1 085	594	928	769	734	1
<b>Unutilised credit facilities</b>							
<b>2020</b>	<b>1 700</b>	<b>-</b>	<b>400</b>	<b>600</b>	<b>600</b>	<b>-</b>	<b>100</b>
2019	1 700	-	600	400	600	-	100

## 4.2 CASH AND CASH EQUIVALENTS

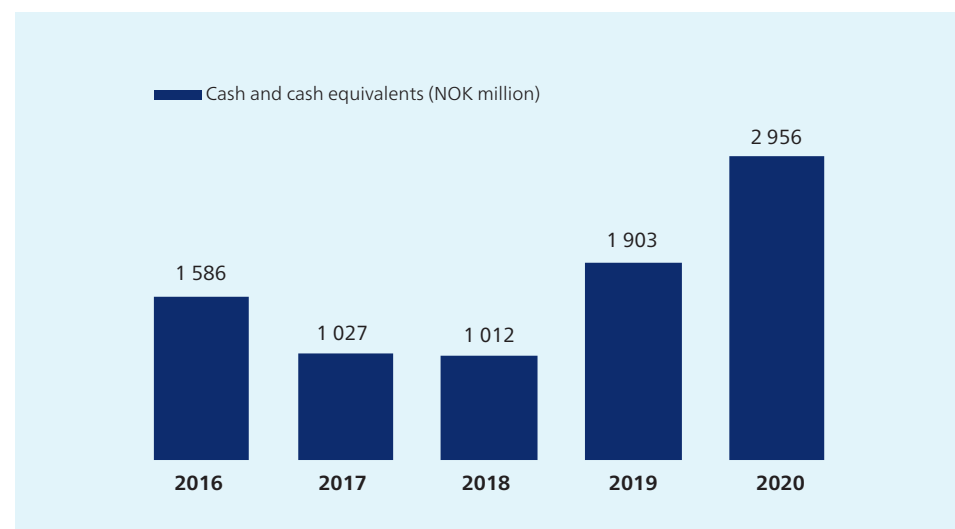
(NOK million)	2020	2019
Cash deposits	2 343	1 394
Short-term investments	613	509
<b>Total</b>	<b>2 956</b>	<b>1 903</b>

Cash deposits in banks are attributable to the Group's cash pool arrangement and local bank accounts held by the respective subsidiaries. Only subsidiaries owned 100 per cent by the Group are participants in the cash pool. The net cash position in the Group's cash pool per 31 December 2020 was NOK 378 million (2019: NOK 190 million).

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

### Accounting policy

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



## 4.3 NET FINANCIAL ITEMS

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

Financial income (NOK million)	2020	2019
Fair value changes financial instruments	32	18
Interest income	31	33
Dividend	3	3
Net foreign exchange gain	51	13
Other financial income	5	18
<b>Total</b>	<b>123</b>	<b>86</b>

Financial cost (NOK million)	2020	2019
Interest costs	-185	-236
Net foreign exchange loss	-212	-43
Other financial costs	-56	-48
<b>Total</b>	<b>-453</b>	<b>-327</b>
<b>Net financial items</b>	<b>-331</b>	<b>-242</b>

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

(NOK million)	2020	2019
Unrealised gain/loss (-)	32	18
Realised gain/loss (-)	-24	-36

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

## 4.4 FINANCIAL RISK MANAGEMENT

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

### Raw material price risk

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

Cost of goods sold was NOK 10.6 billion in 2020 of which NOK 5.8 billion were costs for the top five raw materials. A ten per cent increase in commodity prices will result in an increase in cost of goods sold by NOK 1.1 billion.

### Foreign currency risk

The Group's consolidated financial statement is exposed to a currency risk related to translation of local currencies to NOK. In 2020, sales and operating profit outside Norway were NOK 17.5 billion and NOK 3.3 billion respectively. A ten per cent appreciation in NOK will result in a reduction in sales of NOK 1.8 billion and operating profit of NOK 0.3 billion. Excluding currency effects, sales growth for the Group would have been reduced from 7 per cent to 3 per cent, and growth in operating profit would have been reduced from 50 per cent to 43 per cent.

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

Jotun A/S has a USD 64.8 million loan and a rolling USD 28 million currency swap which serves as a hedge of net investment in foreign operations. Gains or losses on the hedging instrument related to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

A loss of NOK 41.2 million on hedge of net investments was recognised in other comprehensive income in 2020 (2019: gain NOK 35.3 million).

### Credit risk

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

The Group's credit risk is mainly related to markets with generally high Days Sales Outstanding (DSO). Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls. Outstanding customer receivables are regularly monitored based on defined credit limits, and credit risk assessments are performed.

There is no significant concentration of credit risk in respect of single counterparts. Some groups of counterparts can be viewed as significant: Shipyards, ship owners, real estate developers and some larger retail chains in Scandinavia.

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

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

### Interest rate risk

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

The Group has long-term interest-bearing debt of NOK 2 680 million with floating interest rate. A three percentage point increase in interest rate will affect the financial items by NOK 80 million.

### Funding and liquidity risk

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

The Group estimates its future cash flow by forecasting. Cash flow from operations has seasonal cycles, especially due to the sales of exterior decorative paints in Scandinavia. Through the first months of the year, the Group has substantial build-up of working capital in preparation for sales during spring and summer season. This is an expected cyclical movement and is taken into account when planning the Group's financing.

Other drivers of the liquidity development are investments in new factories and changes in the working capital in the individual companies. Jotun A/S repatriates' cash through both ordinary and interim dividends based on target equity ratios for its subsidiaries.

# Section 05

This section includes other statutory notes not related to previous sections.



## Other Disclosures



**780**

Income tax expense

(NOK million)

2019: 529

**25 %**

Effective tax rate based on profit before tax

2019: 25 %

**598.5**

Proposed dividend

(NOK million)

2019: 547

## 5.1 TAXATION

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

The major components of the income tax expense are:

(NOK million)	2020	2019
<b>Current income tax charge:</b>		
Tax payable	750	599
<b>Deferred tax:</b>		
Relating to original and reversal of temporary differences	30	-70
<b>Income tax expense reported in the income statement</b>	<b>780</b>	<b>529</b>

### Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

The difference between the Group's nominal and effective tax rate is mainly due to non-deductible expenses, non-refundable withholding taxes on dividends and tax losses carried forward from operations without recognition of deferred tax assets. In addition, the tax expense is driven by local income tax from associates where taxes are liable by Jotun A/S as a foreign shareholder.

In the following table, reported income tax is reconciled with the calculated tax expense based on the Norwegian tax rate of 22 per cent (22 per cent in 2019). The main components are specified.

(NOK million)	2020	2019		
<b>Profit before tax as reported in the income statement</b>	<b>3 158</b>	<b>2 079</b>		
Share of profit of associates and joint ventures net of tax	-746	-497		
<b>Profit before tax excluding associates and joint ventures</b>	<b>2 412</b>	<b>1 582</b>		
Income taxes at statutory tax rate	22 %	531	22 %	348
Non refundable foreign withholding tax	2 %	50	2 %	27
Corrections previous years	0 %	10	-1 %	-8
Tax effect related to equity accounted companies	2 %	56	3 %	45
Non deductible expenses and non taxable income	2 %	41	4 %	56
Unused tax losses not recognised as deferred tax assets	4 %	92	4 %	68
Difference between tax rates in Norway and abroad	0 %	1	0 %	-6
<b>Total income tax expense</b>	<b>780</b>	<b>529</b>		
Effective tax rate excluding profit from associates and joint ventures	32 %	33 %		
Effective tax rate based on profit before tax	25 %	25 %		

### Specification of total tax payable

(NOK million)	31.12.2020	31.12.2019
Tax payable for the year	750	599
Prepaid taxes	-412	-275
Withholding taxes receivable	-122	-96
Other tax payable	44	37
<b>Total tax payable</b>	<b>259</b>	<b>266</b>

### Specification of deferred tax

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

(NOK million)	31.12.2020	31.12.2019
Non-current assets	653	304
Current assets	-360	-312
Liabilities	-1 387	-1 314
Tax loss carried forward	-101	-71
<b>Net temporary differences and tax loss carried forward</b>	<b>-1 195</b>	<b>-1 393</b>

### Net deferred tax presented in the consolidated statement of financial position

Deferred tax assets	358	360
Deferred tax liabilities	-62	-38
<b>Net deferred tax</b>	<b>296</b>	<b>323</b>

### Specification of tax loss carried forward and unused tax credits

(NOK million)	31.12.2020	31.12.2019
2020		74
2021	124	125
2022	67	61
2023	33	12
2024	47	526
2025 and after	578	-
Without expiration	728	842
<b>Total loss carried forward</b>	<b>1 576</b>	<b>1 640</b>
Calculated nominal tax effect of tax loss carried forward	465	494
Valuation allowance	-437	-477
<b>Deferred tax assets recognised from tax loss carried forward</b>	<b>28</b>	<b>17</b>

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



## Accounting policy

### Current income tax

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

### Deferred tax

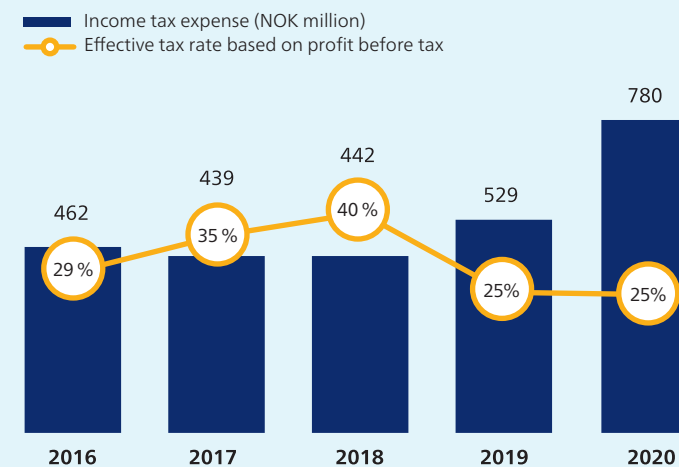
Deferred tax assets and deferred tax liabilities are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax assets and deferred tax liabilities are recognised at their nominal value and classified as non-current liabilities and non-current assets in the balance sheet. Deferred tax liabilities and deferred tax assets are offset as far as possible as permitted by taxation legislation and regulations. Deferred tax assets are recognised for all unused tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which losses and temporary differences can be utilised.

## Estimate and judgement

Uncertainties exist with respect to determining the Group's deferred tax assets and deferred tax liabilities. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

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

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



## 5.2 PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

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

The majority of the Group's pension plans are defined contribution plans, whereby the company's obligation is limited to annual contributions to the employees' pension plans. The Group also has a few, remaining defined benefit pension plans with net pension obligation. Costs related to these plans account for less than 15 per cent of total pension costs in 2020.

### Summary of pension costs

(NOK million)	2020	2019
Pension costs defined contribution plans and other severance schemes	162	154
Pension costs defined benefit plans	14	16
<b>Total pension costs recognised in the income statement, ref. Note 2.3</b>	<b>177</b>	<b>170</b>
<b>Actuarial gain / loss (-) recognised in other comprehensive income (net of tax)</b>	<b>-13</b>	<b>-8</b>

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

Defined benefit plans in Norway and Indonesia account for around 61 per cent and 27 per cent, respectively, of the Group's net pension obligation as of 31 December 2020. In Norway, net pension obligations are primarily related to previous early retirement schemes for the Group's senior executives. In certain countries in South East Asia and the Middle East, such as Indonesia, Thailand and Oman, there are pension schemes based on a final salary principle in accordance with local regulations. These are included in net pension obligations.

Other severance schemes comprise mainly obligations related to operating pension schemes for employees in the Norwegian companies with an annual basic salary and pension base exceeding 12 times the basic amount (G). This accounts for 82 per cent of the other severance scheme obligation.

### Actuarial assumptions

	Norway		Indonesia	
	2020	2019	2020	2019
Discount rate in %	1.0	1.3	7.4	7.3
Expected return in %	1.0	1.3	4.0	5.0
Wage adjustment in %	2.0	2.25	6.0	6.0
Inflation / increase in social security basic amount (G) in %	1.75	2.0	2.6	3.0
Pension adjustment in %	0.0-2.0	0.7-2.25	-	-

### Schemes with net pension obligations

(NOK million)	Pension plan assets		Defined benefit obligations		Net pension obligations	
	2020	2019	2020	2019	2020	2019
<b>Balance as of 1 January</b>	<b>440</b>	<b>366</b>	<b>-575</b>	<b>-487</b>	<b>-135</b>	<b>-121</b>
Translation difference at the beginning of the period	2	15	-	-18	2	-2
<b>Recognised in the income statement</b>						
Pension earnings for the year	-	-	-11	-12	-11	-12
Interest income / cost (-)	-	-	-13	-15	-13	-15
Expected return on pension plan assets	9	11	-	-	9	11
<b>Recognised in the income statement</b>	<b>9</b>	<b>11</b>	<b>-23</b>	<b>-28</b>	<b>-14</b>	<b>-16</b>
Other movements	20	47	-13	-43	8	6
<b>Net pension obligation defined benefit plans</b>	<b>471</b>	<b>440</b>	<b>-611</b>	<b>-575</b>	<b>-140</b>	<b>-136</b>
Other severance schemes	-	-	-103	-85	-103	-85
<b>Balance as of 31 December</b>	<b>471</b>	<b>440</b>	<b>-715</b>	<b>-660</b>	<b>-243</b>	<b>-221</b>

### Breakdown of net pension liabilities in funded and unfunded schemes

(NOK million)	31.12.2020	31.12.2019
Present value of funded pension obligations	-504	-473
Pension plan assets	471	440
<b>Net funded pension obligations</b>	<b>-33</b>	<b>-34</b>
Present value of unfunded pension obligations	-211	-187
<b>Capitalised net pension assets / liabilities (-)</b>	<b>-243</b>	<b>-221</b>

### Pension plan assets

Pension plan assets are mainly in bonds and shares. The estimated return will vary depending on the composition of the various classes of assets. Contributions to pension plan assets during 2021 are expected to be approximately NOK 12.3 million.

### Breakdown of pension plan assets (fair value)

	31.12.2020	31.12.2019
Cash and cash equivalents in %	0.4	1.1
Bonds in %	54.7	52.7
Shares in %	40.6	41.3
Property in %	4.3	4.8
<b>Total pension plan assets</b>	<b>100.0</b>	<b>100.0</b>

## Accounting policy

### Defined contribution plans

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

### Defined benefit plans

In the defined benefit plans, the Group companies are responsible for paying an agreed pension to the employee based on his or her final pay. Defined benefit plans are valued at the present value of accrued future pension obligations at the end of the reporting period. Pension plan assets are valued at their fair value. The capitalised net liability is the sum of the accrued pension liability minus the fair value of the associated pension fund asset.

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

### Other severance schemes

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

## Estimate and judgement

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

All assumptions are reviewed at each reporting date.

## 5.3 REMUNERATIONS

### Remuneration of the President & CEO

(NOK thousand)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
President & CEO	5 630	2 586	207	2 573	10 996

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

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

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

### Remuneration of the Board of Directors and Corporate Assembly

(NOK thousand)	31.12.2020	31.12.2019
Board of Directors	2 840	3 384
Corporate Assembly	195	173
<b>Total</b>	<b>3 035</b>	<b>3 557</b>

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

### External auditor remuneration

(NOK thousand)	31.12.2020	31.12.2019
Statutory audit	13 739	14 111
Other attestation services	426	229
Tax services	3 884	3 085
Other services	1 076	2 182
<b>Total</b>	<b>19 126</b>	<b>19 607</b>

## 5.4 LEASES

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

### Accounting policy

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

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

### Right-of-Use assets

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

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

### Lease liabilities

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

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

### Short-term leases and leases of low-value assets

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

### Cash flow

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

### Estimate and judgement

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

**Right-of-Use assets:**

(NOK million)	Land	Buildings	Machinery, vehicles and equipment	Total
<b>Cost</b>				
Balance as of 1 January 2019	318	190	124	<b>632</b>
Additions	-	40	57	<b>97</b>
Disposals	-9	-3	-1	<b>-13</b>
Reclassifications	-	-	-	<b>-</b>
Foreign currency translation effect	4	1	2	<b>7</b>
<b>Balance as of 31 December 2019</b>	<b>313</b>	<b>228</b>	<b>182</b>	<b>723</b>
Additions	1	92	73	<b>165</b>
Disposals	-24	-17	-11	<b>-51</b>
Reclassifications	28	1	-1	<b>28</b>
Foreign currency translation effect	-3	-7	-4	<b>-14</b>
<b>Balance as of 31 December 2020</b>	<b>315</b>	<b>297</b>	<b>239</b>	<b>852</b>
<b>Amortisation and impairment</b>				
Balance as of 1 January 2019	-	-	-	<b>-</b>
Depreciation	-10	-59	-58	<b>-127</b>
Depreciation on disposals	-	-	-	<b>-</b>
Impairment	-	-5	-	<b>-5</b>
Reclassifications	-	-	-	<b>-</b>
Foreign currency translation effect	-	2	-1	<b>1</b>
<b>Balance as of 31 December 2019</b>	<b>-10</b>	<b>-62</b>	<b>-59</b>	<b>-131</b>
Depreciation	-10	-70	-71	<b>-152</b>
Depreciation on disposals	2	5	11	<b>18</b>
Impairment	-	-	-	<b>-</b>
Reclassifications	-	-1	1	<b>-</b>
Foreign currency translation effect	1	8	4	<b>12</b>
<b>Balance as of 31 December 2020</b>	<b>-17</b>	<b>-120</b>	<b>-115</b>	<b>-252</b>
<b>Net book value</b>				
Balance as of 31 December 2020	298	177	124	<b>600</b>
Balance as of 31 December 2019	303	166	123	<b>593</b>

**Lease liability as of 31 December**

(NOK million)	31.12.2020	31.12.2019
Non-current	327	334
Current	116	111
<b>Total</b>	<b>443</b>	<b>445</b>

**Undiscounted lease liabilities and maturity of cash outflows**

(NOK million)	31.12.2020	31.12.2019
Less than 1 year	135	135
1-2 years	92	101
2-3 years	60	59
3-4 years	34	36
4-5 years	25	22
More than 5 years	288	303
<b>Total undiscounted lease liabilities</b>	<b>634</b>	<b>655</b>

**Amounts recognised in the consolidated income statement:**

(NOK million)	2020	2019
<b>Leases</b>		
Depreciation of Right-of-Use assets	152	127
Impairment of Right-of-Use assets	-	5
Interest expense	26	30

**Other lease expenses recognised in the income statement:**

	2020	2019
Expenses relating to short-term leases	21	26
Expenses relating to lease of low value assets	9	7
Expenses related to variable payments	21	24
Rent concession - COVID-19 pandemic	-	-
<b>Total</b>	<b>229</b>	<b>219</b>

Total cash outflow relating to lease of Right-of-Use assets was NOK 164 million for the period. The portfolio of short-term leases does not vary significantly from year to year.

## 5.5 ASSOCIATES AND JOINT VENTURES

The Group has investments in associates in the Middle East and joint ventures in North East Asia, involved in production and sales of products within all the Group's four segments. See Note 1.1 for accounting policy.

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

### Overview

(NOK million)	31.12.2020			31.12.2019		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
Carrying amount 1 January	886	600	1 486	996	537	1 533
Share of profit and loss	525	221	746	431	66	497
Exchange differences	-77	1	-75	15	-2	13
Dividend	-508	-51	-559	-556	-	-556
<b>Carrying amount 31 December</b>	<b>826</b>	<b>772</b>	<b>1 598</b>	<b>886</b>	<b>600</b>	<b>1 486</b>
Revenues	4 901	3 633	8 533	4 527	3 401	7 928
Revenues - Jotun entities*	538	1 381	1 919	587	1 146	1 734
<b>Total revenues</b>	<b>5 438</b>	<b>5 014</b>	<b>10 452</b>	<b>5 114</b>	<b>4 548</b>	<b>9 662</b>
<b>Profit / (loss) for the year</b>	<b>1 300</b>	<b>453</b>	<b>1 752</b>	<b>1 286</b>	<b>132</b>	<b>1 418</b>

\* Subsidiaries, associates and joint ventures.

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

#### Associates

The Group has the following investments in associates:

(NOK million)	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E Ltd. (LLC)	Jotun Abu Dhabi Ltd. (LLC)	Jotun Powder Coatings Saudi Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (LLC)	Total
	Saudi Arabia	Yemen	U.A.E.	U.A.E.	Saudi Arabia	U.A.E.	
Ownership interest	40.0 %	34.4 %	41.5 %	51.6 %	46.6 %	47.0 %	
Carrying amount 1 January	308	-1	312	110	87	68	886
Net profit / (loss) during the year	230	-1	174	67	18	36	525
Exchange differences	-30	-	-29	-9	-4	-5	-77
Dividend	-168	-	-247	-55	-10	-28	-508
<b>Carrying amount 31 December</b>	<b>341</b>	<b>-1</b>	<b>211</b>	<b>112</b>	<b>92</b>	<b>71</b>	<b>826</b>

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

### 2020

(NOK million)	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E Ltd. (LLC)	Jotun Abu Dhabi Ltd. (LLC)	Jotun Powder Coatings Saudi Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (LLC)	Total
Non-current assets	413	1	168	70	64	137	854
Current assets	618	-	839	226	193	172	2 048
<b>Total assets</b>	<b>1 031</b>	<b>1</b>	<b>1 007</b>	<b>297</b>	<b>257</b>	<b>309</b>	<b>2 903</b>
Equity	852	-3	746	218	197	178	2 186
Non-current liabilities	100	4	60	6	24	32	225
Current liabilities	79	-	202	74	36	99	491
<b>Total equity and liabilities</b>	<b>1 031</b>	<b>1</b>	<b>1 007</b>	<b>297</b>	<b>257</b>	<b>309</b>	<b>2 903</b>
Revenues	2 200	-	1 855	690	300	394	5 438
<b>Profit / (loss) for the year</b>	<b>575</b>	<b>-</b>	<b>470</b>	<b>129</b>	<b>39</b>	<b>87</b>	<b>1 300</b>

### 2019

(NOK million)	Jotun Saudia Co. Ltd.	Jotun Yemen Paints Ltd.	Jotun U.A.E Ltd. (LLC)	Jotun Abu Dhabi Ltd. (LLC)	Jotun Powder Coatings Saudi Arabia Co. Ltd.	Jotun Powder Coatings U.A.E. Ltd. (LLC)	Total
Non-current assets	423	2	185	74	70	152	905
Current assets	688	1	914	265	177	188	2 233
<b>Total assets</b>	<b>1 111</b>	<b>3</b>	<b>1 099</b>	<b>340</b>	<b>246</b>	<b>340</b>	<b>3 139</b>
Equity	771	-2	986	212	188	172	2 328
Non-current liabilities	105	5	66	6	21	58	261
Current liabilities	235	-	46	121	37	110	550
<b>Total equity and liabilities</b>	<b>1 111</b>	<b>3</b>	<b>1 099</b>	<b>340</b>	<b>246</b>	<b>340</b>	<b>3 139</b>
Revenues	1 849	-	1 901	687	251	426	5 114
<b>Profit / (loss) for the year</b>	<b>423</b>	<b>-</b>	<b>666</b>	<b>111</b>	<b>12</b>	<b>75</b>	<b>1 286</b>

## Joint ventures

The Group has the following investments in joint ventures:

(NOK million)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.	Total
<b>Country</b>	<b>South Korea</b>	<b>China</b>	<b>China</b>	
Ownership interest	50 %	50 %	50 %	
Carrying amount 1 January	234	233	134	600
Net profit / (loss) during the year	103	56	62	221
Exchange differences	6	5	-9	1
Dividend	-51	-	-	-51
<b>Carrying amount 31 December</b>	<b>292</b>	<b>293</b>	<b>186</b>	<b>772</b>

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

2020 (NOK million)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.	Total
Non-current assets	368	415	445	1 229
Current assets	564	1 136	401	2 101
<b>Total assets</b>	<b>932</b>	<b>1 551</b>	<b>847</b>	<b>3 330</b>
Equity	585	586	711	1 881
Non-current liabilities	43	121	-	165
Current liabilities	304	844	136	1 284
<b>Total equity and liabilities</b>	<b>932</b>	<b>1 551</b>	<b>847</b>	<b>3 330</b>
Revenues	1 557	2 149	1 308	5 014
<b>Net profit / (loss) for the year</b>	<b>206</b>	<b>112</b>	<b>135</b>	<b>453</b>

2019 (NOK million)	Chokwang Jotun Ltd.	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd.	Jotun COSCO Marine Coatings (H.K.) Ltd.	Total
Non-current assets	376	473	390	1 238
Current assets	646	1 040	520	2 206
<b>Total assets</b>	<b>1 022</b>	<b>1 513</b>	<b>910</b>	<b>3 444</b>
Equity	468	465	604	1 537
Non-current liabilities	98	59	-	157
Current liabilities	456	989	305	1 750
<b>Total equity and liabilities</b>	<b>1 022</b>	<b>1 513</b>	<b>910</b>	<b>3 444</b>
Revenues	1 551	1 944	1 052	4 548
<b>Net profit / (loss) for the year</b>	<b>46</b>	<b>-1</b>	<b>87</b>	<b>132</b>

## 5.6 RELATED PARTIES

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

During 2020, goods and services were purchased and sold to various related parties in which the Group holds a 50 per cent or less equity interest. Investments in associates and joint ventures are presented in Note 5.5, shareholder and dividend information are presented in Note 5.8.

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

Outstanding balances at the year-end are unsecured and there have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: NOK 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates. The amount of these transactions is shown in the table below.

2020 (NOK million)	Sales of goods to	Purchases of goods from	Other revenue from	Loans to	Interests on loan to	Other current liabilities	Trade and other receivables
Joint ventures	766	550	144	-	-	102	171
Associates	125	441	177	1	-	120	76
<b>Total</b>	<b>891</b>	<b>992</b>	<b>321</b>	<b>1</b>	<b>-</b>	<b>222</b>	<b>246</b>

2019 (NOK million)	Sales of goods to	Purchases of goods from	Other revenue from	Loans to	Interests on loan to	Other current liabilities	Trade and other receivables
Joint ventures	836	417	121	-	-	137	189
Associates	135	508	174	1	-	146	80
<b>Total</b>	<b>971</b>	<b>925</b>	<b>295</b>	<b>1</b>	<b>-</b>	<b>283</b>	<b>270</b>

Details on remuneration and shares held for the Board of Directors and Group Management is described in Notes 5.3 and 5.8. Besides remuneration and shares, the Group has not identified any transactions with the Board of Directors or key management personnel during 2020.

## 5.7 SUBSIDIARIES

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

## 5.8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital in Jotun A/S as of 31 December 2020 consists of the following share classes:

(NOK)	Quantity	Face value	Share capital
A-shares	114 000	300	34 200 000
B-shares	228 000	300	68 400 000
<b>Total</b>	<b>342 000</b>	<b>300</b>	<b>102 600 000</b>

At the general meeting, each A-share has ten votes and each B-share has one vote. There are no changes from last year.

### Ownership structure

The number of shareholders as of 31 December 2020 was 887. The largest shareholders were:

Shareholders	A-shares	B-shares	Total	Ownership	Voting interest
Paint Holding AS	42 203	103 446	145 649	42.6 %	38.4 %
Odd Gleditsch AS	11 497	37 641	49 138	14.4 %	11.2 %
Mattisberget AS	29 519	587	30 106	8.8 %	21.6 %
Leo Invest AS	3 008	7 022	10 030	2.9 %	2.7 %
Abrafam Holding AS	3 387	3 666	7 053	2.1 %	2.7 %
BOG Invest AS		6 850	6 850	2.0 %	0.5 %
Bjørn Ekdahl	2 324	3 381	5 705	1.7 %	1.9 %
ACG AS		5 553	5 553	1.6 %	0.4 %
Elanel AS	3 027	2 353	5 380	1.6 %	2.4 %
HEJO Holding AS		5 257	5 257	1.5 %	0.4 %
Live Invest AS	4 080	571	4 651	1.4 %	3.0 %
Kofreni AS	131	4 114	4 245	1.2 %	0.4 %
Bjørn Ole Gleditsch	26	3 679	3 705	1.1 %	0.3 %
Pina AS		3 443	3 443	1.0 %	0.3 %
Conrad Wilhelm Eger	1 172	2 155	3 327	1.0 %	1.0 %
Jill Beate Gleditsch		3 171	3 171	0.9 %	0.2 %
Fredrikke Eger	1 003	2 084	3 087	0.9 %	0.9 %
Anne Cecilie Gleditsch	5	3 061	3 066	0.9 %	0.2 %
Nils Petter Johannes Ekdahl	2 322	645	2 967	0.9 %	1.7 %
Vida Holding AS	142	2 588	2 730	0.8 %	0.3 %
<b>Total 20 largest</b>	<b>103 846</b>	<b>201 267</b>	<b>305 113</b>	<b>89.2 %</b>	<b>90.6 %</b>
Total others	10 154	26 733	36 887	10.8 %	9.4 %
<b>Total number of shares</b>	<b>114 000</b>	<b>228 000</b>	<b>342 000</b>	<b>100.0 %</b>	<b>100.0 %</b>

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

Name	Office	A-shares	B-shares	Total
Odd Gleditsch d.y.	Chairman of the Board	27	6 738	<b>6 765</b>
Einar Abrahamsen	Member of the Board	3 387	3 674	<b>7 061</b>
Nicolai A. Eger	Member of the Board	1 112	5 200	<b>6 312</b>
Terje Andersen	Member of the Board		2	<b>2</b>
Bjørn Ekdahl	Chairman of the Corporate Assembly	2 324	3 381	<b>5 705</b>
Bjørn Ole Gleditsch	Member of the Corporate Assembly	26	10 529	<b>10 555</b>
Anne Cecilie Gleditsch	Member of the Corporate Assembly	5	8 615	<b>8 620</b>
Kornelia Eger Foyn-Bruun	Member of the Corporate Assembly	100	274	<b>374</b>
Nils Andreas Arnesen	Member of the Corporate Assembly	157	516	<b>673</b>
Terje V. Arnesen	Member of the Corporate Assembly		1	<b>1</b>
Truls Hvitstein	Member of the Corporate Assembly		1	<b>1</b>
Jens-Erlend Trana	Member of the Corporate Assembly		2	<b>2</b>
Morten Fon	President & CEO	9	21	<b>30</b>
Bård K. Tønning	GEVP Decorative Paints		5	<b>5</b>
Vidar Nysæther	GEVP & CFO		20	<b>20</b>

There are no options for share acquisitions.

### Dividend paid and proposed

Declared and paid during the year	2020	2019
Total dividend on ordinary shares	547 200 000	427 500 000
Dividend per share	1 600	1 250

Proposed for approval at the Annual General Meeting	2020	2019
Total dividend on ordinary shares	598 500 000	547 200 000
Dividend per share	1 750	1 600

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



## 5.9 DETAILS OF FINANCIAL ASSETS AND LIABILITIES

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

- Level 1: Recorded fair value based on quoted, unadjusted prices in active markets for identical assets and liabilities
- Level 2: Recorded fair value based on valuation using observable market data, directly or indirectly, as input
- Level 3: Recorded fair value based on valuation without availability of any observable market data as input

### 2020

(NOK million)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
<b>Non-current assets</b>						
Share investments		3	16		16	
Non-current financial receivables				65	65	65
<b>Total</b>			<b>16</b>	<b>65</b>	<b>80</b>	<b>65</b>
<b>Current assets</b>						
Accounts receivable	3.6			4 432	4 432	
Other current receivables	3.6			512	512	
Current derivatives	4.1	1	35		35	
Cash and cash equivalents	4.2			2 956	2 956	2 956
<b>Total</b>			<b>35</b>	<b>7 900</b>	<b>7 935</b>	<b>2 956</b>
<b>Total financial assets</b>			<b>51</b>	<b>7 964</b>	<b>8 015</b>	<b>3 020</b>

### 2019

(NOK million)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
<b>Non-current assets</b>						
Share investments		3	16		16	
Non-current financial receivables				73	73	73
<b>Total</b>			<b>16</b>	<b>73</b>	<b>89</b>	<b>73</b>
<b>Current assets</b>						
Accounts receivable	3.6			4 694	4 694	
Other current receivables	3.6			572	572	
Cash and cash equivalents	4.3			1 903	1 903	1 903
<b>Total</b>			<b>-</b>	<b>7 169</b>	<b>7 169</b>	<b>1 903</b>
<b>Total financial assets</b>			<b>16</b>	<b>7 242</b>	<b>7 258</b>	<b>1 976</b>

## Accounting policy

### Fair value of financial instruments:

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

### 2020

(NOK million)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
<b>Non-current liabilities</b>						
Non-current financial liabilities	4.1			3 007	3 007	3 007
<b>Total</b>			<b>-</b>	<b>3 007</b>	<b>3 007</b>	<b>3 007</b>
<b>Current liabilities</b>						
Interest-bearing debt	4.1			1 528	1 528	1 528
Trade payables				2 334	2 334	
Current tax liabilities	5.1			259	259	
Other liabilities	3.7			1 650	1 650	
<b>Total</b>			<b>-</b>	<b>5 771</b>	<b>5 771</b>	<b>1 528</b>
<b>Total financial liabilities</b>			<b>-</b>	<b>8 777</b>	<b>8 777</b>	<b>4 534</b>

### 2019

(NOK million)	Note	Level	Fair value	Amortised cost	Total	Interest-bearing
<b>Non-current assets</b>						
Non-current financial liabilities	4.1			3 361	3 361	3 361
<b>Total</b>			<b>-</b>	<b>3 361</b>	<b>3 361</b>	<b>3 361</b>
<b>Current liabilities</b>						
Interest-bearing debt	4.1			1 197	1 197	1 197
Trade payables				2 114	2 114	
Current tax liabilities	5.1			266	266	
Other liabilities	3.7			2 032	2 032	
Current derivatives	4.1	1	4		4	
<b>Total</b>			<b>4</b>	<b>5 609</b>	<b>5 613</b>	<b>1 197</b>
<b>Total financial liabilities</b>			<b>4</b>	<b>8 970</b>	<b>8 973</b>	<b>4 558</b>

**FINANCIAL ASSETS:**

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

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

***Financial assets at amortised cost***

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

***Financial assets at fair value through profit or loss***

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

***Impairment of financial assets***

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognised in the income statement.

**FINANCIAL LIABILITIES:****Initial recognition and measurement**

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

**Subsequent measurement**

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

***Financial liabilities at fair value through profit or loss***

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

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

***Loans and borrowings***

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

## 5.10 ALTERNATIVE PERFORMANCE MEASURES

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

The performance measures set out below have been consistent over time and are some of the key indicators used in management reporting to monitor business performance.

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

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

EBITA: Profit before interest, income tax and amortisation

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

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

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

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

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



# Parent Company Financial Statements

Jotun A/S  
31 December 2020



**INCOME STATEMENT**

(NOK million)	Note	2020	2019
Operating revenue	2.1, 5.5	4 049	3 625
Cost of goods sold	5.5	-1 832	-1 597
Payroll expense	2.2, 5.2	-1 108	-991
Other operating expenses	2.3, 5.4, 5.5	-692	-850
Depreciation, amortisation and impairment	3.1, 3.2, 5.4	-228	-174
<b>Operating profit</b>		<b>189</b>	<b>11</b>
Dividend from subsidiaries		852	525
Dividend from associates and joint ventures		644	573
Net financial items	4.3, 4.4, 5.4, 5.5	-517	-296
<b>Profit before tax</b>		<b>1 168</b>	<b>813</b>
Income tax expense	5.1	-197	-174
<b>Profit for the year</b>		<b>970</b>	<b>639</b>

**STATEMENT OF COMPREHENSIVE INCOME**

(NOK million)	Note	2020	2019
<b>Profit for the year</b>		<b>970</b>	<b>639</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	5.2	-3	4
<b>Other comprehensive income for the year, net of tax</b>		<b>-3</b>	<b>4</b>
<b>Total comprehensive income for the year</b>		<b>967</b>	<b>643</b>

**STATEMENT OF FINANCIAL POSITION**

(NOK million)	Note	31.12.2020	31.12.2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax assets	5.1	132	167
Other intangible assets	3.1	563	756
Property, plant and equipment	3.2, 5.4	2 283	2 097
Investments in subsidiaries	5.6	3 164	3 064
Investments in associates and joint ventures	5.7	318	318
Share investments	5.8	8	8
Other non-current receivables	4.1, 4.4, 5.4, 5.5	2 345	2 398
<b>Total non-current assets</b>		<b>8 812</b>	<b>8 808</b>
<b>Current assets</b>			
Inventories	3.3	524	505
Trade and other receivables	3.4, 5.5	1 105	913
Cash and cash equivalents	4.1, 4.2	995	725
<b>Total current assets</b>		<b>2 624</b>	<b>2 143</b>
<b>Total assets</b>		<b>11 436</b>	<b>10 951</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5.9	103	103
Other equity		6 050	5 630
<b>Total equity</b>		<b>6 153</b>	<b>5 733</b>
<b>Non-current liabilities</b>			
Pension liability	5.2	169	152
Provisions	3.6	276	236
Interest-bearing debt	4.1	2 428	3 007
<b>Total non-current liabilities</b>		<b>2 873</b>	<b>3 395</b>
<b>Current liabilities</b>			
Interest-bearing debt	4.1	570	175
Trade and other payables	5.5	449	418
Tax payable	5.1	23	75
Other current liabilities	3.5, 3.6, 4.1, 5.5	1 369	1 154
<b>Total current liabilities</b>		<b>2 410</b>	<b>1 823</b>
<b>Total liabilities</b>		<b>5 284</b>	<b>5 218</b>
<b>Total equity and liabilities</b>		<b>11 436</b>	<b>10 951</b>

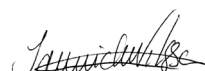
Sandefjord, Norway, 18 February 2021  
The Board of Directors  
Jotun A/S

  
Odd Gleditsch d.y.  
Chairman

  
Einar Abrahamsen

  
Kai Roger Johansen

  
Terje Andersen

  
Jannicke Nilsson

  
Nicolai A. Eger

  
Camilla Hagen Sørli

  
Per Kristian Aagaard

  
Morten Fon  
President & CEO

**STATEMENT OF CHANGES IN EQUITY**

(NOK million)	Note	Share capital	Other equity	Total equity
<b>Equity as of 1 January 2019</b>		<b>103</b>	<b>5 415</b>	<b>5 518</b>
Dividends	5.9		-428	-428
Profit for the year			639	639
Other comprehensive income	5.2		4	4
<b>Equity as of 31 December 2019</b>		<b>103</b>	<b>5 630</b>	<b>5 733</b>
Dividends	5.9		-547	-547
Profit for the year			970	970
Other comprehensive income	5.2		-3	-3
<b>Equity as of 31 December 2020</b>		<b>103</b>	<b>6 050</b>	<b>6 153</b>

**STATEMENT OF CASH FLOWS**

(NOK million)	Note	2020	2019
<b>Cash flow from operating activities</b>			
Operating profit		189	11
Adjustments to reconcile operating profit to net cash flows:			
Gain / loss on sale of fixed assets	3.2	-15	-
Depreciation, amortisation and impairment	3.1, 3.2	231	175
Impairment of shares	5.6	421	443
Change in accruals, provisions and other		-138	163
Working capital adjustments:			
Change in trade and other receivables		-139	112
Change in trade payables		30	-28
Change in inventories		-19	-8
<b>Cash generated from operating activities</b>		<b>560</b>	<b>867</b>
Dividend from subsidiaries, associates and joint ventures		1 495	1 098
Interest received	4.3, 5.5	131	163
Interest paid	4.3	-74	-95
Other financial items	4.3	-574	-364
Income tax payments	5.1	-208	-181
<b>Net cash flow from operating activities</b>		<b>1 331</b>	<b>1 487</b>
<b>Cash flows used for investing activities</b>			
Proceeds from sale of property, plant and equipment	3.2	252	-
Purchase of property, plant and equipment	3.2	-346	-691
Purchase of intangible assets	3.1	-106	-366
Investments in subsidiaries, associates and joint ventures	5.6, 5.7	-520	-578
<b>Net cash flow used for investing activities</b>		<b>-721</b>	<b>-1 634</b>
<b>Cash flows from financing activities</b>			
Repayment (-) / proceeds in group account system (cash pool)	5.5	401	254
Cash payments for new lending	4.4, 5.5	-	151
Repayment (-) / proceeds from borrowings	4.1	-180	693
Payment of principal portion of lease liability	5.4	-14	-12
Dividend paid	5.9	-547	-428
<b>Net cash flow from financing activities</b>		<b>-340</b>	<b>658</b>
<b>Net increase / decrease (-) in cash and cash equivalents</b>		<b>271</b>	<b>511</b>
Cash and cash equivalents as of 1 January	4.2	725	214
<b>Cash and cash equivalents as of 31 December</b>	4.2	<b>995</b>	<b>725</b>





# Notes for the Parent Company



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## 1.1 ACCOUNTING POLICIES

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

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

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

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

## 1.2 ESTIMATES AND JUDGEMENTS

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

## 1.3 EVENTS AFTER THE BALANCE SHEET DATE

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

## 2.1 OPERATING REVENUE

(NOK million)	2020	2019
Revenue from contracts with customers	1 783	1 589
Revenue from contracts with customers from Jotun entities	1 201	1 100
<b>Total revenue from contracts with customers</b>	<b>2 984</b>	<b>2 689</b>
Other revenue	39	44
Other revenue from Jotun entities	1 027	891
<b>Total operating revenue</b>	<b>4 049</b>	<b>3 625</b>

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

### Revenue from contracts with customers by segments

(NOK million)	2020	2019
Decorative	2 613	2 254
Marine	257	298
Protective	83	105
Powder	30	32
<b>Total revenue from contracts with customers</b>	<b>2 984</b>	<b>2 689</b>
Cost of Goods Sold	1 832	1 597
<b>Gross Profit</b>	<b>1 152</b>	<b>1 091</b>

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

## 2.2 PAYROLL EXPENSES

Jotun A/S has a system of annual bonuses that applies to senior management and is limited to a maximum of 20 per cent of annual basic salary. Further, all members of the management, including the President & CEO, are part of an annual profit-dependent bonus system limited upwards to 50 per cent of annual basic salary.

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

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

### Wages and other social costs

(NOK million)	2020	2019
Wages including bonuses	903	799
Social costs	127	124
Pension costs, ref. Note 5.2	94	92
Other personnel costs	-17	-23
<b>Total</b>	<b>1 108</b>	<b>991</b>
Average full-time equivalents employees	973	954

## 2.3 OTHER OPERATING EXPENSES

(NOK million)	2020	2019
Manufacturing	70	69
Warehouse	18	23
Transportation	47	42
Sales and marketing	84	129
Technical service	30	38
Research and Development	260	236
General and administrative	81	99
Royalty	36	30
Other*	67	184
<b>Total</b>	<b>692</b>	<b>850</b>

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

## 3.1 INTANGIBLE ASSETS

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

(NOK million)	Development cost	IT Applications and other intangibles	Total
<b>Cost</b>			
Balance as of 1 January 2019	323	402	<b>725</b>
Additions	77	289	<b>366</b>
Disposals	-	-	-
Reclassifications	-6	-34	<b>-39</b>
<b>Balance as of 31 December 2019</b>	<b>395</b>	<b>657</b>	<b>1 052</b>
Additions	50	56	106
Disposals	-	-238	<b>-238</b>
<b>Balance as of 31 December 2020</b>	<b>445</b>	<b>475</b>	<b>920</b>

### Amortisation and impairment

Balance as of 1 January 2019	-69	-170	<b>-240</b>
Amortisation	-18	-38	-56
Disposals	-	-	-
<b>Balance as of 31 December 2019</b>	<b>-87</b>	<b>-209</b>	<b>-296</b>
Amortisation	-19	-43	<b>-63</b>
Disposals	-	1	<b>1</b>
<b>Balance as of 31 December 2020</b>	<b>-107</b>	<b>-251</b>	<b>-358</b>

### Net book value

Balance as of 31 December 2020	338	224	<b>563</b>
Balance as of 31 December 2019	308	448	<b>756</b>
Estimated useful life	8-10 years	3-10 years	

### 3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises various types of tangible fixed assets. A major part of the amount reclassified from Construction in progress in 2020 relates to the new headquarters and R&D centre in Norway which was finalised and taken into use in 2020.

See Note 5.4 for further information related to Right-of-Use assets.

(NOK million)	Land	Buildings	Electrical installations	Machinery, vehicles and equipment	Construction in progress	Right-of-Use assets	Total
<b>Cost</b>							
Balance as of 1 January 2019	46	682	129	982	760	-	<b>2 598</b>
Additions	1	203	73	23	390	10	<b>700</b>
Disposals	-	-	-	-6	-	-	<b>-6</b>
Reclassifications	-	-	-	-	39	53	<b>92</b>
<b>Balance as of 31 December 2019</b>	<b>47</b>	<b>885</b>	<b>202</b>	<b>999</b>	<b>1 189</b>	<b>63</b>	<b>3 385</b>
Additions	-	108	89	51	98	9	<b>355</b>
Disposals	-	-	-	-42	-	-	<b>-42</b>
Reclassifications	-	588	326	210	-1 124	-	<b>-</b>
<b>Balance as of 31 December 2020</b>	<b>47</b>	<b>1 580</b>	<b>617</b>	<b>1 218</b>	<b>163</b>	<b>72</b>	<b>3 698</b>
<b>Depreciation and impairment</b>							
Balance as of 1 January 2019	-	-419	-64	-693	-	-	<b>-1 175</b>
Depreciation	-	-20	-14	-71	-	-13	<b>-118</b>
Disposals	-	-	-	5	-	-	<b>5</b>
<b>Balance as of 31 December 2019</b>	<b>-</b>	<b>-438</b>	<b>-78</b>	<b>-758</b>	<b>-</b>	<b>-13</b>	<b>-1 288</b>
Depreciation	-	-32	-35	-84	-	-14	<b>-166</b>
Disposals	-	-	-	38	-	-	<b>38</b>
<b>Balance as of 31 December 2020</b>	<b>-</b>	<b>-471</b>	<b>-114</b>	<b>-804</b>	<b>-</b>	<b>-27</b>	<b>-1 416</b>
<b>Net book value</b>							
Balance as of 31 December 2020	47	1 110	504	414	163	45	<b>2 283</b>
Balance as of 31 December 2019	47	446	124	241	1 189	50	<b>2 097</b>
Estimated useful life	indefinite	25-33 years	10-14 years	3-10 years			

### 3.3 INVENTORIES

(NOK million)	31.12.2020	31.12.2019
Raw materials	198	184
Finished goods	339	333
Allowance for obsolete goods	-13	-12
<b>Total</b>	<b>524</b>	<b>505</b>

### 3.4 TRADE AND OTHER RECEIVABLES

(NOK million)	31.12.2020	31.12.2019
Accounts receivable	79	99
Account receivables - Jotun entities	699	533
<b>Total accounts receivable</b>	<b>778</b>	<b>632</b>
Other receivables external	97	83
Other receivables - Jotun entities	230	198
<b>Total</b>	<b>1 105</b>	<b>913</b>

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

(NOK million)	2020	2019
Balance as of 1 January	80	45
Allowances for bad debt made during the period	-3	36
Realised losses for the year	-32	-
<b>Balance as of 31 December</b>	<b>45</b>	<b>80</b>

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

(NOK million)	31.12.2020	31.12.2019
Not due	652	516
Less than 30 days	42	59
30-60 days	-1	18
60-90 days	3	7
More than 90 days	126	113
Allowance for bad debt*	-45	-80
<b>Total</b>	<b>778</b>	<b>632</b>

\* Allowances related to receivables from Jotun entities represent NOK 39 million (2019: NOK 74 million).

### 3.5 OTHER CURRENT LIABILITIES

(NOK million)	31.12.2020	31.12.2019
Public charges and holiday pay	169	159
Prepaid dividend from Jotun entities	328	306
Other liabilities to Jotun entities	614	243
Other accrued expenses	144	174
Total current provisions, see Note 3.6	115	273
<b>Total</b>	<b>1 369</b>	<b>1 154</b>

Received interim dividend from associates or joint ventures are recognised as current liability until the final approval by the General Assembly subsequent year. Other liabilities to Jotun entities consist of NOK 612 million related to subsidiaries share of cash pool. Other accrued expenses are related to commissions, bonuses to employees and other accrued expenses.

### 3.6 PROVISIONS

#### 2020

(NOK million)	Claims	Environmental	Other	Total
Balance sheet 1 January	463	23	22	509
Provisions arising during the year	60	48	27	134
Utilised	-240	-1	-1	-242
Unused amounts reversed	-	-	-11	-11
<b>Balance as of 31 December</b>	<b>284</b>	<b>70</b>	<b>37</b>	<b>390</b>
Current, ref. Note 3.5	88	-	27	115
Non-current	196	70	10	276
<b>Total</b>	<b>284</b>	<b>70</b>	<b>37</b>	<b>390</b>

#### 2019

(NOK million)	Claims	Environmental	Other	Total
Balance sheet 1 January	375	28	15	419
Provisions arising during the year	178	4	20	202
Utilised	-89	-8	-13	-111
Unused amounts reversed	-1	-	-	-1
<b>Balance as of 31 December</b>	<b>463</b>	<b>23</b>	<b>22</b>	<b>509</b>
Current, ref. Note 3.5	260	1	12	273
Non-current	204	23	10	236
<b>Total</b>	<b>463</b>	<b>23</b>	<b>22</b>	<b>509</b>

### 3.7 CONTINGENT LIABILITIES

#### Product liability claims and disputes

Product liability claims consist of several separate and specific guarantee claims arising from products sold. Assumptions used to calculate provisions for claims are based on technical assessments of product failures and the expected repair cost for each specific case.

In accordance with Jotun policies, claims should in principle be covered by customer-owner company. When a claim is caused by product or specification failure, costs will be reimbursed by Jotun A/S based on the prevailing royalty agreements and cost contribution arrangement.

#### Environmental matters

Jotun A/S is through its operation exposed to environmental and pollution risk. Production facilities and product warehouse sites have been inspected regarding environmental conditions in the soil. For sites where clean-up costs are probable and reliable estimates of the costs have been made, provisions are recorded accordingly. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. In addition, further expenditures may arise as the full scope of conditions at some sites has yet to be determined. The related amount of potential, future costs is not determinable due to the unknown timing and extent of corrective actions which may be required. Jotun's activities are carried out in accordance with local laws and regulations, and the Group's HSE requirements. Changes in laws and regulations may require Jotun A/S to make investments and incur costs to meet future compliance requirements.

### 3.8 CONTRACTUAL OBLIGATIONS AND GUARANTEES

#### Purchase obligations

Jotun A/S contractual purchase obligations are mainly related to completion of our investments in new headquarters and R&D centre and upgrade of the factory. Out of the total ongoing investment programme, NOK 24 million is contractual committed capital expenditures (CAPEX) at year-end. For purchase of raw materials there are no actual commitments for the company. In general, these contracts can be terminated without significant penalties.

#### Other obligations

Jotun A/S has guarantees mainly covering tax withholding and other guarantees for subsidiaries. These amounted to approximately NOK 398 million in 2020 (2019: NOK 208 million).

#### 4.1 INTEREST-BEARING DEBT

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

(NOK million)	Currency	31.12.2020	31.12.2019
<b>Non-current interest-bearing debt</b>			
Bond 2014-21 (Fixed rate 3.9 %)	NOK	-	400
Bond 2018-22 (NIBOR + 0.7 %)	NOK	750	750
Bond 2018-24 (NIBOR + 0.9 %)	NOK	650	650
Bond 2019-23 (NIBOR + 0.9 %)	NOK	600	600
Bank debt NIB 2013-24 (US LIBOR + 1.2 %), unsecured	USD	394	569
<b>Total excl. lease liability</b>		<b>2 394</b>	<b>2 969</b>
Lease liability		34	38
<b>Total</b>		<b>2 428</b>	<b>3 007</b>
<b>Current interest-bearing debt</b>			
Bond 2014-19 (fixed rate 3.9 %)		400	-
Bank debt NIB 2013-24 (US LIBOR + 1.2 %), unsecured		158	163
Other current interest-bearing debt (cash pool)		612	226
<b>Total excl. lease liability</b>		<b>1 170</b>	<b>389</b>
Lease liability		12	13
<b>Total</b>		<b>1 182</b>	<b>402</b>
<b>Total interest-bearing debt excl. lease liability</b>		<b>3 564</b>	<b>3 358</b>
Total lease liability		46	50
<b>Total interest-bearing debt</b>		<b>3 610</b>	<b>3 408</b>
Non-current interest-bearing receivables		2 345	2 398
Current interest-bearing receivables		230	192
Cash and cash equivalents		995	725
<b>Total interest-bearing receivables</b>		<b>3 570</b>	<b>3 314</b>
<b>Net interest-bearing receivables / debt (-)</b>		<b>-40</b>	<b>-94</b>

#### 4.2 CASH AND CASH EQUIVALENTS

(NOK million)	31.12.2020	31.12.2019
Cash deposits	383	216
Short-term investments	613	509
<b>Total</b>	<b>995</b>	<b>725</b>

As of 31 December 2020 Jotun, A/S had NOK 1 700 million (2019: 1 700 million) of undrawn long-term credit facilities available.

#### 4.3 NET FINANCIAL ITEMS

##### Financial income

(NOK million)	2020	2019
Interest income	9	16
Interest income on loans to Jotun entities	121	147
Net foreign exchange gain	-	44
Other financial income	7	18
<b>Total</b>	<b>137</b>	<b>225</b>

##### Financial costs

(NOK million)	2020	2019
Interest costs	-74	-95
Net foreign exchange loss	-149	-
Write down of financial fixed assets, see Note 5.6	-421	-420
Other financial costs	-11	-7
<b>Total</b>	<b>-654</b>	<b>-521</b>
<b>Net financial items</b>	<b>-517</b>	<b>-296</b>

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

(NOK million)	2020	2019
Unrealised gain / loss (-)	39	18
Realised gain / loss (-)	-2	-36

#### 4.4 FINANCIAL RISK MANAGEMENT

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

To reduce currency risk in cash flows up to 16 months ahead, Jotun A/S uses foreign currency options and forward currency contracts to ensure predictability in the short to medium term cash flows. As of 31 December 2020, Jotun A/S has hedged 17 per cent of its expected net cash flows over the next 12 months.

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

(NOK million)	31.12.2020		31.12.2019	
	Currency amount	NOK	Currency amount	NOK
USD	50	425	40	348
MYR	174	369	174	374
EUR	26	275	30	294
IDR	353 000	214	422 000	267
GBP	18	209	18	208
QAR	80	187	-	-
PHP	919	163	919	159
SGD	22	142	22	144
RUB	780	89	1 150	163
CNY	65	85	192	242
Other		213		160
<b>Total</b>		<b>2 370</b>		<b>2 358</b>

#### 5.1 TAXATION

##### Income tax reported in the income statement

(NOK million)	2020	2019
<b>Current income tax charge:</b>		
Tax payable	162	206
<b>Deferred tax:</b>		
Relating to original and reversal of temporary differences	35	-33
<b>Income tax expense reported in the income statement</b>	<b>197</b>	<b>174</b>

##### Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

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

(NOK million)	2020	2019
<b>Profit before tax as reported in the income statement</b>	<b>1 168</b>	<b>813</b>
Income taxes at statutory tax rate	22 %	22 %
Exempted tax on dividends	-21 %	-23 %
Tax on dividends and surplus in controlled foreign companies (CFC)	9 %	7 %
Non-deductible expenses and non-taxable income*	7 %	10 %
Correction previous year and change in temporary differences	-1 %	0 %
Taxation outside Norway less deductible in Norwegian Tax	2 %	5 %
<b>Total income tax expense</b>	<b>197</b>	<b>174</b>
Effective tax rate	17 %	21 %

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

##### Specification total tax payable

(NOK million)	2020	2019
Tax payable for the year	162	206
Net foreign tax paid	-31	-49
Norwegian tax settlement for previous years	16	13
Withholding taxes receivable	-80	-69
CFC tax receivable (NOKUS)	-39	-22
SkatteFUNN (R&D tax incentive scheme) receivable	-5	-3
<b>Total tax payable in Norway and abroad</b>	<b>23</b>	<b>75</b>
Tax payable in Norway	-7	65

##### Specification of deferred tax

(NOK million)	2020	2019
Non-current assets	-64	-30
Current assets	-1	-74
Liabilities	-537	-655
<b>Net temporary differences</b>	<b>-601</b>	<b>-758</b>
Tax rate	22 %	22 %
<b>Deferred tax asset recognised in the statement of financial position</b>	<b>132</b>	<b>167</b>

## 5.2 PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Jotun A/S has both defined contribution and defined benefit pension plans. The majority of the company's pension plans are defined contribution plans, whereby the company's obligation is limited to annual contributions to the employees' pension plans. Costs related to the defined benefit plans account for less than five per cent of total pension costs in 2019.

### Summary of pension costs

(NOK million)	2020	2019
Pension costs defined contribution plans and other severance schemes	91	88
Pension costs defined benefit plans	3	4
<b>Total pension costs recognised in the income statement, ref. Note 2.2</b>	<b>94</b>	<b>92</b>
<b>Actuarial gain / loss (-) recognised in other comprehensive income (net of tax)</b>	<b>-3</b>	<b>4</b>

The defined benefit schemes were replaced by defined contribution plans in 2004. Net pension obligations as of 31 December 2020 are primarily related to previous early retirement schemes for Jotun A/S's senior executives.

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

Funded schemes were terminated in 2020.

### Actuarial assumptions

	2020	2019
Discount rate in %	1.0	1.3
Expected return in %	1.0	1.3
Wage adjustment in %	2.0	2.25
Inflation / increase in social security basic amount (G) in %	1.75	2.0
Pension adjustment in %	0.0-2.0	0.7-2.25

### Schemes with net pension obligation

(NOK million)	Net pension obligations	
	2020	2019
<b>Balance as of 1 January</b>	<b>-80</b>	<b>-78</b>
Recognised in the income statement	-4	-4
Other movements	-1	4
<b>Net pension obligation defined benefit plans</b>	<b>-85</b>	<b>-80</b>
Other severance schemes	-85	-72
<b>Balance as of 31 December</b>	<b>-169</b>	<b>-152</b>

## 5.3 REMUNERATIONS

### Remuneration of the President & CEO

(NOK thousand)	Ordinary salary	Bonus	Benefits in kind	Pension cost	Total
President & CEO	5 630	2 586	207	2 573	<b>10 996</b>

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

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

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

### Remuneration of the Board of Directors and Corporate Assembly

(NOK thousand)	31.12.2020	31.12.2019
Board of Directors	2 840	3 384
Corporate Assembly	195	173
<b>Total</b>	<b>3 035</b>	<b>3 557</b>

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

### External auditor remuneration

(NOK thousand)	31.12.2020	31.12.2019
Statutory audit	4 038	3 103
Other attestation services	110	740
Tax services	803	48
<b>Total</b>	<b>4 951</b>	<b>3 890</b>



## 5.4 LEASES

### Right-of-Use assets

(NOK million)	Land	Buildings	Machinery, vehicles and equipment	Total
<b>Cost</b>				
Balance as of 1 January 2019	21	8	24	<b>53</b>
Additions	-	-	9	<b>9</b>
<b>Balance as of 31 December 2019</b>	<b>21</b>	<b>8</b>	<b>33</b>	<b>63</b>
Additions	-	-	9	<b>9</b>
<b>Balance as of 31 December 2020</b>	<b>21</b>	<b>9</b>	<b>42</b>	<b>72</b>
<b>Depreciation and impairment</b>				
Balance as of 1 January 2019	-	-	-	<b>0</b>
Depreciation	-2	-2	-10	<b>-13</b>
<b>Balance as of 31 December 2019</b>	<b>-2</b>	<b>-2</b>	<b>-10</b>	<b>-13</b>
Depreciation	-2	-2	-10	<b>-14</b>
<b>Balance as of 31 December 2020</b>	<b>-4</b>	<b>-3</b>	<b>-20</b>	<b>-27</b>
<b>Net book value</b>				
Balance as of 31 December 2020	18	5	22	45
Balance as of 31 December 2019	20	7	23	50

(NOK thousand)	31.12.2020	31.12.2019
Non-current	34	38
Current	12	13
<b>Total</b>	<b>46</b>	<b>50</b>

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

### Undiscounted lease liabilities and maturity of cash outflows:

(NOK million)	31.12.2020	31.12.2019
Less than 1 year	13	15
1-2 years	9	11
2-3 years	8	7
3-4 years	5	5
4-5 years	3	4
More than 5 years	13	15
<b>Total undiscounted lease liabilities</b>	<b>51</b>	<b>57</b>

### Amounts recognised in the consolidated income statement:

(NOK million)	2020	2019
<b>Leases</b>		
Depreciation of Right-of-Use assets	14	13
Interest expense	2	2
<b>Other lease expenses recognised in the income statement:</b>		
Expenses relating to short-term leases	1	4
Expenses relating to lease of low value assets	1	1
Expenses related to variable payments	12	14
<b>Total</b>	<b>29</b>	<b>34</b>

The total cash outflow related to lease of Right-of-Use asset was NOK 15 million (2019: 14 million). The portfolio of short-term leases does not vary significantly from year to year.

## 5.5 RELATED PARTIES

Two parties are deemed to be related if one party can influence the decisions of the other. During 2020, goods and services were purchased and sold to various related parties in which Jotun A/S holds a 100 per cent or less equity interest. Investments in subsidiaries are presented in Note 5.6, investments in associates and joint ventures are presented in Note 5.7 and shareholder and dividend information are presented in Note 5.8 to the consolidated financial statements.

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

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

The amounts of these transactions are shown in the table below.

### 2020

(NOK million)	Sales of goods to	Purchases of goods from	Other revenue from	Cost contribution income	Purchases of services from	Interests on loans to
Group companies	1 089	233	750	563	375	121
Associates and joint ventures	112	30	277	175	258	-
<b>Total</b>	<b>1 201</b>	<b>264</b>	<b>1 027</b>	<b>738</b>	<b>633</b>	<b>121</b>

### 2019

(NOK million)	Sales of goods to	Purchases of goods from	Other revenue from	Cost contribution income	Purchases of services from	Interests on loans to
Group companies	966	272	589	546	367	147
Associates and joint ventures	134	41	302	137	258	-
<b>Total</b>	<b>1 100</b>	<b>313</b>	<b>891</b>	<b>683</b>	<b>624</b>	<b>147</b>

Intercompany balances are disclosed in the table below.

(NOK million)	Subsidiaries		Associates / Joint ventures	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
<b>Non-current assets</b>				
Other non-current receivables	2 323	2 374	1	1
<b>Total non-current assets</b>	<b>2 323</b>	<b>2 374</b>	<b>1</b>	<b>1</b>
<b>Current assets</b>				
Trade receivables	601	418	98	115
Other current receivables	230	198	-	-
<b>Total current assets</b>	<b>831</b>	<b>616</b>	<b>98</b>	<b>115</b>
<b>Total assets</b>	<b>3 154</b>	<b>2 990</b>	<b>99</b>	<b>116</b>
Trade creditors	94	90	25	19
Other short term liabilities	676	229	265	321
<b>Total liabilities</b>	<b>770</b>	<b>318</b>	<b>290</b>	<b>340</b>

## 5.6 SUBSIDIARIES

### SHARES HELD DIRECTLY BY THE PARENT COMPANY

Company	City	Country	Book value (NOK million)	Ownership %
Jotun Algeria S.A.R.L	Algiers	Algeria	11	70.00
Jotun Australia Pty. Ltd.	Melbourne	Australia	42	100.00
Jotun Bangladesh Ltd.	Dhaka	Bangladesh	58	99.99
Jotun Brasil Importacao, Exportacao E Ind De Tintas Ltda.	Rio De Janeiro	Brazil	181	100.00
Jotun (Cambodia) LTD.	Phnom Penh	Cambodia	1	100.00
Jotun Paints (HK) Ltd.	Hong Kong	China	85	100.00
Jotun Cyprus Ltd.	Limassol	Cyprus	55	100.00
Jotun Danmark A/S	Kolding	Denmark	3	100.00
El-Mohandes Jotun S.A.E.	Cairo	Egypt	143	70.00
Jotun Powder Coatings LLL	Cairo	Egypt	0	10.00
Jotun Ethiopia Paint Manufacturing PLC	Adama	Ethiopia	33	100.00
Jotun France S.A.	Paris	France	2	100.00
Jotun (Deutschland) Gmbh	Hamburg	Germany	12	83.33
Jotun Hellas Ltd.	Glyfada	Greece	3	97.4
Jotun Insurance Cell	St. Peterport	Guernsey	8	100.00
Jotun India Private Ltd.	Mumbai	India	488	96.42
P.T. Jotun Indonesia	Jakarta	Indonesia	89	56.93
Jotun (Ireland) Ltd.	Cork	Ireland	0	100.00
Jotun Italia S.R.L.	Trieste	Italy	66	100.00
Jotun Kazakhstan L.L.P.	Almaty	Kazakhstan	1	100.00
Jotun Kenya Ltd.	Nairobi	Kenya	7	95.00
Jotun Libya J.S.Co.	Tripoli	Libya	19	80.00
Jotun Paints (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	93	100.00
Jotun (Malaysia) Sdn.Bhd.	Kuala Lumpur	Malaysia	114	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	19	99.54
Jotun Maroc SARL D Associe Unique	Casablanca	Morocco	35	100.00
Jotun Myanmar Services Company Ltd.	Yangon	Myanmar	0	99.99
Jotun Myanmar Company Ltd.	Yangon	Myanmar	35	99.99
Jotun B.V.	Spijkenisse	Netherlands	49	100.00
Scanox AS	Drammen	Norway	80	100.00
Jotun Powder Coatings AS	Sandefjord	Norway	109	100.00
Jotun Paints Co. L.L.C.	Muscat	Oman	45	62.00
Jotun Pakistan (Private) Ltd.	Lahore	Pakistan	8	100.00
Jotun Powder Coatings Pakistan (Pvt) Ltd.	Lahore	Pakistan	19	26.90
Jotun (Philippines) Inc.	Manila	Philippines	46	100.00
Jotun Polska Sp.zo.o.	Gdansk	Poland	18	100.00
Jotun Paints Qatar W.L.L.	Doha	Qatar	1	100.00
Jotun Paints Factory Doha W.L.L.	Doha	Qatar	85	100.00
Jotun Romania S.R.L.	Voluntari City	Romania	1	100.00
Jotun Paints LLC.	St.Petersburg	Russia Fed.	247	100.00
Jotun (Singapore) Pte. Ltd.	Singapore	Singapore	28	100.00
Jotun Paints South Africa (Pty) Ltd.	Cape Town	South Africa	24	100.00
Jotun Iberica S.A.	Barcelona	Spain	50	100.00
Jotun Sverige AB	Göteborg	Sweden	5	100.00
Jotun Thailand Ltd.	Bangkok	Thailand	133	100.00
Jotun Boya Sanayi ve Ticaret A.S.	Istanbul	Turkey	108	100.00
Jotun MEIA FZ-LLC	Dubai	U.A.E.	136	100.00
Jotun MENA LLC,	Dubai	U.A.E.	50	100.00
Jotun Paints (Europe) Ltd.	Flixborough	UK	86	100.00
Jotun Paints Inc.	New Orleans	USA	170	100.00
Jotun Paints Vietnam Co. Ltd.	Ho Chi Minh City	Vietnam	60	100.00
<b>Total</b>			<b>3 164</b>	

Below follows the specification of companies subject to write downs in 2020.

Company (NOK million)	Country	Write down
Jotun Myanmar Company Ltd.	Myanmar	127
Jotun Brasil Importacao, Exportacao E Ind De Tintas Ltda.	Brazil	90
Jotun Philippines Inc.	Philippines	54
Jotun Italia S.p.A.	Italy	46
Jotun Bangladesh Ltd.	Bangladesh	34
Jotun Algeria S.A.R.L	Algeria	26
Jotun Maroc SARL D Associe Unique	Morocco	16
Jotun Paints Libya J.S. Co.	Libya	9
Jotun Kenya Ltd.	Kenya	9
Jotun Powder Pakistan Ltd.	Pakistan	6
Jotun Pakistan (Private) Ltd.	Pakistan	4
Jotun Myanmar Services Company Ltd.	Myanmar	0
<b>Total</b>		<b>420</b>

### Estimate and judgement

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

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

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

## SHARES HELD BY SUBSIDIARIES AND ASSOCIATES

Company	City	Country	Ownership %
<b>Jotun Powder Coatings AS</b>			
Jotun Bulgaria EOOD	Sofia	Bulgaria	100.00
Jotun CZECH a.s.	Usti nad Labem	Czech Republic	100.00
Jotun Powder Coatings LLL	Cairo	Egypt	90.00
Jotun India Private Ltd.	Mumbai	India	3.58
P.T. Jotun Indonesia	Jakarta	Indonesia	43.04
Jotun Kenya Ltd.	Nairobi	Kenya	5.00
Jotun Powder Coatings (Malaysia) Sdn. Bhd.	Kuala Lumpur	Malaysia	100.00
Jotun Mexico, S.A. de C.V.	Veracruz	Mexico	0.40
Jotun Powder Coatings Pakistan (Pvt) Ltd.	Lahore	Pakistan	72.27
<b>Jotun Paints (H.K.) Ltd.</b>			
Jotun Coatings (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	100.00
Jotun (Shanghai) Manangement Co. Ltd.	Shanghai	China	100.00
Jotun Coatings (Taiwan) Ltd. Company	Taipei	China	100.00
<b>Jotun B.V.</b>			
Jotun (Deutschland) Gmbh	Hamburg	Germany	16.67
Jotun Hellas Ltd.	Glyfada	Greece	2.60
<b>Jotun (Malaysia) Sdn. Bhd</b>			
Jotun Bangladesh Ltd.	Dhaka	Bangladesh	0.01
Jotun Myanmar Services Company Ltd.	Yangon	Myanmar	0.01
Jotun Myanmar Company Ltd.	Yangon	Myanmar	0.01

## 5.7 SHARES IN JOINT VENTURES AND ASSOCIATES

## SHARES HELD DIRECTLY BY THE PARENT COMPANY

Company	City	Country	Book value (NOK million)	Ownership %
Jotun COSCO Marine Coatings (HK) Ltd.	Hong Kong	China	34	50.00
Jotun Saudia Co. Ltd.	Jeddah	Saudi Arabia	39	40.00
Jotun Powder Coat. Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	26	30.00
Chokwang Jotun Ltd.	Busan	South Korea	82	50.00
Jotun U.A.E. Ltd. (L.L.C.)	Dubai	U.A.E.	109	41.50
Jotun Abu Dhabi Ltd.	Abu Dhabi	U.A.E.	28	35.00
Jotun Yemen Paints Ltd.	Aden	Yemen	0	14.00
Shares held by Jotun A/S for third parties			0	
<b>Total</b>			<b>318</b>	

Below follows the specification of companies subject to write downs in 2020.

Company	Country	Write down
Jotun Yemen Paints Ltd.	Yemen	1
<b>Total</b>		<b>1</b>

## SHARES HELD BY SUBSIDIARIES AND ASSOCIATES

Company	City	Country	Ownership %
<b>Jotun Paints Co. L.L.C.</b>			
Jotun Yemen Paints Ltd.	Aden	Yemen	22.00
<b>Jotun Saudia Co. Ltd.</b>			
Jotun Yemen Paints Ltd.	Aden	Yemen	17.00
<b>Jotun U.A.E. Ltd. (L.L.C.)</b>			
Jotun Abu Dhabi Ltd.	Abu Dhabi	U.A.E.	40.00
<b>Jotun COSCO Marine Coatings (HK) Co. Ltd.</b>			
Jotun COSCO Marine Coatings (Qingdao) Co Ltd.	Qingdao	China	100.00
<b>Jotun Powder Coatings U.A.E. Ltd. (LLC)</b>			
Jotun Powder Coatings Saudi Arabia Co. Ltd.	Dammam	Saudi Arabia	40.00
<b>Jotun Powder Coatings AS</b>			
Jotun Powder Coatings U.A.E. Ltd. (LLC)	Dubai	U.A.E.	47.00

For further information regarding investments in associates and joint ventures, see Note 3.4 and 5.5 to the consolidated financial statements.

## 5.8 FINANCIAL INVESTMENTS

Company	City	Country	Book value (NOK million)	Ownership %
Nor-Maali OY	Lahti	Finland	8	33,44
<b>Total</b>			<b>8</b>	

## 5.9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

See Note 5.8 to the consolidated financial statements.



Statsautoriserede revisorer  
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Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Jotun A/S

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Jotun A/S comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the financial position as at 31 December 2020, the income statement, statement of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the financial position as at 31 December 2020, the income statement, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

#### Basis for opinion

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

#### Other information

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

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



### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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



## Report on other legal and regulatory requirements

### Opinion on the Board of Directors' report

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

### Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 18 February 2021  
ERNST & YOUNG AS

Finn Ole Edstrøm  
State Authorised Public Accountant (Norway)

**Board of Directors**

Odd Gleditsch d.y., Chairman  
Einar Abrahamsen  
Terje Andersen  
Nicolai A. Eger  
Kai Roger Johansen  
Jannicke Nilsson  
Camilla Hagen Sørli  
Per Kristian Aagaard

**Corporate Assembly**

Bjørn Ekdahl, Chairman  
Nils Andreas Arnesen  
Terje V. Arnesen  
Kornelia Eger Foyn-Bruun  
Anne Cecilie Gleditsch  
Bjørn Ole Gleditsch  
Carl Erik Hagen  
Truls Hvitstein  
Thomas Ljungqvist  
Ingrid Luberth  
Karin Lovise Storvik  
Jens-Erlend Thrana









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