Jøtul AS

Annual report
and Independent auditor’s report
for the year ended 31 December 2021

Registered Office:

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Consolidated Management Report of the Board of Directors

Business

The Jøtul Group (representing Jøtul AS together with its subsidiaries) is one of the three largest suppliers of fireplaces in Europe and a significant player in North America. The company, with a history dating back to 1853 through its legacy as one of Norway's oldest companies, distributes stand-alone stoves, inserts, frames, and accessories for fireplaces. The Group's main brands are Jøtul, Scan and Ravelli. The Jøtul fireplaces are manufactured from cast iron and appear timeless and robust, with Norwegian origins. The Scan fireplaces are manufactured from plated steel and are characterized by modern Danish design, while the Ravelli pellets stoves are characterized by Italian design and technology. The head office is based in Norway. Manufacturing takes place through own production in Norway, Poland, France, and the USA, in addition to a range of bought-in products. The products are sold through one of the most wide-reaching global networks in the industry, consisting of own sales companies and distributors. The products reach the end consumers through specialty shops, and in Norway also through building materials retail chains.

On June 1st, the Group acquired the Italian pellet stove company AICO S.p.A. (AICO), which owns and distributes the Ravelli pellet stoves brand. Both the acquirer and the acquired company were owned by the same ultimate shareholder before this transaction. The financial statements of AICO are included in the consolidation accounts of the Group starting from June 1st, 2021.

The year in brief – Jøtul Group

The revenue in 2021 increased with 40.1%, to MNOK 1,269.0 compared to MNOK 905.5 in 2020, 30.6% being organic growth and 9.5% being acquisition growth. The year-on-year organic growth is mainly driven by the strong recovery following an initial contraction in the first phase of the Covid-19 pandemic, in addition to like-for-like market expansion, while the acquisition growth is represented by AICO S.p.A.

All markets show strong demand, in particular the Nordics, Germany and France. Home improvement spending continues to be a strong driver, in addition to the sharp increase in electricity and gas prices across all markets, which confirms wood burning as an important heating alternative and contributes to sustained strong revenues. The total order book at the end 2021 was MNOK 231 compared to MNOK 122 at the end of Q4 2020.

In 2021, the Jøtul Group reached a consolidated operating income of MNOK 1,273.0 (2020: MNOK 911.5). The operating result of the year totaled MNOK 34.8 in 2021 (2020: MNOK -44.6). The 2021 total comprehensive loss for the year was MNOK -29.5 (2020: MNOK -120.0).

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK 121.4 in 2021 (2020: MNOK 25.1). This includes the effect of non-recurring items totaling MNOK 35.4 (2020: MNOK 57.3) due mainly to Covid-19-related delays to the start-up of manufacturing related to AICO, inefficiencies related to the finalization of the transfer of manufacturing operations to Poland, the shareholder's monitoring fees, and refinancing transaction fees. Adjusted EBITDA (adjusted Earnings before interests, taxes, depreciation and amortization: Operating result less Depreciations and non-recurring items) was MNOK 156.9 in 2021 (2020: MNOK 82.4).

In October 2021, the Jøtul Group successfully refinanced its senior secured bond issued in 2018 with a new senior secured bond maturing in 2024. Unlike the previous bond, which had been issued by Jotul Holdings S.à r.l.,(Luxembourg) the new bond was issued by the Norwegian parent company Jøtul AS. Following the change of issuer, the Group decided to simplify its legal structure, deconsolidate the old parent, Jotul Holdings SA, and establish the new Group consolidation level at Jøtul AS. This report is prepared at the new Group level, including the comparable data.

Cash and cash equivalent as per 31 December 2021 was MNOK 108.3. Available RCF (less ancillary facility of MNOK 21.9) was MNOK 36.8 giving a total available liquidity of MNOK 145.1.

In 2021, Jotul Group had an average of 758 full-time employees (2020: 533), including 136 temporary/seasonal full-time employees (2020: 22).

The manufacturing operations in Poland improved sharply in terms of output capacity towards the end of 2020, following several months with significant impact linked to Covid-19 pandemic disruptions, and continued to improve throughout 2021. In 2021 the total output of complete units from our Polish factory increased by 82% compared with 2020. The manufacturing operations are now considered mature, including the AICO production line ramped-up in Poland during the past 12 months. The management continues working on further efficiency improvements and optimizations.

The management expects that in the coming months the Covid-19 pandemic and the post-pandemic rebound will still impact the business in terms of supply-chain and logistics, and potentially with isolated cases of infections and quarantine-related inefficiencies at our facilities. However, with the considerable progress in terms of vaccination roll-out, and with the gradual removal of restrictions both in Europe and North America, setbacks like those seen in 2020 and to a certain extent during early 2021 related to infection outbreaks or trade interruptions due to lockdowns, are not expected.

Jøtul Group experienced substantial increase of raw material prices during 2021. In addition, starting from Q4 2021, the Group also experienced significant increases in the cost of energy. These increases are for the most part compensated with price increases on our products but have a negative timing effect.

The year in brief – Jøtul AS standalone

On June 1st, Jøtul AS acquired the Italian pellet stove company AICO S.p.A. (AICO), which owns and distributes the Ravelli pellet stoves brand. Both the acquirer and the acquired company were owned by the same ultimate shareholder before this transaction.

The revenue in 2021 increased with 29.3%, to MNOK 823.3 compared to MNOK 636.4 in 2020, 64.0% of all Jøtul AS revenues are with external customers, the remaining 36.0% being sales to subsidiaries. External revenue grew with 27.5% in 2021 vs 2020.

All direct markets of Jotul AS show strong demand, in particular the Nordics and Germany. Home improvement spending continues to be a strong driver, in addition to the sharp increase in electricity and gas prices across all markets, which confirms wood burning as an important heating alternative and contributes to sustained strong revenues.

In 2021, the Jøtul AS reached a operating result of MNOK 83.9 (2020: MNOK -2.7). The pretax result totaled MNOK 48.8 in 2021 (2020: MNOK -34.7). The company does not pay income tax due to accumulated loss carried forward position.

In October 2021, the Jøtul Group successfully refinanced its senior secured bond issued in 2018 with a new senior secured bond maturing in 2024. Unlike the previous bond, which had been issued by Jotul Holdings S.à r.l. (Luxembourg based direct parent of Jøtul AS) the new bond was issued by the Norwegian parent company Jøtul AS. The bond loan matures in October 2024.

Cash and cash equivalent as per 31 December 2021 was MNOK 14.0. Available RCF (less ancillary facility of MNOK 21.9) was MNOK 36.8 giving a total available liquidity of MNOK 50.8.

In 2021, Jotul AS had an average of 159 full-time employees (2020: 160), including 10 temporary/seasonal full-time employees (2020: 5).

The management expects that in the coming months the Covid-19 pandemic and the post-pandemic rebound will still impact the business in terms of supply-chain and logistics, and potentially with isolated cases of infections and quarantine-related inefficiencies at our facilities. However, with the considerable progress in terms of vaccination roll-out in Norway and in all other direct markets, and with the gradual removal of central government sanitary restrictions, setbacks like those seen in 2020 and to a certain extent during early 2021 related to infection outbreaks or trade interruptions due to lockdowns, are not expected.

Jøtul AS experienced substantial increase of raw material prices during 2021. In addition, starting from Q4 2021, the Kråkerøy melting plant also experienced significant increases in the cost of energy. These increases are for the most part compensated with price increases on our products but have a negative timing effect.

Going Concern

The board of directors have assessed going concern basis by considering financial performance and forecasts of the Group as well as the following:

- The Group has successfully refinanced the Senior secured bonds in October 2021, ahead of the contractual maturity. The reason for the approximately three months early refinancing was the favourable drivers and developments on the capital markets for this type of financial instruments. There were no incremental costs to refinancing the bonds early, other than some overlapping interest costs for the two weeks between the date of the new bonds being collected and the date of the repayment of the old bonds. The exercise provided additional funding to the business of roughly MNOK 75.
- Simultaneously, the Group has also successfully renewed its Revolving Credit Facility (RCF) with Nordea bank, with total available credit of MNOK 75 (including ancillary facilities), to be used for working capital purposes as additional resource to regulate the seasonality lows.
- FY2021 revenues increased by 40.1% compared with the previous year.
- The order book as of December 2021 was 90% higher than the previous year, paving the way for continued favourable revenue development 2022. The growth and strong demand is visible in all markets without exception. Key drivers for the strong market are both the growth in households' home improvement budgets and the increase in electricity and gas prices leading to using wood as alternative or complementary heating resource.
- The manufacturing facility in Poland, which started operations in early 2020, stabilized throughout late 2020 and the first half of 2021, and the Group now sees continuous improvement in output and efficiency. Such improvements are expected to continue throughout 2022 as the organization is further maturing.
- The revenues in 2022 are estimated to exceed the last year level. The order intake is expected to remain very strong, driven by strong demand in all the Group's main markets. While considering, on top of this, the matured operations and continued efficiency improvement projects, the Group estimates return to profitability in 2022.
- Although it is not expected to require further financing support in the foreseeable future, it is important to acknowledge that the Group's shareholder demonstrated its support to the Group by providing an additional capital contribution of NOK 40m in June 2020 aimed at supporting the organization in the middle of the Covid pandemic, followed by a loan of EUR 5m in June 2021 having the purpose of bridging the working capital needs of the group, in particular linked to the integration of AICO Italy.

For further information refer to Note 2.1.

With the current Group performance, the favorable business outlook, and the conclusion of the refinancing exercise, it is the board of directors' expectation that the Group will have adequate resources to continue trading for the foreseeable future.

In the Board's opinion, the consolidated financial statements provide a true and fair view of the Company's and Group's financial position and results.

Market

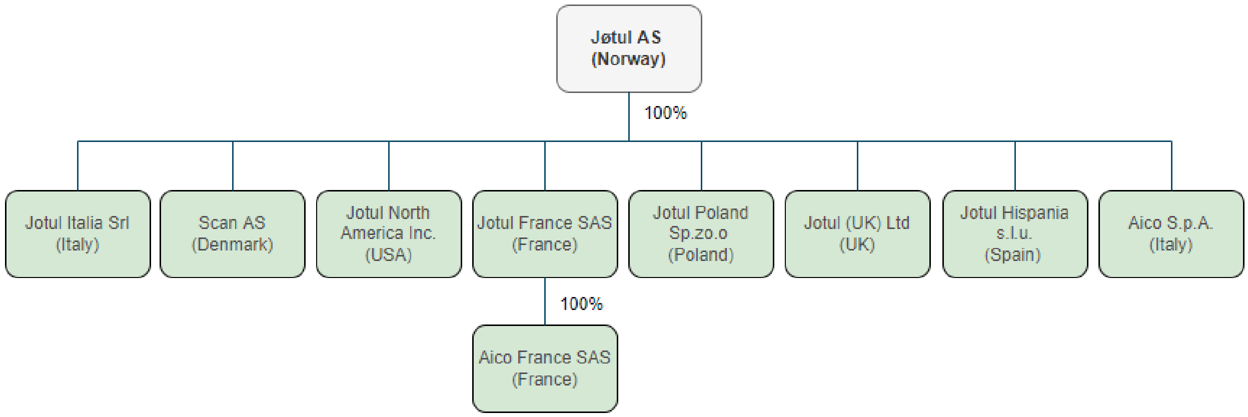
The Group's largest markets are the Nordic countries, France, Italy and USA. The company supplies fireplaces for wood, gas and pellets. The market is multi-local, and the competitors are largely local participants in national markets. This is driven by historical positions and a fragmented regulatory picture, where manufacturers of wood-burning stoves are required to comply with differing local rules and regulations. In most markets, the local participant is the market leader, such as the Jøtul brand is in Norway. In the short term, demand is influenced by local outside temperatures and the cost development for alternative heating sources – electricity, oil and gas.

Long term, market growth is driven primarily by climate changes, the willingness of consumers to invest in homes, as well as an increased focus on reduction of local particle emissions and the use of renewable energy. Important product characteristics for fireplaces are design, and the products' ability to utilize the energy in the wood and to burn the wood in a clean manner to minimize particle emissions. In Norway, strict combustion regulations were introduced early, and the Group's cast iron products are among the global leaders in this area.

The Group emphasizes positive margin development. As a vehicle for monitoring and following up the sales-related key performance indicators, Group management conducts business reviews for all sales regions. Typical KPIs for sales are market contribution margin (includes rebate level and sold product mix), market share, the number of new customer relations engaged, and overall sales strategy for the individual geographical markets. Whenever corrective measures are needed to be performed, these are communicated in the business reviews and reported on routinely.

Group structure

The company structure of the Group as of 31 December 2021.



On December 31st 2021, Jotul Polska Sp.zo.o (Jotul Polska) was legally merged into Jotul Poland Sp.zo.o., therefore this entity is no longer appearing on the company structure chart. By the date of the merger, Jotul Polska was operating as a cost center of Jotul Poland, hosting mostly the sales and marketing activities for Poland and Eastern Europe. The merger brings simplification of the legal structure and related cost synergies.

Risk exposure

The Group's activities entail various types of financial risk associated with foreign currency, interest rates, raw materials prices, credit and liquidity. To reduce its exposure to unfavourable foreign exchange fluctuations, the Group currently relies mainly on the effectiveness of natural hedging driven by the fact that it does not have major discrepancies between the inflows and the outflows of EUR and USD (main foreign currencies), while PLN is closely linked to the development of the EUR currency rates. Exposures to other currencies are deemed less significant. The Group is currently evaluating the re-introduction of foreign exchange forward contracts to cover its exposure to currency rate risk more effectively.

Technical risk is primarily associated with the operation of existing and the installation of new equipment. This risk is considered low, based on experience and competence developed while building and maintaining the physical structures of the Group. There have been no major incidents resulting in a prolonged stoppage in production in the last 10 years at any of the Group's manufacturing sites. Related to the establishment of the new factory in Poland, the Group has purchased several new machines to replace the oldest ones currently in operation, to reduce the technical risk further.

In the context of the war in the Ukraine, the Group confirms that it has minimal exposure to the Russian, Belarusian or Ukrainian markets, both in terms of supply base and in terms of sales. While some of the Group's suppliers might be sourcing raw materials from these countries, the Group assesses the risk of disruption as low.

Sustainable development

The ability to offer high-quality and environmentally friendly products is central in Jøtul Group's product development and manufacturing processes. The cast iron utilized in manufacturing is produced from recycled scrap iron using hydroelectric power and has consequently no significant negative impact on the external environment.

The Group's products are among the most energy efficient in the market and have a very clean combustion technology. Jøtul ensures that all products are energy labeled in accordance with local energy requirements. The company has R&D departments at the head office and largest manufacturing facility at Kråkerøy, at the operations in Denmark (SCAN), in Jotul North America, and at AICO Italy. This is to ensure meeting current and future demands related to emission regulations and customer preferences.

There are both international and national efficiency and emission-related requirements laid upon the industry of wood stove manufacturers. These include the Conformité Européene (CE) requirements European Norm (EN): EN13240 for freestanding stoves, and EN13229 for inserts. Additionally, the Group's products are obliged to comply with national standards, like Norway's Nasjonal Standard (NS): NS 3058 and NS 3059 and Denmark's Bekentgørelsen. Swedish national regulations are defined by Boverket. In Germany there are absolute demands defined in Stufe II, but a number of the Group's products also comply with Deutsches Institut für Normung (Din+) standards, which are voluntary. In the UK, there are the requirements from the Department for Environment, Food and Rural Affairs DEFRA (AEA). In Italy the national standard is called Aria Pollutia, and in France it is Flame Verite. As a more recent development, some countries, like Sweden, Poland (only in some regions), Belgium and the Netherlands, are adapting their national regulations regarding emissions, either completely or partly, to the EcoDesign standard that will be compulsory in the European Union from 2022. This standard intends to replace national standards in EEA. For the countries that have implemented parts or the entire standard, the wood stove manufacturers have to comply. The new standard for testing stoves to achieve the limits regulated in EcoDesign is EN 16510. This standard is more comprehensive than the previous EN13240. Jøtul stoves are also Ecolabeled and they are listed in the mandatory European consumer databank EPREL. Along with listings in several voluntary data banks like the Belgian, Swiss etc. USA has its regulation from the United States Environmental Protection Agency (US-EPA), while Australia and New Zealand have a shared regulation, AS/NZS 4012:2014.

Customer preferences to a large extent concern product design, so Jotul Group R&D efforts have to be managed according to both hard authority regulations and soft consumer preferences. Full-year R&D spending in 2021 was MNOK 41.8 of which MNOK 23.2 was booked as capital expenditures (2020: R&D spending of MNOK 17.5 of which MNOK 3.9 was booked as capital expenditure).

Pollution and climate footprint

Unlike other sources of fuel, wood, which constitutes the core of our product portfolio, is an environmentally friendly source of fuel because of its carbon neutral status. Over the duration of its life a tree will absorb CO2 from the atmosphere and then release it is burned or when it decomposes.

The Jøtul Group is actively working on reducing its environmental impact by:

- Producing Eco-design products with clean-burn technology
- Recycling materials (all cast iron production is with recycled iron, and the foundry is run on hydroelectricity)
- Standardizing deliveries and reduce transportation related emissions
- Using recycling materials for packing and requesting suppliers to do the same
- Using electrical vehicles as much as possible
- Using electronical media as much as possible to reduce usage of printed paper
- Continuously informing our dealers and end-customers about correct wood-burning, to ensure knowledge regarding emissions and means of reducing them

The Group is implementing KPIs to measure performance on reaching short and long-term goals. Such KPIs will be reported from the relevant functions on quarterly and annual basis.

The Jøtul products trigger the end customer’s mindset in both an emotional and functional way. Concerns related to climate change and pollution may affect the customer’s decision to acquire or not a product. With correct information about the company's actions to improve its climate footprint, alongside the education about the wood’s carbon neutral status and the circular aspects of our production process, the management believes Jøtul's products will continue to be appreciated as sustainable and effective heating solutions for a long time ahead.

Manufacturing principles

The Group employs lean manufacturing principles and strict controls of operational expenditures ("OPEX"). As a vehicle for monitoring and following up the key performance indicators in manufacturing and logistics, Group management has introduced business reviews for all manufacturing sites. Typical KPIs for factories are efficiency and productivity, operating expenses, inventory levels, production output related to plan, on-time deliveries and several KPIs for ESG. Whenever corrective measures are needed to be performed, these are communicated in the business reviews and reported on routinely.

Code of conduct and ethical guidelines

The Jøtul Group Code of Conduct is based on the UN Global Compact's ten principles which are in turn based on the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption. It is our view that a professional, active and responsible business includes compliance not only with local laws and regulations, but also compliance with well-established and widespread human rights conventions, agreements and ethical standards.

The Code of Conduct serves to address and mitigate the main risks in the area of environmental, social and employee matters, respect for human rights and anti-corruption matters. These are among others risk of non-compliance with environmental, sanitary, health, safety and labour law; risk of discrimination; risk of corruption and risk of reputation damage coming from non-compliance with the laws and regulations.

The Group does not have a formalized ethics program including an "ethics helpline". Employees are instead informed to contact HR and line manager to report any non-compliance matters.

The Group is committed to respecting the privacy of individuals. All Group entities shall understand and comply with applicable privacy laws, including, but not limited to the General Data Protection Regulation (EU) 2016/679 (GDPR), and Group internal routines for data protection.

Starting with the edition published in 2021, the Code of Conduct introduced a whistleblowing reporting channel.

The Group implemented a policy on GDPR treatment of personal information in 2018 as part of the company Code of Conduct.

The Group has extensive focus on health and the workplace environment. The Group's production is traditional, and parts of the production are still considered heavy industry. Some work tasks involve physical challenges, and the distribution of female and male employees in production is therefore still skewed. The Group's goal is for full gender equality between men and women to be prevalent.

Absence due to sick leave in business units with the highest number of employees was as follows:

- Jotul Poland 8.96%
- Jøtul AS 4.77%
- Jotul North America 2.16%

The Group's employee policies entail that race, religion, ethnicity, denomination, national origin, extraction, gender, age, sexual orientation, war veteran status, political association or invalidating conditions or other characteristics that are protected by law are not taken into consideration. Wages, including overtime compensation and benefits, are stipulated in in line with level required by applicable law in respective countries.

The female staff constituted 27% of the total workforce.

The Group is an inclusive workplace company, which entails a commitment to make arrangements for people with disabilities. Incidents like bullying, discrimination and harassment of any kind are not accepted and the company has a zero tolerance with such cases.

The health and safety of all the people who work for and with the Group is our top priority. Incidents are reported daily to the relevant site management. Performance is disclosed during monthly business reviews, which includes accidents, near misses and days lost. When an incident occurs, there is a follow-up process with the quality manager, team leaders and staff to evaluate the situation and remediate the root cause. All incidents and accidents occurring in 2021 were assessed as minor and all employees resumed their duties.

Jøtul Group has zero tolerance for all forms of corruption and makes active efforts to ensure that this does not occur.

It is forbidden to offer, promise or give, as well as request, accept a promise of or receive a bribe. The Group also does not tolerate abusing of a position of trust for own or the Group's gain, for example through the use of bribes.

The Jøtul Group works systematically to prevent corruption. The management of the Jøtul Group and its legal entities take care of regular analysis of the risks of corruption related to their own operations. The management is also responsible for maintaining an adequate anti-corruption program and implementing any other measures regarded as necessary in order to prevent the corruption risks identified in the risk analysis.

The compliance to the Group's Code of Conduct is paramount and all employees are obliged to make active efforts to complied with the values defined in the Code, and with all applicable laws and regulations.

Debt instrument

In October 2021, Jøtul Group issued a senior secured bond loan in an amount of MNOK 475. This loan was used to repay the previous bond loan issued at Jøtul Holdings SA (previous parent and consolidation level of the Group), in addition to providing additional financing to the business. The bonds carry a floating interest rate of 3M Norwegian InterBank Offered Rate (NIBOR) + 6.95 per cent per annum and matures in October 2024.

Under the terms and conditions of the bond agreement, the Group has the obligation to list the instrument within 12 months from issuance date on a regulated exchange. As of the date of this report, the listing was not yet completed, the work being however in progress. The instrument is in the meantime listed on the unregulated market at the Frankfurt Exchange.

Future development

The Group has a strong global market position and brand recognition, and an extensive distribution network. Nevertheless, the financial performance over the past years had been poor. The focus in 2021 and throughout the upcoming years was and continues to be the implementation of further efficiency measures to restore and further improve the company's profitability. Most notably in this respect was the establishing of the manufacturing and assembly plant in Poland, and the closure of the manufacturing facilities in Denmark and Italy, and of the assembly lines of Jøtul AS. This improved the cost competitiveness following a lower cost structure, and the production efficiency is also gradually and constantly improving.

The Group has ambitions to continue growing and is focusing on increased distribution to further strengthen its global market position. In addition to the continuous focus on design, emissions and efficiency, the Group is also planning to expand and grow its pellet stoves product offering.

Internal controls over financial reporting

Internal controls over financial reporting aim to provide reasonable assurance on the reliability of external and internal financial reporting, and their conformity with the applicable laws and regulations. They help to ensure that financial reporting presents a true and fair picture of the Group's net assets, financial position and operational results. In line with its Code of Conduct, the Jøtul Group aims to provide transparent, accurate, continuous and timely financial information of the highest quality.

The Group's internal controls over financial reporting include those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Jotul Group. Applied procedures provide reasonable assurance that transactions are recorded, as necessary, to permit preparation of financial statements in accordance with IFRS and that unauthorized acquisition, use or disposition of Group's assets that could have a material effect on the financial statements would be prevented or detected on a timely basis.

The Group's Finance manual describes the legal and operational responsibilities of senior staff, accounting and financing resources and reporting requirements, budget procedures and tax, cost sharing and legal structures. The monthly reporting process is also described in detail. Other areas are internal controls, financial guidelines and consolidation instructions.

All internal and external local and consolidated financial reporting is systematically reviewed by local finance personnel or by Group's finance team. Typical analyses include comparisons with previous years and budget, financial and operational KPIs, flows of key captions on the income statement, statement of the financial position, changes in equity, and cash flow statement. All internal and external financial reporting processes are organized through a centrally managed reporting calendar.

Quarterly reporting to the financial markets is approved by the Board of Directors and published withing two months from the quarter-end.

Liquidity forecasts and debt servicing ability are reviewed by Corporate Finance department and the Group's CFO and reviewed by the Group's shareholder.

The monthly reporting process is normally conducted within the first seven business days of the month. The components spend six days on their local figures before reporting into the Group consolidation system Frango. On the seventh day, Group's finance team consolidates the Group financial statements. Subsequently, a business review with the ultimate shareholder is held for presentation of the management report, which includes financial and operational KPIs.

The budget process starts in the month of August, where all components are to prepare a forecast for the present year. This forecast forms the starting point of the new year's budget. Each local budget is prepared based on local assumptions on sales and cost development. Subsequently this is revised, and amended if necessary by Group finance, consolidated in Frango, and presented to the executive management and to the shareholder.

Jøtul Group's practices on the reporting of significant compliance incidents requires single subsidiaries to immediately report fraud or their significant compliance incidents to the Group. Identified control weaknesses that could impact the reliability of financial reporting are brought to the attention of management.

Shareholder

As of 31 December 2021, the share capital of Jotul AS is set at NOK 139,413,732 and is divided into one share fully paid up. The Group has a sole shareholder, Jotul Holdings Sàrl.

Resolutions of the shareholder shall be adopted at a General Meeting. The General Meeting has full powers to adopt and ratify all acts and operations which are consistent with the Company's corporate object.

The shareholder may be convened to General Meetings by the Board. General Meetings shall be held at the time and place specified in the notices.

The Annual General Meeting will examine the reports of the Board of Directors and the auditor and, if thought fit, will approve the annual accounts. The meeting is also entitled to approve any allocation of profit proposed by the Board and to decide on the discharge of directors or of the auditor from any duties.

Board and management

Board of directors

On 31 December 2021, the Board of directors had the following six members:

Nils Agnar Brunborg Chair of the Board	**Øyvind Arne Sandnes** Director	**Lars Tore Heggem** Director
René Valentin Christensen Director	**Anette Johansen** Director, Employees' representative	**Bjørn Harald Bjørnli** Director, Employees' representative

Anette Johansen was appointed as Director, employees' representative, starting from May 25th, 2021, replacing Arild Johannessen

The Board may only validly deliberate and act if a majority of its members is present or represented. Board Resolutions shall be validly adopted by a majority of the votes of the directors present or represented.

The Board of Directors met several times in 2021 with an average attendance rate of 100 per cent and adopted some decisions by circular resolution. Members of the board also hold regular meetings with financial directors of Group entities.

The Board of Directors confirms having adequate insurance policies in place to cover their responsibilities of their roles and members of the board. The directors and offices insurance for Jøtul AS and all subsidiaries covers an amount of MNOK 50.

Audit committee

As part of the corporate governance, the Group plans to establish an Audit Committee in 2022, prior to the listing of the debt instrument (bond) on a regulated market. The role of the Audit Committee will be to assists the Board of Directors in its responsibility with respect to overseeing the Group's financial reporting, the audit of the stand-alone and consolidated accounts, the independence of the external auditors, the risk management and internal control, and the standards of business conduct and compliance.

External auditor

On 8 October 2021, the shareholder voted in an Extraordinary General Meeting to appoint Pricewaterhousecoopers AS as external auditor of the Group.

CEO

Responsibility for the day-to-day management of the Group rests with the CEO, Nils Agnar Brunborg, who – on a regular basis and upon request of the Board – informs the Board of Directors about the status and development of the Group. The CEO is responsible for proposing the annual budget, to be approved by the ultimate shareholder. He is also responsible for determining the ordinary course of the business.

Responsibility statement

We, the undersigned directors of the Company, confirm, to the best of our knowledge, that the consolidated financial statements of Jøtul Group presented in this Consolidated financial statements and prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position, profit or loss of Jøtul Group and the undertakings included within the consolidation taken as a whole; and the management report includes a fair review of the development and performance of the business and position of Jøtul Group and undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Fredrikstad, 29 April 2022

Nils Agnar Brunborg CEO, Chair of the Board	**Øyvind Arne Sandnes** Director	**Lars Tore Heggem** Director
René Valentin Christensen Director	**Anette Johansen** Director, Employees' representative	**Bjørn Harald Bjørnli** Director, Employees' representative

Consolidated statement of comprehensive income

(in NOK '000s)	**Notes**	**2021**	**2020**
Revenue	6	1,269,000	905,477
Other operating income	7	3,972	6,041
Total operating income		**1,272,972**	**911.518**
Raw materials and consumables		(559,852)	(286,638)
Changes in inventories of finished goods and work in progress		13,225	(78,677)
Employee benefits expense	8	(307,829)	(252,871)
Depreciation, amortisation and write-off	13,14,27	(86,685)	(69,687)
Other operating expense	9	(297,069)	(268,258)
Total operating expenses		**(1,238,211)**	**(956,133)**
Operating result		**34,762**	**(44,615)**
Finance income	10	8,412	1,299
Finance expense	11	(72,365)	(75,497)
Net finance cost		**(63,953)**	**(74,198)**
Loss before income tax		**(29,191)**	**(118,812)**
Income tax	12	(5,563)	(2,419)
Net loss for the year		**(34,754)**	**(121,232)**
Other comprehensive income/(loss)			
Foreign exchange differences on translation of foreign operations		5,286	1,257
Other comprehensive income/(loss) for the year net of tax		**5,286**	**1,257**
Total comprehensive loss for the year		**(29,467)**	**(119,975)**

Consolidated statement of financial position

(in NOK '000s)	Notes	31 December 2021	31 December 2020	1 January 2020
ASSETS				
Non-current assets				
Property, plant and equipment	13	118,043	127,292	125,741
Intangible assets	14	113,877	99,994	106,846
Right-of-use assets	27	239,733	265,713	290,583
Derivative financial instrument	25	-	-	327
Other receivables	15	9,585	11,260	10,550
Deferred tax asset	12	1,269	1,439	1,335
Total non-current assets		**482,506**	**505,698**	**535,381**
Current assets				
Inventories	16	352,567	201,268	227,317
Derivative financial instrument	25	-	311	771
Trade and other receivables	17	203,295	119,856	72,967
Other receivables	15	2,963	471	2,961
Current income tax receivable		4,433	2,138	2,812
Cash and cash equivalents	18	108,257	88,465	46,002
Total current assets		**671,514**	**412,509**	**352,830**
Total assets		**1,154,020**	**918,206**	**888,210**

Consolidated statement of financial position (continued)

(in NOK '000s)	Notes	31 December 2021	31 December 2020	1 January 2020
EQUITY AND LIABILITIES				
Equity				
Share capital	19	139,414	139,414	135,914
Share premium		1,026,612	1,026,612	995,112
Foreign currency translation reserve		15,153	9,866	8,609
Retained earnings		(1,280,682)	(1,245,928)	(1,124,696)
Total equity		**(99,503)**	**(70,036)**	**14,939**
Non-current liabilities				
Senior secured bonds	20	461,861	-	-
Lease liabilities	27	285,088	311,493	323,537
Borrowings	21	27,476	27,644	-
Loan from shareholder		-	282,323	282,323
Government grant	22	2,547	3,954	-
Derivative financial instruments	25	-	-	258
Deferred tax liability	12	1,967	2,231	3,615
Long-term provisions	24	10,394	4,804	4,710
Total non-current liabilities		**789,334**	**632,449**	**614,443**
Current liabilities				
Lease liabilities	27	48,721	53,233	55,292
Loan from shareholder		30,551	70,761	48,538
Bank borrowing	18	17,198	18,640	-
Derivative financial instruments	25	-	358	1,606
Government grant	21	1,441	1,493	-
Trade and other payables	23	348,289	208,700	140,704
Short-term provisions	24	4,154	287	10,883
Accrued interest on bonds	20	8,713	-	-
Current income tax payable		5,122	2,321	1,806
Total current liabilities		**464,189**	**355,793**	**258,828**
Total equity and liabilities		**1,154,020**	**918,207**	**888,210**

Jøtul AS
Consolidated Financial Statements
for the year ended 31 December 2021

Fredrikstad, 29 April 2022

Nils Agnar Brunborg CEO, Chair of the Board	**Øyvind Arne Sandnes** Director	**Lars Tore Heggem** Director
René Valentin Christensen Director	**Anette Johansen** Director, Employees' representative	**Bjørn Harald Bjørnli** Director, Employees' representative

Consolidated statement of changes in equity

(in NOK '000s)	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2020	**135,914**	**995,112**	**8,609**	**(1,124,696)**	**14,939**
Transactions with owners in their capacity as owners:					
Contributions to equity	3,500	31,500	-	-	35,000
	3,500	31,500	-	-	35,000
Loss for the year	-	-	-	(121,232)	(121,232)
Other comprehensive income for the year	-	-	1,257	-	1,257
Total comprehensive loss	-	-	1,257	(121,232)	(119,975)
Balance as at 31 December 2020	**139,414**	**1,026,612**	**9,866**	**(1,245,928)**	**(70,036)**
Loss for the year	-	-	-	(34,754)	(34,754)
Other comprehensive income for the year	-	-	5,286	-	5,286
Re-measurement of post-employment benefit obligations	-	-	-	(2)	(2)
Total comprehensive loss	-	-	5,286	(34,755)	(29,469)
Balance as at 31 December 2021	**139,414**	**1,026,612**	**15,152**	**(1,280,683)**	**(99,504)**

Consolidated statement of cash flows

(in NOK '000s)	**2021**	**2020**
Cash flows from operating activities		
Net loss for the year	(34,754)	(121,232)
Adjustments for:		
Income tax recognised in profit or loss	5,563	2,419
Depreciation and impairment	86,685	69,687
Net (gain)/loss on sale of non-current assets	-	(2,487)
Net finance costs	63,953	74,198
Changes in operating working capital	(102,756)	28,428
Cash generated from operating activities	**18,691**	**51,014**
Interest paid	(125,608)	(30,727)
Interest received	80	522
Income tax paid	(5,576)	(2,718)
Net cash flows from operating activities	**(112,413)**	**18,091**
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,835)	(34,260)
Purchase of intangible assets	(26,501)	(5,696)
Acquisition of subsidiaries, net of cash acquired	(3,620)	-
Proceeds from disposal of property, plant and equipment	-	2,807
Proceeds from disposal of intangible assets	-	1,126
Repayment of loan receivable	-	450
Net cash flows used in investing activities	**(38,956)**	**(35,573)**
Cash flows from financing activities		
Proceeds from issuance of bonds	382,299	-
Repayment of borrowings	(247,635)	-
Proceeds from borrowings	76,370	35,365
Proceeds from Bank borrowing	(1,442)	18,640
Proceeds from issuance of share premium	-	31,500
Proceeds from issuance of share capital	-	3,500
Payment of principal portion of lease liability	(36,982)	(23,395)
Net cash flows from financing activities	**172,610**	**65,610**
Net increase/(decrease) in cash and cash equivalents	**21,240**	**48,128**
Cash and cash equivalents at the beginning of the year	88,465	46,002
Exchange gains on cash and cash equivalents	(1,448)	(5,665)
Cash and cash equivalents at the end of the year	**108,257**	**88,465**

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Jotul AS (hereinafter the “Company”) was incorporated in 2006. The Company is registered with the organisation number 989 519 247.

The Company and the subsidiaries are referred to in these consolidated financial statements as the “Group”.

The Group manufactures, distributes and sells wood-burning stoves, wood-burning fireplaces, gas-burning stoves, gas-burning fireplaces and auxiliary equipment for these via distributors, importers and subsidiaries. The Group has manufacturing facilities in Norway, Poland, the United States of America and France, and it sells its products in approximately 45 countries.

The Group’s financial year starts on 1 January and ends on 31 December of each year.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted in the European Union.

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

These consolidated financial statements present the consolidated statement of cash flows using the indirect method.

The consolidated financial statements are presented in Norwegian Krone (“NOK”).

This is a first-time adoption of IFRS, and the comparable numbers are unaudited. Until 2020, the Group was consolidated at Jotul Holdings (i.e., direct parent of Jøtul AS) level in Luxembourg, and the financial statements at that consolidation level were prepared under IFRS and audited. For the purpose of the deconsolidation of Jotul Holdings, and for the preparation of the comparable financials included in this report, the Company has restated the comparable financial data by starting from the audited consolidated financial statements of Jotul Holdings Group and deconsolidating (excluding) the effects of the Jotul Holdings legal entity. Note 2.23 contains further details pertaining to the first adoption of IFRS.

Going concern
The Group has prepared the financial statements for the financial year ended 31 December 2021 on a going concern basis, which assumes continuity of current business activities and the realization of assets and settlement of liabilities in ordinary course of business.

The board of directors considered the following key aspects in their evaluation of the going concern:

- The Group has successfully refinanced the senior secured bonds in October 2021. The exercise provided additional funding to the business of roughly MNOK 75, which, in addition to the cash expected to be generated from operations, will constitute sufficient liquidity to honour the Groups payment obligations. The bonds mature and are not due for repayment before October 2024.

- Simultaneously, the Group has also successfully renewed its revolving credit facility (RCF) with Nordea bank, with total available credit of MNOK 75 (including ancillary facilities), to be used for working capital purposes as additional resource to regulate the seasonality lows. The RCF expires and will be again up for renewal in June 2024.

- FY2021 revenues increased by 40.1% compared with the previous year, while in 2022 they are estimated to exceed the 2021 level. The order intake is expected to remain very strong, driven by strong demand in all the Group’s main markets. While considering, on top of this, the matured operations and continued efficiency improvement projects, the Group estimates return to profitability in 2022.

- The order book as of December 2021 was 90% higher than the previous year, paving the way for continued favourable revenue development 2022. The growth and strong demand is visible in all markets without exception. Key drivers for the strong market are both the growth in households’ home improvement budgets and the increase in electricity and gas prices leading to using wood as alternative or complementary heating resource.

- The manufacturing facility in Poland, which started operations in early 2020, stabilized throughout late 2020 and the first half of 2021, and the Group now sees continuous improvement in output and efficiency. Such improvements are expected to continue throughout 2022 as the organization is further maturing.

- Considering the significant progress in terms of Covid-19 vaccination rollouts, and with the gradual removal of sanitary restrictions both in Europe and North America, setbacks like those seen in 2020 and to a certain extent during early 2021 related to infection outbreaks or trade interruptions due to lockdowns, are not expected to reoccur. The post-pandemic rebound will most likely still impact the business in terms of supply-chain and logistics, and potentially with isolated cases of infections and quarantine-related inefficiencies at our facilities, however the overall risk of such unfavourable factors to the Group’s ability to conduct business as a going concern is assessed as low.

- Although the Group is not expected to require further financing support in the foreseeable future, it is important to acknowledge that the Group’s shareholder demonstrated its support to the business by providing an additional capital contribution of NOK 40m in June 2020 aimed at supporting the organization in the middle of the Covid pandemic, followed by a loan of EUR 5m in June 2021 having the purpose of bridging the working capital needs of the group, in particular linked to the integration of AICO Italy.

- The available liquidity of the Group was NOK 105 million as per end of March 2022 which included available cash and cash equivalents of NOK 79 million and the undrawn revolving credit facility portion of NOK 26 million.

With the current Group performance and the favorable business outlook it is the board of directors' expectations that the Group will have adequate resources to continue trading for the foreseeable future.

The Board confirms that the going concern assumption is valid. While there are some uncertainties regarding the potential effect of the ongoing global supply chain crisis, in particular in the new context of the war in the Ukraine, the Board believes that the Group has sufficient means and levers to overcome such potential effects through a healthy and long-lasting supplier base and minimal revenue exposure to the most affected markets.

In the Board's opinion, the consolidated financial statements provide true and fair view of the Company's and Group's financial position and results.

2.2 Foreign currency translation

(a) Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the Finance expense or Finance income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(b) Group companies

The income statement and balance sheet for Group entities with a functional currency that differs from the presentation currency are translated as follows:

i. the balance sheet is translated at the end-rate at the statement of financial position date
ii. the income statement is translated at the average monthly rates (if the average exchange rate does not give a reasonable estimate of the accumulated effect of using the transaction date exchange rate, then the transaction date exchange rate is used)
iii. currency translation differences are recognised in other comprehensive income and as a separate reserve within equity.

During the year ended 31 December 2020 and 2021, the exchange rates were used:

	2021	**2020**

Currency*	Closing	Average	Closing	Average
EUR/NOK	9.9888	10.1735	10.5053	10.7409
USD/NOK	8.8363	8.5979	8.5375	9.4264
GBP/NOK	11.9358	11.8269	11.666	12.0823
SEK/NOK	0.9738	1.003	1.0419	1.0239
PLN/NOK	2.1729	2.2273	2.2963	2.4134
DKK/NOK	1.3435	1.3679	1.4118	1.4408

*United States Dollar (USD), Euro (EUR), Pound Sterling (GBP), Swedish Krona (SEK), Polish złoty (PLN) and Danish Krone (DKK).

2.3 Consolidation principles

The consolidated financial statements as at 31 December 2021 include the accounts of the Company and those of all directly or indirectly controlled subsidiaries.

2.3.1 Subsidiaries

Subsidiaries are all entities over which the Group exercises control. Control exists when the company has power, directly or indirectly, over an entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred. They are no longer consolidated from the date that control ceases. When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related components of net assets. Any resulting gain or loss is recognised in profit and loss.

According to IFRS 3, business combination is accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. The Group measures the identifiable assets acquired and the liabilities assumed at fair values. Expenses related to the business combination are expensed as incurred. The consideration transferred is measured at the fair value, which is the sum of the assets transferred, obligations assumed, and equity instruments issued. Contingent consideration is recognised at fair value as part of the consideration transferred.
If the total of the consideration transferred and the fair value of previously held ownership interest exceeds the fair value of identifiable net assets in the acquired company, the difference is recognised as goodwill. If the total is less than the net assets of the company, the difference is recognised as bargain purchase in the income statement.

Intra-group transactions, balances, income and expenses are eliminated as well as elements of gains and losses related to an asset that has been recognised as a result of a group transaction. The financial statements of the subsidiaries are, if necessary, re-stated to conform with the Group’s accounting policies.

Accounting for business combinations under IFRS 3 does not apply to business combinations between entities under common control. A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In this case, the Group applies acquisition method in accordance with IFRS 3 that is described above.

2.3.2 Scope of consolidation

Entities included in the scope of consolidation that are fully consolidated are listed below:

Subsidiary	Registered office	% ownership		Functional currency
		2021	2020	
Jotul AS	Kråkerøy, Norway	100%	100%	NOK
Jotul North America Inc.	Portland, United States	100%	100%	USD
Jotul France SAS	Dardilly, France	100%	100%	EUR
Jotul UK Ltd.	Worcestershire, England	100%	100%	GBP
Jotul Hispania	Zaragosa, Spain	100%	100%	EUR
Jotul Polska	Gdansk, Poland	100%	100%	PLN
Scan AS	Vissenbjerg, Denmark	100%	100%	DKK
Jotul Italia S.R.L.	Milano, Italy	100%	100%	EUR
Jotul Poland Sp. z o.o.	Katy Wroclawskie, Poland	100%	100%	PLN
Aico France SAS	Bron, France	100%	100%	EUR
Aico S.p.A.*	Milano, Italy	100%	100%	EUR

*The company has been acquired on 1 June 2021.

2.4 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment. Cost includes all costs necessary to bring the asset to working condition for its intended use. Assets are capitalised if it has a cost price of more than NOK 15,000.

Subsequent expenditure is added to the carrying value of the fixed asset, or recognised separately, when it is probable that the future economic benefits related to the addition will flow to the Group, and the cost can be measured reliably. The carrying value of replaced parts is expensed. Other repair and maintenance costs are expensed as incurred.

Depreciation is recognised on a straight-line basis over the expected useful lives of the asset as follows:

Land:	nil
Buildings	25-40 years

Machinery	10-15 years
Vehicles	3-5 years
Equipment and fittings	3-8 years

Depreciation is not provided on assets during their construction.

Depreciation methods and useful lives, as well as residual values, are reassessed annually. Carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When the carrying value of a fixed asset is higher than its estimated recoverable amount, the asset value is written down to the recoverable amount. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss on disposals are included in profit or loss when incurred.

2.5 Intangible assets

Intangible assets include trademarks, customer relationships, software, development costs and production rights. Those intangible assets acquired in a business combination are recorded initially at fair value and are amortised on a straight-line basis.

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically feasible, costs can be reliably measured, future economic benefits are feasible, and the Group intends to and has sufficient resources to complete development and made the decision to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.
Other development expenditure is expensed as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Intangible assets with definite useful lives are amortised on a straight-line basis over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested annually for impairment. If the carrying amount exceeds the recoverable amount, an impairment loss will be recognised. If an intangible asset with an indefinite life has changed to a definite life the change is made on a prospective basis. The expected useful lives are as follows:

Trade names	Indefinite useful life
Customer relationships	8 years
Software	3-5 years
Research and development costs	3-10 years

2.6 Inventory

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) method. For finished goods and work in progress, acquisition cost consists of expenditure for product design, materials used, direct payroll costs, other direct costs and indirect manufacturing costs (based on normal capacity). Net realisable value is the estimated sales price less estimated costs to complete and selling costs.

2.7 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are annually reviewed for impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the asset's carrying amount exceeds its estimated recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill impairment is not reversed.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL") and measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes the Group's trade and other receivables not subject to the factoring agreement.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. The Group uses foreign currency forwards to hedge its risks associated with foreign exchange rates. Financial assets classified as at FVTPL are subsequent to initial recognition, measured at fair value with changes in fair value recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2.9 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks all of which are available for use by the Group unless otherwise stated.

2.10 Impairment of financial assets

Financial assets not carried at FVTPL (e.g. trade receivables) are annually assessed to determine whether there is any objective evidence that it is impaired using the forward-looking expected credit loss ("ECL") approach. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the assets that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The Group applies the simplified approach calculate ECLs based on lifetime expected credit losses. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. All iImpairment losses and impairment loss reversals are recognised in profit or loss.

2.11 Financial liabilities

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Financial liabilities are classified at FVTPL when the financial liability is held for trading and when it is designated as at FVTPL because it forms part of a contract containing one or more embedded derivatives and IFRS 9 permits the entire combined contract to be designated at FVTPL and also when the financial liability forms part of a group of financial assets and financial liabilities which is managed, and its performance is evaluated on a fair value basis. All transaction cost related to financial liabilities at FVTPL are expensed as incurred.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They

are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.
Changes in the fair value of the financial liabilities designated at FVTPL are presented in profit or loss except when the amount of changes in the fair value is attributable to change in credit risk of that liability, for which it is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss but are transferred to retained earnings when the financial liability is derecognized.

All other borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Equity

Ordinary shares are classified as equity. Expenses directly attributable to the issue of new shares or options, net of tax, are recognised in equity as a reduction of the consideration received.

Currency translation differences are recognised as part of other comprehensive income as a separate line item in the statement of changes in equity.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events. The amount recognized represent management's best estimate of the expenditures that will be required to settle the obligation as of the reporting date Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the ongoing activities of the Group are not provided for.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.15 Revenue

The Group manufactures, distributes and sells wood-burning stoves, wood-burning fireplaces, gas-burning stoves, gas-burning fireplaces and auxiliary equipment for these via distributors, importers and subsidiaries. The Group has manufacturing facilities in Norway, Poland, the USA and France, and sells its products in approximately 45 countries. The revenue streams consist solely of the sale of goods to various customers (dealers and/ or distributors) in a range of markets. The Group has agreements with dealers who market and sell the products. Based on these agreements, the dealers place orders for stoves and accessories and each of these orders represent distinct deliveries which are recognized separately.

The price charged by the Group for sale of the products to the dealers is based on the Group's guiding price list in the market, less agreed discounts. The transaction price does not include any non-cash consideration.

Variable consideration relates to discounts (performance bonus) on achievement of specified milestones. There are fixed discounts to dealers which are recognised immediately, and there is a variable part represented by growth bonuses, as well as yearly or quarterly bonuses. They are estimated based on actual customer sales volume. The variable part is classified as reduction of revenues and included in disclosure line “Sale of goods” in Note 6.

The Group has a 5-year warranty for all its stoves, limited to external cast iron parts and sheet steel parts, according to law. For internal parts there is a 2-year guarantees according to law. This warranty is not treated as a separate performance obligation and is accounted in accordance with IAS 37 as a provision. The Group does allow good returns unless they fall under warranty.

The consideration payable to a customer is accounted for as a reduction of revenues and is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

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. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Generally, revenue is thus recognised on delivery of the goods. The Group uses either EXW (“Ex Works”) or DDP (“Delivery Duty Paid”) Incoterms delivery conditions.

For EXW orders the transfer of control of the asset is at shipping point. When shipping EXW orders the dealers organize pick up of the stoves and accessories, and let the Group know when their trucks will arrive at the warehouse to pick up the goods. The Group recognises the revenue when the truck leaves the warehouse. For DDP control of the goods is transferred upon the delivery to the dealer.

The normal credit term is 30 to 90 days upon delivery. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group does not have any incremental cost when entering into a new dealer agreement.

2.16 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in profit or loss, except when it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in the countries where the Group’s entities operate and generate taxable income at the reporting date.

Deferred tax is calculated on all temporary differences between the tax bases of assets and liabilities and the Group carrying amounts of assets and liabilities. Deferred tax is determined using the tax rates and tax laws enacted or substantively enacted as at the reporting date.
Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available.

2.17 Leases

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

- the Group has the right to direct the use of the identified asset throughout the period of use.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that depend on an index or a rate, and amounts expected to be paid by the Group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease term begins at the commencement date and includes any rent-free periods provided to the lessee by the lessor.

The lease payments are discounted using the lessee’s incremental borrowing rate (the “IBR”) being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk and makes adjustments specific to the lease. Considering that vast majority of lease payments relate to real estate leases, the lease specific adjustment is determined for these lease contracts. The same lease specific adjustment is applied to other lease contracts which share the same characteristics in terms of risk-free interest rate and credit risk.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. Right-of-use assets include the amount of the lease liability recognized, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset’s estimated useful life and the lease term. Right-of-use assets are subject to impairment. Please refer to note 2.7.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture having value when new below USD 5 thousand (equivalent of NOK 44 thousand).

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

In 2020, the Group has adopted the practical expedient whereby it has not accounted for rent concessions which are directly consequence of the COVID-19 pandemic as lease modifications.

2.18 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Government grants relating to costs are deferred and recognised in profit or loss as a reduction of related expenses over the period necessary to match them with the costs that they are intended to compensate.
Government loan at a below-market rate of interest is treated as government loan and shall be recognised and measured in accordance with IFRS 9. The benefit of such rate shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceed received. The related benefit is recognised as a compensation in the profit or loss.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. An operating segment is also a component of the Group whose operating results are reviewed regularly by the entity’s Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance.

Chief Executive Officer and Chief Financial Officer of the Group are identified as its CODM, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments.

The operating segments were identified on the basis of the internal reports used by management to allocate resources to the segments and assess their performance. Operating segments of the Group represent geographical segments which are engaged in operations in individual countries or group of countries.

Management of the Group has identified four reportable segments which represent Norway, North America, Poland and France. Segment "Other" aggregates operations in Great Britain, Spain, Italy and Denmark.

2.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. The different levels have been defined as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.21 New and revised standards

2.21.1 Adoption of new and revised standards

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Amendments which were effective from 1 January 2021 that did not have a material impact on the financial statements:

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020);
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020).

2.21.2 New standards, amendments and interpretations issued but not yet effective

Amendments which are effective for the financial periods starting from and after 1 January 2022 and which are not expected to have a material impact on the financial statements:

- IAS 1 Presentation of Financial Statements – Amendments regarding the classification of Liabilities as Current or Non-current (issued 23 January 2020 and 15 July 2020) effective on 1 January 2023*;

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) effective on 1 January 2023*;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) effective on 1 January 2023*;
- IFRS 17 Insurance contracts – (issued on 25 June 2020) effective 1 January 2023;
- Amendment to IFRS 16 Leases Covid 19- Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) effective 1 April 2021;
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (all issued 14 May 2020) effective on 1 January 2022;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) effective on 1 January 2023;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) effective on 1 January 2023;

The standards will be adopted at the effective dates.

**Not yet endorsed by European Financial Reporting Advisory Group*

2.22 Use of estimates and judgements

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included below:

Deferred tax assets
The Group records deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are also recognised for the estimated future effects of tax losses carried forward to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised. The Group reviews the deferred tax assets in the different jurisdictions in which it operates periodically to assess the possibility of realising such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies.

Impairment of trademarks
Trademarks held by the Group represent intangible assets with indefinite useful lives and as such are subject to annual impairment test. The impairment testing requires application of certain assumptions and judgements as described in Note 14.

Other areas that involve significant estimates or judgements

- estimation uncertainties and judgements made in relation to lease accounting
- estimated useful life of intangible assets
- impairment of property, plant and equipment, intangible assets with definite useful life and right-of-use assets
- estimation of provisions

2.23 First adoption of IFRS

These financial statements, for the year ended 31 December 2021, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2020, the Group prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020, the Group's date of transition to IFRS.
Jotul AS applied IFRS 1 paragraph D16(a), i.e. it chose to use the carrying amounts that would be included in Jotul Holdings's consolidated financial statements. Its date of transition is 1 January 2020. As at 1 January 2020, Jotul AS's assets and liabilities in its opening statement of financial position are the same as in Jotul Holding's consolidated financial statements, adjusted for consolidation adjustments and the effects of the business combination in which Jotul Holdings acquired Jotul AS. These figures are based on Jotul Holdings's date of transition to IFRSs and are acceptable because they already comply with IFRSs.

This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2020 and the financial statements as of, and for, the year ended 31 December 2020.

Group reconciliation of equity as at 1 January 2020

(in NOK '000s)	Notes	Local GAAP as at 1 January 2020	Reclassification and Remeasurement	IFRS as at 1 January 2020
ASSETS				
Non-current assets				
Property, plant and equipment	B	134,904	(9,163)	125,741
Intangible assets	A	106,214	632	106,846
Right-of-use assets	B	-	290,583	290,583
Derivative financial instrument		327	-	327
Other receivables		10,550	-	10,550
Deferred tax asset	C	771	564	1,335
Total non-current assets		**252,766**	**282,616**	**535,382**
Current assets				
Inventories		227,317	-	227,317
Derivative financial instrument		771	-	771
Trade and other receivables		72,967	-	72,967
Other receivables		2,961	0	2,961
Current income tax receivable		2,812	0	2,812
Cash and cash equivalents	B	47,105	(1,103)	46,002
Total current assets		**353,933**	**(1,103)**	**352,830**
Total assets		**606,699**	**281,513**	**888,212**

(in NOK '000s)	Notes	Local GAAP as at 1 January 2020	Reclassification and Remeasurement	IFRS as at 1 January 2020
EQUITY AND LIABILITIES				
Equity				
Share capital		135,914	-	135,914
Share premium		995,112	-	995,112
Foreign currency translation reserve	D	31,073	(22,464)	8,609
Retained earnings		(1,082,360)	(42,336)	(1,124,696)
Total equity		**79,739**	**(64,800)**	**14,939**
Non-current liabilities				
Lease liabilities	B	5,342	318,195	323,537
Borrowings		-	-	-
Loan from shareholder		282,323	-	282,323
Government grant		-	-	-
Derivative financial instruments		258	-	258
Deferred tax liability		3,615	-	3,615
Long-term provisions	E	30,379	(25,669)	4,710
Total non-current liabilities		**321,917**	**292,525**	**614,442**
Current liabilities				
Lease liabilities	B	1,506	53,786	55,292
Borrowings		-	-	-
Bank borrowing		-	-	-
Loan from shareholder		48,538	-	48,538
Derivative financial instruments		1,606	-	1,606
Government grant		-	-	-
Trade and other payables		140,704	-	140,704
Short-term provisions		10,883	-	10,883
Current income tax payable		1,806	-	1,806
Total current liabilities		**205,043**	**53,786**	**258,829**
Total equity and liabilities		**606,699**	**281,512**	**888,211**

Group reconciliation of equity as at 31 December 2020

(in NOK '000s)	Notes	Local GAAP as at 31 December 2020	Reclassification and Remeasurement	IFRS as at 31 December 2020
ASSETS				
Non-current assets				
Property, plant and equipment		127,292	-	127,292
Intangible assets		99,994	-	99,994
Right-of-use assets	B	8,028	257,685	265,713
Derivative financial instrument		-	-	-
Other receivables		11,260	-	11,260
Deferred tax asset	C	760	679	1,439
Total non-current assets		**247,334**	**258,364**	**505,698**
Current assets				
Inventories		201,268	-	201,268
Derivative financial instrument		311	-	311
Trade and other receivables		119,856	-	119,856
Other receivables		471	-	471
Current income tax receivable		2,138	-	2,138
Cash and cash equivalents		88,465	-	88,465
Total current assets		**412,509**	**-**	**412,509**
Total assets		**641,203**	**258,364**	**918,207**

(in NOK '000s)	Notes	Local GAAP as at 31 December 2020	Reclassification and Remeasurement	IFRS as at 31 December 2020
EQUITY AND LIABILITIES				
Equity				
Share capital		139,414	-	139,414
Share premium		1,026,612	-	1,026,612
Foreign currency translation reserve	D	39,695	(29,829)	9,866
Retained earnings		(1,207,366)	(38,562)	(1,245,928)
Total equity		**(1,645)**	**(68,391)**	**(70,036)**
Non-current liabilities				
Lease liabilities	B	5,787	305,706	311,493
Borrowings	F	33,092	(5,448)	27,644
Loan from shareholder		282,323	-	282,323
Government grant	F	-	3,954	3,954
Derivative financial instruments		-	-	-
Deferred tax liability		2,231	-	2,231
Long-term provisions	E	25,533	(20,728)	4,804
Total non-current liabilities		**348,966**	**283,484**	**632,450**
Current liabilities				
Lease liabilities	B	-	53,233	53,233
Borrowings		-	-	-
Bank borrowing		18,640	-	18,640
Loan from shareholder		70,761	-	70,761
Derivative financial instruments		358	-	358
Government grant	F	-	1,493	1,493
Trade and other payables	B	220,155	(11,455)	208,700
Short-term provisions		287	-	287
Current income tax payable		2,321	-	2,321
Total current liabilities		**312,522**	**43,271**	**355,793**
Total equity and liabilities		**659,843**	**258,364**	**918,207**

(in NOK '000s)	Notes	Local GAAP as at 31 December 2020	Remeasurements	IFRS as at 31 December 2020
Revenue		905,477		905,477
Other operating income		6,041		6,041
Total operating income		**911,518**	**-**	**911,518**
Raw materials and consumables		(286,638)		(286,638)
Changes in inventories of finished goods and work in progress		(78,677)		(78,677)
Employee benefits expense	E	(252,349)	(522)	(252,871)
Depreciation, amortisation and write-off	B	(46,844)	(22,843)	(69,687)
Other operating expense	B	(319,636)	51,378	(268,258)
Total operating expenses		**(984,144)**	**28,013**	**(956,132)**
Operating result		**(72,626)**	**28,013**	**(44,615)**
Finance income		1,299	-	1,299
Finance expense	B	(52,124)	(23,373)	(75,497)
Net finance cost		**(50,825)**	**(23,373)**	**(74,198)**
Loss before income tax		**(123,451)**	**4,640**	**(118,813)**
Income tax	C	(2,534)	115	(2,419)
Net loss for the year		**(125,985)**	**4,755**	**(121,232)**
Other comprehensive income/(loss)				
Foreign exchange differences on translation of foreign operations		1,257		1,257
Other comprehensive income/(loss) for the year net of tax		**1,257**	**-**	**1,257**
Total comprehensive loss for the year		**(124,728)**	**4,755**	**(119,975)**

A Local Goodwill

Reversal of goodwill and goodwill depreciation booked at local level (Jotul France) in 2019 only.

B Right-of-use and lease liabilities

Adjustments and reclassification relating to the application of IFRS 16 in 2019 and 2020:

- As at 1 January 2020, an amount of NOK 379,258 thousand in relation to operating leases has been reclassified as right of use from leased property, plant and machinery and furniture and fittings. This amount has been decreased by an amount of NOK 88,675 thousand in

relation to the unfavorable rental contract leading to a right-of-use impairment at Jotul AS. Due to the application of IFRS 16, the related impairment is considered within the carrying amount of right-of-use. An amount of NOK 9,163 thousand in relation to machinery and plant has been also reclassified as right-of-use.
On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases for NOK 371,981 thousand. A lease prepayment has been also reclassified for NOK 1,103 thousand.

- As at 31 December 2020, an amount of NOK 339,589 thousand in relation to operating leases has been reclassified as right of use from leased property, plant and machinery and furniture and fittings. This amount has been decreased by an amount of NOK 81,904 thousand in relation to the unfavorable rental contract leading to a right-of-use at Jotul AS. Due to the application of IFRS 16, the related impairment is considered within the carrying amount of right-of-use.
  On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as operating leases for NOK 347,103 thousand. In addition, an amount of NOK 11,836 thousand has been reclassified from trade account payable to lease liabilities.
  On adoption of IFRS 16, the Group recognized additional depreciation charges for an amount of NOK 22,843 thousand and interest on lease liabilities for NOK 16,285 thousand leading to a decrease of the operating lease costs for about NOK 39 million.

C Deferred tax asset on benefit pension plan

The various transitional adjustments resulted in various temporary differences. According to the accounting policies in Note 2.16, the Group has to recognise the tax effects of such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component equity. The Group recognises actuarial gains and losses in relation to the pension plan in other comprehensive income.

D Foreign currency translation

Under Local GAAP, the Group recognised translation differences on foreign operations in a separate component of equity. In accordance with the note 2.2, adjustments were recognised against retained earnings for NOK 31,042 thousand and NOK 34,732 thousand respectively.

E Provisions

- Provision for defined benefit plans: the Group operates or participates in defined benefit plans according to the laws and regulations of the countries in which it operates. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. As at 1 January 2020 and 31 December 2020, the resulting adjustments were recognised for an amount of NOK 2,562 thousand and NOK 3,085 thousand respectively.

- Other provision: Under Local GAAP, a provision has been recorded relating to Jotul's gain from the sale of the administration and factory building in 2006 which was recognized as deferred revenue. The provision does not qualify for recognition as a liability according to IAS 37, and has been derecognised against retained earnings in 2019 and 2020 for NOK 28,231 thousand and NOK 23,456 thousand respectively.

F Government grant

In April 2020, Jotul France and Aico France withdrew new borrowings with state guarantee provided by Banque Rhône-Alpes. Loans with state guarantee were implemented by French government to support businesses during the COVID-19 pandemic. The loans bear an interest of 0.5% p.a. and are repayable after 12 months with a delay option of up to additional 5 years.

According to IAS20.10A, the benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 (please refer to notes 2.18 and 22 for more detail). As at 31 December 2020, the Group recognised an amount of NOK 5,447 thousand as a government grant.

2.24 Non-GAAP measures

The group reports its financial results in accordance with accounting principles IFRS as issued by the IASB and as endorsed by the EU. However, management believes that certain non-GAAP financial measures provide management and other users with additional meaningful financial information that should be considered when assessing the group’s ongoing performance. Management, the board of directors and the long-term lenders regularly use supplemental non-GAAP financial measures to understand, manage and evaluate the business and its operations. These non-GAAP measures are among the factors used in planning for and forecasting future periods.

Non-GAAP financial measures reflect adjustments based on the following items:

- EBITDA: this is a measure of earnings before deducting interest expense, taxes, and depreciation charges. Please see reconciliation to profit or loss before tax in the income statement.
- EBIT: this is a measure of earnings before interest and taxes is an indicator of a company's profitability. Please see reconciliation to profit or loss before tax in the income statement.

3. FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks such as market risk (interest rate risk, currency risk) liquidity risk and credit risk.

The Group’s aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group’s financial performance. The Group’s risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. Management regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. Financial risk management is carried out by various operating units under policies approved by the Board of Directors.

3.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

3.1.1 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group’s main interest rate risk arises from financial instruments with variable interest rates, which expose the Group to cash flow interest rate risk.

The following financial instruments are exposed to interest rate risk:

	Nominal amount		
(in NOK '000s)	**31 December 2021**	**31 December 2020**	**1 January 2020**
Loan receivable	10,800	10,800	11,250
Senior secured bonds	475,000	-	-

The following table demonstrates the sensitivity to a reasonably possible change in 3-month NIBOR interest rates, with all other variables held constant, on the Group's profit before tax (through the impact on floating rate borrowings):

31 December 2021

	Effect on profit before tax	
(in NOK '000s)	**10% increase**	**10% decrease**
Loan receivable	10	(10)
Senior secured bonds	461	(451)

31 December 2020

	Effect on profit before tax	
(in NOK '000s)	**10% increase**	**10% decrease**
Loan receivable	10	(10)

1 January 2020

	Effect on profit before tax	
(in NOK '000s)	**10% increase**	**10% decrease**
Loan receivable	20	(20)

3.1.2 Currency risk

Foreign currency risk is the risk that that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates.

The Group has international operations and is exposed to foreign exchange risk in several currencies. This risk is particularly relevant for United States Dollar (USD), Euro (EUR), Pound Sterling (GBP), Swedish Krona (SEK), Polish złoty (PLN) and Danish Krone (DKK). Currency risk arises from trading transactions, recognised assets and liabilities, and net investments in foreign operations.

The Board has established guidelines that require Group management to manage currency risk associated with the companies' functional currencies. The currency risk arises when future transactions or recognised assets or liabilities are denominated in a currency other than the functional currency of the entity. The Group has also entered into currency forward contracts to reduce the exposure to currency risk. Please refer to Note 25.
Foreign subsidiaries generate revenues predominantly in the local currency, except for the Polish operations generating revenue in PLN as well as EUR, and the cost base is also in the local currency. The parent company have receivables and payables outstanding in foreign currencies, and these are subject to fluctuations in exchange rates. The net exchange rate exposure related to the foreign currency balances is minimal.

Senior secured bonds of the Group are denominated in NOK and are not exposed to foreign currency exchange risk.

3.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash balances and banking facilities, facilities granted by the shareholders, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Please refer to Note 20 which specifies maturity of Senior secured bonds as well as Note 2.1 which provides more details about their refinancing.

Cash flow forecasts are prepared in the various operational entities in the Group and aggregated by the Group's finance manager. The finance manager together with the Group CFO monitor the rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to cover operational obligations, and simultaneously maintain sufficient flexibility through access to unused drawing rights available in the Group's multi-currency cash pool facility at all times, such that the Group will not exceed its drawing rights/limits or covenants related to the Group's borrowings. Such forecasts consider the Group's planned borrowings and compliance with terms and covenants. Surplus cash in the Group companies, other than what is considered necessary working capital, is transferred to the Group's treasury function. The Group's treasury function utilizes surplus cash for the repayment of the multi-currency overdraft liability.

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 31 December 2021. The amounts in the table are undiscounted contractual cash flows and contain also future interest payments that are not included in the statement of financial position as of 31 December 2021.

(in NOK '000s)	**Within 1 year**	**2 years**	**3 years**	**4 years**	**More than 4 years**	**Total**
Lease liabilities	38,454	40,222	39,132	36,961	207,218	361,987
Loan from shareholder	32,725	-	-	-		32,725
Senior secured bonds	36,575	36,575	503,346	-	-	576,496
Borrowings	403	8,236	8,236	8,236	8,236	33,349
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables	346,441	-	-	-	-	352,523
	454,599	**85,033**	**550,714**	**45,197**	**215,454**	**1,350,998**

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 31 December 2020. The amounts in the table are undiscounted contractual cash flows and contain also future interest payments that are not included in the statement of financial position as of 31 December 2020.

(in NOK '000s)	**Within 1 year**	**2 years**	**3 years**	**4 years**	**More than 4 years**	**Total**
Lease liabilities	60,951	47,741	46,481	45,783	279,710	480,665
Loan from shareholder	7,095	345,989	-	-	-	353,084
Borrowings	166	424	8,662	8,662	17,324	35,238
Derivative financial instruments	358	-	-	-	-	358
Trade and other payables	208,700	-	-	-	-	208,700
	277,270	**394,154**	**55,143**	**54,445**	**297,034**	**1,078,045**

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 1 January 2020. The amounts in the table are undiscounted contractual cash flows and contain also future interest payments that are not included in the statement of financial position as of 1 January 2020.

(in NOK '000s)	**Within 1 year**	**2 years**	**3 years**	**4 years**	**More than 4 years**	**Total**
Lease liabilities	49,241	46,048	44,615	44,062	312,730	496,696
Loan from shareholder	10,350	38,187	282,324	-	-	330,861
Derivative financial instruments	1,606	258	-	-	-	1,864
Trade and other payables	140,704	-	-	-	-	140,704
	201,901	**84,493**	**326,939**	**44,062**	**312,730**	**970,125**

3.3 Credit risk

Credit risk is the risk that any counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is considered on Group level. Credit risk arises in transactions involving loans receivable, cash and cash equivalents, deposits in banks and credit institutions in addition to transactions with wholesalers and consumers, including trade receivables. Routines have been implemented to ascertain that sales are only made to distributors and importers that have satisfactory creditworthiness. Counterparties to derivative contracts and financial investments are limited to credit institutions with high credit rating.

If independent credit ratings are available for wholesale customers, these are used in determining credit limits. If no independent credit rating is available, an assessment is made based on the customer's financial position, history and potentially other factors. Individual limits for risk exposure are set based on internal and external assessments of creditworthiness.

The Group's routines for use of credit limits, and the compliance with the routines, are reviewed on a regular basis.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December is:

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Other receivables	12,547	11,731	13,511
Trade and other receivables (excluding prepayments)	168,812	80,256	56,124
Cash and cash equivalents	108,257	88,465	46,002
Maximum exposure to credit risk	**289,616**	**180,453**	**115,636**

There are no significant concentrations of credit risk, whether through exposure to individual customers and regions.

Other receivables

Other receivables consist of non-current deposit receivable and loan receivable that are neither overdue nor impaired. Management considers there is a low risk of non-recoverability due to the good credit history of the borrower, existence of sufficient funds to settle the outstanding amount, based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement.

Trade and other receivables

Exposure to credit risk for trade and other receivables is disclosed in note 17.

The Group uses factoring. Under the factoring arrangements, the Group transfers relevant trade receivables to a factor including substantially all the risks and rewards attached to those trade receivables. The transferred trade receivables are fully derecognized when transferred to the factor. As of 31 December 2021, the Group has factoring facilities of MEUR 12.5, out of which a portion of MEUR 4.5 was used, representing 36% of the available facilities.

The factor has a possibility to transfer back the transferred receivables only in these cases:

- the receivable becomes disputed receivable
- the receivable is unpaid and (i) the Group does not file a valid claim under the credit insurance policy or (ii) any third party takes action with a view to exercising any right or claim in respect of this receivable.

During 2021, total receivables transferred to factor amount to NOK 786,498 thousand (2020: NOK 560,736 thousand).

Cash and cash equivalents

Credit risk with respect to cash and cash equivalent is limited because the counterparties are reputable banks with good credit ratings as shown in the following table:

	Rating agency: Standard & Poor's	
	Short term	**Long term**
Nordea Bank	A-1+	AA-
National Westminster Bank (Natwest)	A-2	BBB
Unicredit Banca	A-2	BBB
Caixa Bank	A-2	A-
Bank Inter	A-2	BBB+
Bank BNP Paribas	A-1	A+
PKO Bank Polski *	P-1	A2
Banque Rhône-Alpes	A-1	A
Bank of America	A-2	A-
Scotia Bank	A-1	A-
Danske Bank	A-1	A+

* Standard & Poor's rating not available. Moody's rating used instead.

3.4 Capital management risk

The Group's objectives and guidelines for the management of capital is established through the Group's financial policy. The Group's financial policy is reviewed every year and adopted by the Board. Management's objectives when managing the capital of the Group are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders of the Group and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital for the Group.

The main objectives of the Group's financial policy is to, at all times, ensure that the Group has sufficient liquidity to maintain normal operations, carry out capital additions and use of capital in a manner that reduces risk and costs, and to use all surplus liquidity to repay current bank borrowings. All decisions related to loan financing in the Group's subsidiaries are made by Group management, i.e. no subsidiaries are mandated to enter into borrowing agreements, establish cash overdraft facilities, provide guarantees or enter into leasing contracts. The Group's multi-currency cash pool is a suitable tool for structuring the Group's bank transactions and to optimise net finance items, including currency gains and losses. All subsidiaries are included in the multi-currency cash pool and have no significant bank arrangements in addition to this.

The capital structure of the Group consists of borrowings offset by cash and cash equivalents balances and equity of the Group.

The Group has covenant requirements related to both the bond agreement and the RCF agreement. There are no indications that the covenants will not be met for 2022.

3.5 Operational risk

The Group has operations in Norway, Denmark, Poland, France, England, Spain, Italy and USA. The Group has manufacturing and sales activities in all countries except Denmark, Italy, Spain and England, where there are only sales activities.
Group management's assessment is that the operational risk is limited. However, certain raw materials are critical. The Group has in this area ensured that it has several and alternative suppliers.

In Norway, the power supply to the foundry is important, and the Group has secured supplies through a spare high voltage transformer and a separate agreement with power suppliers for maintenance of the high voltage installation. Casts are a critical factor at the foundry in Norway, and these are safeguarded in a warehouse that has customary fire protection. The cast designs are also stored electronically and may be recreated in an automated cutting machine.

The undisturbed continuity of the foundry machinery is critical, and a sufficient inventory of critical spare parts held both locally and with suppliers secures continuous operations. The Group's casts fit standardized foundry machines in Europe so that hire production can be established within a reasonable time, if need be.

The production in Poland takes place with machines that are available in the market and which can be replaced within a reasonable time. Hire production with external suppliers is also possible for parts for the products, which then can be assembled in the Group's own factory.

The Group does not own vehicles for transportation of goods; it sources such services. Several suppliers are used, and the Group does not consider transport availability as a risk in the current situation. Access to workforce, both trained and untrained is sufficiently available in the countries in which the Group operates. Technical data, drawings, procedures etc. are stored electronically with reliable external back-up systems.

The Group has minimal exposure to the Russian, Belarusian or Ukrainian markets, both in terms of supply base and in terms of sales. No direct sourcing from those markets is currently occurring, while the combined annual sales to these three markets represent less than 1%. While some of our suppliers might be sourcing raw materials from the named three countries, the Group assesses the risk of disruption as negligible.

Electricity represents a significant cost for the Group, in particular at the foundry in Kråkerøy. Over the past year, Norway has experienced very low electricity costs compared to the rest of Europe, therefore the recent increases are perceived as very significant, with spikes in spot prices of x6, x7 times, or even higher in some instances, compared to the prices from one year ago. The Group has increased the selling prices to absorb these extreme electricity price developments.

4. FAIR VALUE MEASUREMENTS

Some of the Group's accounting policies require the measurement of the fair value for both financial and non-financial assets and liabilities. The table below analyses assets and liabilities carried at fair value. As at 31 December 2021, there were no fair value measurements.

(in NOK '000s)	Level 1	Level 2	Level 3	Total
31 December 2021				**-**
31 December 2020				
Financial assets				
Derivative financial instruments	-	311	-	**311**
Financial liabilities				
Derivative financial instruments	-	358	-	**358**
1 January 2020				
Financial assets				
Derivative financial instruments	-	1,098	-	**1,098**
Financial liabilities				
Derivative financial instruments	-	1,864	-	**1,864**
Financial assets				

The carrying value of other financial assets and liabilities, that are measures at amortized cost, approximates their fair value. These include trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

There were no transfers between the different levels of the fair value hierarchy during the year.

Derivative financial instruments classified as Level 2 refer to the fair value of currency forward contracts. In determining the present value of currency forward contracts, the difference between the agreed forward rate and the rate for the currency as at the statement of financial position date, multiplied by the volume of the contract in the foreign currency, is used. The calculation is performed by the Group's bank, which submits a market report as at the statement of financial position date to the Group.

5. ACQUISITION OF SUBSIDIARY

As of 1 June 2021, The Group acquired 100% of the shares in Aico S.p.A. from Stove Investment Holdings S.à r.l., thereby obtaining control of Aico S.p.A. Aico S.p.A. operates as a sales entity. According to the share purchase agreement, the price paid for shares was agreed to EUR 1 (equivalent of NOK 10). The purchase accounting did not lead to the recognition of additional identifiable assets and liabilities. A bargain purchase of NOK 263 thousand has been identified after a final reassessment leading to an adjustment downwards of the value of the acquired assets. According to IFRS 3, it has been recognized as a gain in profit or loss. With the acquisition, they aim to increase the distribution network and increase efficiency of the operations in Italian and European market. The transaction-related costs amount to nil.

This transaction represents business combination under common control for which the Group applied acquisition method in accordance with IFRS 3.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

(in NOK '000s)	**At cost**	**Fair value at date of gain of control**
Property, plant and equipment	8,492	6,572
Intangible assets	9,238	7,852
Inventories	63,502	63,502
Trade and other receivables	106,050	106,050
Other receivables	627	419
Current income tax receivable	322	322
Bank overdrafts	(3,620)	(3,620)
Long-term provisions	(16,472)	(16,472)
Trade and other payables	(164,362)	(164,362)
Net assets acquired	**3,777**	**263**

Total consideration transferred for shares	-
Net cash outflow arising on acquisition	-
Consideration for acquisition of shares	-
Net cash paid on acquisition	**-**

Aico S.p.A contributed NOK 88,567 thousand of revenue and NOK 30,138 thousand to the Group's net loss for the period between the date of acquisition and the reporting date.

If the acquisition of Aico S.p.A. had been completed on the first day of the financial year, Group revenue for the year would have been NOK 1,264,102 thousand and Group loss before taxes would have been NOK 54,441 thousand.

For the major acquired receivables:

- the fair value of the receivables amount to NOK 40,363 thousand;
- the gross contractual amounts receivable amount to NOK 51,787 thousand;
- the best estimate at the acquisition date of the contractual cash flows not expected to be collected amount to NOK 10,511.

6. REVENUE

The Group derives revenue from contracts with customers for the sale of wood-burning stoves, wood-burning fireplaces, gas-burning stoves, gas-burning fireplaces, pellet-burning stoves and auxiliary equipment for these. The Group sells its products in approximately 45 countries. The revenue streams consist solely of the sale of goods to various customers in a range of markets that are recognised at a point in time.

The increase in revenue in 2021 compared to 2020 is mainly related to high home improvement spending, in addition to the sharp increase in electricity and gas prices across all markets, which confirms wood burning as an important heating alternative and contributes to sustained strong revenues. Furthermore, certain markets, such as Germany, have seen strong demand following requirements to phase out older stoves to comply with new standards concerning efficiency and emissions.

Please refer to note 28 for the presentation of revenues by segment.

7. OTHER OPERATING INCOME

(in NOK '000s)	**2021**	**2020**
Gain on disposal of property, plant and equipment	533	2,487
Other operating income	3,438	3,554
Total other operating income	**3,972**	**6,041**

Other operating income contains mainly insurance indemnities and R&D and electricity refunds.

8. EMPLOYEE BENEFITS EXPENSE

(in NOK '000s)	**2021**	**2020**
Salaries and wages	(229,167)	(201,399)
Social security contribution	(51,366)	(35,464)
Pension fund contribution	(6,787)	(7,355)
Other employee benefits	(20,509)	(8,653)
Total employee benefits expense	**(307,829)**	**(252,871)**

In Norway, the Group is required by law (Act relating to mandatory service pensions) to have a pension plan. Jøtul AS meets the requirements of the law.

Included in employment benefits expense is remuneration of key management personnel as listed below as at 31 December 2021:

(in NOK '000s)			Salary (1)	Variable pay (2)	Additional remuneration (3)	Total	Net pension expenses
Nils Agnar Brunborg	CEO	01.01-31.12	3,487	990	204	4,681	321
Adrian Postolache	CFO	01.05-31.12	952	-	80	1,032	-
Jonas B loom	CFO	01.01-30.04	432	-	40	472	-
Total			**4,871**	**990**	**324**	**6,185**	**321**

(1) Incl. holiday allowance
(2) Bonus
(3) Other fixed pay such as fixed car allowance

The CEO has a notice period of six months in addition to rights to compensation for six months and a bonus agreement which is limited to a maximum of 50% of the base salary. The CFO has a notice period of three months and also has a bonus agreement which is limited to a maximum of 40% of the base salary.

No loans or credits have been given to leading employees or key management personnel.

Included in employment benefits expense is remuneration of key management personnel as listed below as at 31 December 2020:

(in NOK '000s)			Salary (1)	Variable pay (2)	Additional remuneration (3)	Total	Net pension expenses
Nils Agnar Brunborg	CEO	01.01-31.12	3,506	1,238	204	4,948	321
Jonas B loom	CFO	16.03-31.12	927	-	90	1,017	-
Amund W. Skaaden	CFO	01.01-31.07	811	23	-	834	-
Total			**5,244**	**1,261**	**294**	**6,799**	**321**

(1) Incl. holiday allowance
(2) Bonus
(3) Other fixed pay such as fixed car allowance

The fees to Board members amount to nil in 2021 (2020: NOK 66 thousand).

The average number of employees (full-time equivalent) for undertakings held by the Group is 734 (2020: 533). This includes temporary/seasonal employees.

9. OTHER OPERATING EXPENSE

(in NOK '000s)	2021	2020
Shipping and distribution cost	(65,819)	(45,491)
Rental of buildings and machinery	(4,526)	(4,695)
Selling and marketing costs	(57,975)	(47,395)
Production and maintenance costs	(33,749)	(36,053)
Cost relating to relocation of manufacturing	(18,208)	(19,976)
Management fees	(6,000)	(6,000)
Insurance	(17,468)	(14,631)
Audit fees	(1,986)	(1,994)
Tax advisory and other non-audit fees	(44)	(55)
Other consultancy fees	(22,127)	(29,661)
Other administration and operating expenses	(69,168)	(62,307)
Total other operating expense	**(297,069)**	**(268,258)**

Included in other operating expense is NOK 1,986 thousand (2020: NOK 3,330 thousand) for audit fees and NOK nil (2020: NOK nil) for non-audit fees. During 2021, NOK 44 thousand (2020: NOK 435 thousand) was charged for tax advisory fees.

10. FINANCE INCOME

(in NOK '000s)	2021	2020
Interest income on loan receivable	80	361
Fair value adjustment on derivatives	48	719
Net foreign currency gain	8,284	-
Write down on financial fixed assets	-	58
Bank interest and other interest income	1	161
Total finance income	**8,413**	**1,299**

11. FINANCE EXPENSE

(in NOK '000s)	2021	2020
Net foreign currency loss	-	(22,564)
IFRS 16 interest	(15,111)	(16,696)
Interest on borrowings	(14,063)	(8,107)
Interest on shareholder loans	(25,938)	(25,478)
Interest on bond	(8,713)	-
Compensation of interest on borrowing by government grant	1,446	1,147
Other finance expense	(9,986)	(3,798)
Total finance expense	**(72,365)**	**(75,497)**

In 2021, Interest on borrowings increased mainly due to higher usage of the revolving credit facility throughout the year. Other finance expenses increased mainly due to higher banking feels and the addition of the AICO Italy finance expenses (not part of the 2020 numbers).

12. INCOME TAX

The components of income tax are as follows:

(in NOK '000s)	2021	2020
Current income tax (expense)/benefit in respect of the current year	(6,251)	(3,628)
Deferred tax expense	689	1,209
Total income tax expense	**(5,563)**	**(2,419)**

The income tax expense for the year can be reconciled to the accounting profit as follows:

(in NOK '000s)	2021	2020
Loss before tax	(29,191)	(118,812)
Applicable tax rate	22.00%	22.00%
Calculated income tax benefit/(expense)	**6,422**	**26,139**
Foreign tax rate different from 22 %	(2,255)	(3,315)
Tax effect on non-taxable income	(36)	361
Tax attributable to prior years	73	37
Tax effect on non-deductible expenses	(302)	(2,457)
Deferred tax assets not recognized	(9,813)	(23,158)
Other	347	(25)
Income tax expense	**(5,563)**	**(2,418)**

Deferred tax is presented net when the Group has a legal right to offset deferred tax assets against deferred tax liabilities in the statement of financial position and if the deferred tax relates to the same tax authority.

The origin of deferred tax assets and liabilities is as follows as of 31 December 2021:

(in NOK '000s)	**Assets**	**Liabilities**	**Net**
Tangible and intangible fixed assets	660	(4,065)	(3,405)
Inventory, trade and other receivables, trade and other payables	2,721	-	2,721
Tax losses carried forward	-	-	-
Other items	-	(2)	(2)
Deferred tax assets/(liabilities)	**3,380**	**(4,067)**	**(687)**

Reflected in the consolidated statement of financial position as follows:	
Deferred tax asset	**1,269**
Deferred tax liability	**(1,967)**

The origin of deferred tax assets and liabilities is as follows as of 31 December 2020:

(in NOK '000s)	**Assets**	**Liabilities**	**Net**
Tangible and intangible fixed assets	717	(4,537)	(3,820)
Inventory, trade and other receivables, trade and other payables	3,045	-	3,045
Tax losses carried forward	-	-	-
Other items	-	(17)	(17)
Deferred tax assets/(liabilities)	**3,762**	**(4,554)**	**(792)**

Reflected in the consolidated statement of financial position as follows:	
Deferred tax asset	**1,439**
Deferred tax liability	**(2,231)**

The origin of deferred tax assets and liabilities is as follows as of 1 January 2020:

(in NOK '000s)	Assets	Liabilities	Net
Tangible and intangible fixed assets	-	(13,493)	(13,493)
Inventory, trade and other receivables, trade and other payables	-	(2,299)	(2,299)
Senior secured bonds	-	-	-
Tax losses carried forward	9,962	-	9,962
Other items	3,550	-	3,550
Deferred tax assets/(liabilities)	**13,512**	**(15,792)**	**(2,280)**

Reflected in the consolidated statement of financial position as follows:	
Deferred tax asset	**1,335**
Deferred tax liability	**(3,615)**

The movement in net deferred tax liability for the year ended 31 December 2021 is as follows:

(in NOK '000s)	31 December 2021
Net deferred tax assets as of beginning of the year	(792)
Net deferred tax assets arising on acquisition of subsidiaries through business combination	-
Translation difference	(584)
Deferred tax expense recognised in the statement of comprehensive income	689
Net deferred tax liability as at end of the year	**(687)**

The movement in net deferred tax liability for the year ended 31 December 2020 is as follows:

(in NOK '000s)	31 December 2020
Net deferred tax assets as of beginning of the year	(2,280)
Net deferred tax assets arising on acquisition of subsidiaries through business combination	-
Translation difference	(637)
Deferred tax expense recognised in the statement of comprehensive income	2,125
Net deferred tax liability as at end of the year	**(792)**

Deferred tax assets not recognised by the Group are NOK 143,429 thousand and NOK 166,228 thousand as of 31 December 2021 and 31 December 2020, respectively. Unrecognised tax losses relate to Norway, Denmark and Poland. There is no expiry date in Norway and Denmark. In Poland, tax losses can be used within 5 years but for amount which cannot be higher than 50 percent each loss per year.

13. PROPERTY, PLANT AND EQUIPMENT

(in NOK '000s)	Land and buildings	Machinery	Fixtures	Total
Cost				
Balance at 1 January 2020	**3,075**	**107,033**	**23,385**	**133,493**
Additions	877	18,362	15,021	34,260
Disposals	-	(5,394)	(5,936)	(11,330)
Write down	-	(12,848)	-	(12,848)
Transfers	-	(6,737)	6,737	-
Effect of foreign currency exchange differences	(219)	(1,474)	(487)	(2,180)
Balance at 31 December 2020	**3,733**	**98,942**	**38,720**	**141,395**
Additions	82	6,467	2,286	8,835
Disposals	-	(206)	(1,135)	(1,341)
Subsidiaries acquired	-	6,739	732	7,471
Write down	-	-	-	-
Transfers	336	7,730	(18,327)	(10,261)
Effect of foreign currency exchange differences	224	(6,531)	(1,979)	(8,286)
Balance at 31 December 2021	**4,375**	**113,141**	**20,297**	**137,813**
Accumulated depreciation				
Balance at 1 January 2020	**(933)**	**(2,479)**	**(4,340)**	**(7,752)**
Depreciation expense	(456)	(14,970)	(5,775)	(21,201)
Disposals	-	6,312	3,986	10,298
Write down	-	3,713	-	3,713
Transfers	-	28	(28)	-
Effect of foreign currency exchange differences	192	653	(6)	839
Balance at 31 December 2020	**(1,197)**	**(6,743)**	**(6,163)**	**(14,103)**
Depreciation expense	(444)	(13,926)	(6,341)	(20,711)
Disposals	-	206	1,135	1,341
Write down	-	-	-	-
Transfers	138	661	9,621	10,419
Effect of foreign currency exchange differences	(184)	2,728	738	3,282
Balance at 31 December 2021	**(1,687)**	**(17,073)**	**(1,009)**	**(19,772)**
Carrying value as at 31 December 2021	**2,688**	**96,068**	**19,288**	**118,043**
Carrying value as at 31 December 2020	**2,536**	**92,199**	**32,557**	**127,292**
Carrying value as at 1 January 2020	**2,142**	**104,114**	**19,485**	**125,741**

14. INTANGIBLE ASSETS

(in NOK '000s)	Trademarks	Customer relationships	Other intangible assets	Total
Cost				
Balance at 1 January 2020	**190,000**	**1,937**	**71,421**	**263,358**
Additions	-	-	5,696	5,696
Disposals	-	-	(3,401)	(3,401)
Reclassification	-	(164)	-	(164)
Effect of foreign currency exchange differences	-	112	1,171	1,283
Balance at 31 December 2020	**190,000**	**1,885**	**74,887**	**266,772**
Additions	-	-	26,501	**26,501**
Subsidiaries acquired	-	-	6,175	**6,175**
Disposals	-	-	(5,841)	**(5,841)**
Reclassification	-	-	(933)	**(933)**
Effect of foreign currency exchange differences	-	(93)	(2,103)	**(2,196)**
Balance at 31 December 2021	**190,000**	**1,792**	**98,686**	**290,478**
Accumulated amortisation				
Balance at 1 January 2020	**(144,000)**	**(276)**	**(12,236)**	**(156,512)**
Amortisation expense	-	(241)	(12,094)	(12,335)
Disposals	-	-	2,987	2,987
Reclassification	-	164	-	164
Effect of foreign currency exchange differences	-	(2)	(1,079)	(1,081)
Balance at 31 December 2020	**(144,000)**	**(355)**	**(22,422)**	**(166,777)**
Amortisation expense	-	(228)	(15,669)	**(15,897)**
Disposals	-	-	4,400	**4,400**
Reclassification	-	-	(310)	**(310)**
Effect of foreign currency exchange differences	-	23	1,961	**1,985**
Balance at 31 December 2021	**(144,000)**	**(560)**	**(32,040)**	**(176,600)**
Carrying value as at 31 December 2021	**46,000**	**1,232**	**66,646**	**113,877**
Carrying value as at 31 December 2020	**46,000**	**1,530**	**52,465**	**99,994**
Carrying value as at 1 January 2020	**46,000**	**1,661**	**59,185**	**106,846**

Trademarks with indefinite useful lives at 31 December 2021 amounting to NOK 46,000 thousand are not amortised (2020: NOK 46,000 thousand). The Group tests whether trademarks have suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the trademarks was determined based on fair value less costs of disposal (relief from royalty method - Level 3). The calculations use revenue projections where 2022 revenue is based on budgeted figures, adjusted downwards with a risk factor of 5%, and revenues of the following years are assumed at a rather prudent constant level every year. The royalty rate assumption was 1.5% and the discount rate was 15%.

The below table shows effect of reasonably possible changes in assumption on recoverable amount.

(in NOK '000s)	Recoverable amount	Change
Current assumptions	72,885	
Decrease in discount rate by 2%	84,098	11,213
Increase in discount rate by 2%	64,310	(8,575)
Decrease in 2022 budgeted revenues by 10%	69,049	(3,836)
Increase in 2022 budgeted revenues by 10%	80,557	7,672
Decrease in perpetual revenue growth rate by 2%	64,310	(8,575)
Increase in perpetual revenue growth rate by 2%	84,098	11,213

The carrying value of trademarks held by the Group as of 31 December 2021 refers entirely to the Jøtul brand.
As Jøtul has a history of more than 160 years and the management has no plans to abandon the trademarks in the near future, the useful lives for the trademarks are assumed to be indefinite.

The Group’s total research and development costs capitalised during the year amounts to NOK 23,216 thousand. The main component of the Other intangible assts category is represented by capitalised product development costs. This includes wages and salaries, bought-in services, materials and a share of the Group’s fixed overhead costs. The expected total earnings from development projects in progress correspond to the total costs incurred. Development of intangible assets includes internal projects managed by internal resources.

15. OTHER RECEIVABLES

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Loan receivable	10,800	10,800	11,250
Deposits for property leases	1,291	443	2,261
Other	456	488	-
Total other receivables	**12,547**	**11,731**	**13,511**
Current	2,962	471	2,961
Non-current	9,585	11,260	10,550
Total other receivables	**12,547**	**11,731**	**13,511**

Loan receivables consist of an interest bearing loan between Jotul AS and Festningsveien 2 AS for a nominal amount of NOK 13,500,000. Festningsveien 2 AS is a lessor of the Group. The loan is unsecured and was provided on 1 July 2017 to provide Festningsveien 2 AS with funding to build a new warehouse and manufacturing facility for the Group's plant in Kråkerøy. The loan bears interest rate at an average of 3 months NIBOR (Norwegian Inter Bank Offered Rate) plus a margin of 2%, payable quarterly in arrears. The loan is repayable in installments of NOK 225,000 per quarter starting from 1 July 2017 and expected to be fully repaid on 1 July 2032.

In a response to the initial impact of the COVID-19 pandemic, the Group entered in 2020 into an agreement with Festningsveien 2 AS to defer the payment of part of its rental expenses from 2020 to 2021. As part of the same agreement, the payment of two loan installments due by Festningsveien 2 AS in 2021 were also deferred until the deferred rent is fully settled. The deferred rental was settled in 2021 in accordance with this agreement.

As at 31 December 2021, the principal outstanding is NOK 10,800 thousand (2020: NOK 10,800 thousand) and accrued interest is NOK nil (2020: NOK 0). Interest income on the loan amounts to NOK 80 thousand (2020: NOK 361 thousand) and is included in finance income (see Note 10).

The Group has an enforceable right to offset the loan with lease payables due to Festningsveien 2 AS.

16. INVENTORIES

(in NOK '000)	31 December 2021	31 December 2020	1 January 2020
Raw materials	143,810	59,905	64,475
Work in progress	39,328	29,974	12,584
Finished goods	113,717	99,609	138,270
Spare parts and other inventories	55,716	11,780	11,988
Total inventories	**352,571**	**201,268**	**227,317**

The carrying amount of inventories recorded at the net realisable value is NOK 4,652 thousand (2020: NOK 9,028 thousand). The Group's policy is to hold spare parts for all products that have been manufactured in the last 10 years in inventory, and the Group's criteria for calculating obsolescence is:

Category 1 No sale/usage last 36 months, allowance of 100% of manufacturing cost
Category 2 No sale/usage last 24 months, allowance of 50% of manufacturing cost
Category 3 Sale/usage last 12 months and inventory representing more than one year of usage is reduced by an allowance of 25% of manufacturing cost.

Total inventory write-off amounts to NOK 11,366 thousand (2020: NOK 2,396 thousand). The write-off of inventories is included in operating expenses and is mainly due to scrapping of obsolete parts.

17. TRADE AND OTHER RECEIVABLES

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Trade receivables	141,885	66,511	59,767
Allowance for doubtful debts	(4,304)	(2,255)	(3,643)
	137,581	64,256	56,124
Prepayments	34,484	39,600	16,843
VAT receivables	31,231	16,000	-
Total trade and other receivables	**203,296**	**119,856**	**72,967**

The Group's credit terms vary from market to market. For the Nordic market, credit terms are normally 30 days, whilst terms in Latin Europe are normally 45-90 days. For customers in the USA and Italy participating in "early purchase" campaigns, credit terms may be significantly longer. Impairment loss recognised on trade receivables is NOK nil (2020 NOK nil).

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When a receivable amount is considered lost, the balance written off is also recognised as a reduction to the allowance account. Any subsequent receipts related to balances previously written off are recognised as reversal of impairment losses on financial assets in the profit and loss.

The VAT receivable of NOK 31,231 thousand (2020: NOK 16,000 thousand) represents VAT paid during investment and start-up of a new factory in Poland and shall be collected from Polish tax authorities during 2021.

The aging of the trade receivables are as follows:

(in NOK '000s)	Gross amount	Allowance	Carrying value
Not due	109,425	-	109,425
0-60 days overdue	20,815	(907)	19,908
61-180 days overdue	2,830	(466)	2,364
181-365 days overdue	2,293	(421)	1,872
More than 1 year overdue	6,522	(2,509)	4,013
Total	**141,885**	**(4,304)**	**137,581**

The development in more than one year overdue is due to Aico Italy acquired in June 2021 (Gross amount: NOK 5,541, Allowance: NOK (1,998)).

The aging of the trade receivable are as follows as of 31 December 2020:

(in NOK '000s)	Gross amount	Allowance	Carrying value
Not due	39,909	-	39,909
0-60 days overdue	20,783	(700)	20,083
61-180 days overdue	2,721	(255)	2,466
181-365 days overdue	1,633	(876)	757
More than 1 year overdue	1,465	(424)	1,041
Total	**66,511**	**(2,255)**	**64,256**

The aging of the trade receivable are as follows as of 1 January 2020:

(in NOK '000s)	Gross amount	Allowance	Carrying value
Not due	47,403	-	47,403
0-60 days overdue	8,742	(1,047)	7,695
61-180 days overdue	576	(381)	194
181-365 days overdue	826	(721)	104
More than 1 year overdue	2,220	(1,493)	727
Total	**59,767**	**(3,643)**	**56,124**

18. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash at bank and cash in hand amounting to NOK 108,257 thousand (2020: NOK 88,465 thousand) of which NOK 4,348 thousand (2020: NOK 3,945) is restricted as it relates to tax withheld from employees according to Norwegian law.

Certain companies within the Group, including Jotul AS, Jotul Poland, Scan AS, Jotul France, Jotul North America Inc. and AICO S.p.A have entered into a working capital facility agreement as borrowers, with Nordea Bank AB (publ), filial I Norge as lender, dated 28 February 2018 (“the revolving credit facility”).
The commitment under the revolving credit facility amounts to NOK 75 million (including ancillary facility). The revolving credit facility has been provided for general corporate purposes (and any refinancing, amendments or replacements thereof). The revolving credit facility expires on 1 June 2024.

As at the statement of financial position date, the Group has a liquidity reserve of NOK 36.8 million in unused bank overdraft facilities (excluding ancillary facility). Facility used totaled NOK 17.2 million as at year end (2020: NOK 18.5 million).

19. EQUITY

As of 31 December 2021, capital contributed from the sole shareholder in a form of equity consisted of share capital of NOK 139,414 thousand (31 December 2020: NOK 139,414 thousand) and share premium of NOK 1,026,612 thousand (31 December 2020: 1,026,612).

As at 31 December 2021, the authorized and issued share capital consist of 1 share fully paid at a par value of NOK 139,414 thousand.

20. SENIOR SECURED BONDS

On October 2021, Jøtul AS issued senior secured floating rate bonds up to NOK 750 million. The bonds bear an interest rate of 6.95% + 3-month NIBOR and have a maturity of three years. The initial aggregate principal amount is NOK 475 million with a possibility to issue subsequent bonds in an aggregate amount of NOK 275 million. The new bonds are accounted for at amortized cost.

The transaction led to a payment of banker's fees for an amount of NOK 11.9 million.

Proceeds from the bonds were used as follows:

- Jotul AS used part of the funds received to repay the bonds issued by Jotul Holdings S.à r.l. for an amount of NOK 300 million.
- In exchange of this repayment, Jotul Holdings S.à.r.l. offset the loan receivable towards Jotul AS (please refer to note 22) amounting to NOK 380 million including interest. NOK 81 million have been converted from the bonds in Jotul Holdings S.à.r.l. to the bonds in Jotul AS (please refer to note 26).
- The difference between the amortised cost of the loan offset and the value of the bonds redeemed amounting to NOK 22 million led to a net balance for the loan position with Jotul Holdings of NOK 30 million (please refer to the note 22).

The movement during the year is as follows:

	(in NOK '000s)
Opening balance at 1 January 2021	-
PIK bonds issued during the year	463,125
Interest accrued on bonds during the year	8,713
Interest paid during the year	-
Remeasurement at amortized cost	(1,264)
Closing balance at 31 December 2021	**470,574**
Current	8,713
Non-current	461,861
Total	**470,574**

Covenants

The following key covenants apply:

- Maintenance test performed semi-annually, on 31 December and on 30 June. Net interest-bearing debt to EBITDA ratio must be ⩽ 5.50x with annual step-down of 0.50x.
- Incurrence test performed when and if applicable. Net interest-bearing debt to EBITDA should be ⩽ 4.00x with annual step-down of 0.25x.
- Distribution test, as applicable. Net interest-bearing debt to EBITDA should be ⩽ 3.00x. Restrictions on distribution were implemented to permit only the distribution of the shareholder loan, subject to meeting the distribution covenant, and the annual monitoring fees.

21. BORROWINGS AND GOVERNMENT GRANT

In April 2020, Jotul France and Aico France withdrew new borrowings with state guarantee provided by Banque Rhône-Alpes. Loans with state guarantee were implemented by French government to support businesses during the COVID-19 pandemic. The loans bear an interest of 0.5% p.a. and are repayable after 12 months with a delay option of up to 5 years. The Group plans to repay the loan in installments up to 2026.

The loan was provided at a reduced interest rate. The difference between the market rate of interest for an equivalent loan at the inception date and the rate provided at favorable conditions has been recognized as a government grant in accordance with IAS 20. At the inception date, the grant was valued at NOK 7,021 thousand and it is being amortized on the same basis as the interest expense. As of 31 December 2021, the carrying amount of the government grant is NOK 3,989 thousand (2020: NOK 5,447 thousand) of which NOK 1,441 thousand (2020: NOK 1,493 thousand) shall be amortized within next 12 months.

The borrowing is measured at amortized cost with carrying amount of NOK 27,476 thousand as of 31 December 2021 (NOK 27,644 thousand). The effective interest rate was estimated at 6.66%. There are no underlying conditions that the Group has to fulfill in connection with the borrowings. There is no pledge or security provided by the Group.

22. LOAN

The loan agreement was entered into on 27 April 2018 in connection with the debt transfer agreement dated 28 February 2018 entered into between Jotul Holdings Sarl and Jotul AS. The loan initial amount was NOK 612 million. The discounted values at which the debt was acquired amounted to NOK 333 million. The loan normally bears an interest rate of NIBOR plus a spread in accordance with the arm’s length principle. However, the rate was not defined in the agreement and a fixed rate of 9% has been used.

As at 31 December 2021, the loan has been redeemed (please refer to note 20). During the year, Jotul Holdings Sarl also granted a loan of Euro 2.5 million to Jotul AS that has been repaid at the same time. Another loan of Euro 5 million was granted. As at 31 December 2021, this loan amounted to a net balance of NOK 30 million due to the excess on the Bond redemption of NOK 22 million (please refer to note 20) in the accounts of Jotul AS.

As at 31 December 2021, the remaining balance corresponds to interests from the main loan as disclosed below:

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Principal amount	26,119	282,323	282,323
Accrued interest	4,432	70,761	48,538
Closing balance	**30,551**	**353,084**	**330,861**
Current	30,551	70,761	48,538
Non-current	-	282,323	282,323
Total	**30,551**	**353,084**	**330,861**

23. TRADE AND OTHER PAYABLES

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Trade payables	221,632	129,209	83,899
Employee related payables	30,614	21,992	28,250
Social security, VAT payable	46,868	28,529	7,314
Accrued expenses	35,668	28,307	20,664
Other payables	13,508	663	577
Total trade and other payables	**348,289**	**208,700**	**140,704**

24. PROVISIONS

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Provision relating to relocation of manufacturing	2,713	-	10,883
Provision for defined benefit pension plans	8,504	3,084	2,562
Warranty provision	1,926	1,970	1,933
Other provisions	1,406	37	216
Total provisions	**14,549**	**5,091**	**15,593**
Short-term provisions	4,154	287	10,883
Long-term provisions	10,395	4,804	4,710
Total provisions	**14,549**	**5,091**	**15,593**

The movement during the year is as follows:

(in NOK '000s)	31 December 2020	Subsidiaries acquired	Additions	Provision used during the year	Others	Conversion difference	31 December 2021
Provision for relocation of manufacturing	-	22,849	4,425	(27,458)	3,670	(772)	2,714
Provision for defined benefit pension plans	3,084	11,339	3,315	(8,483)	-	(750)	8,504
Warranty provision	1,970	-	-	-	-	(45)	1,925
Other provisions	37	3,701	923	(3,024)	-	(231)	1,406
Total	**5,091**	**37,889**	**8,663**	**(38,966)**	**3,670**	**(1,798)**	**14,549**

The Group operates or participates in a number of defined benefit and defined contribution plans throughout Europe. The main defined benefit pension plans relate to accruals of pension bonus payable to employees upon retirement in France and in Italy following the acquisition of Aico Italy (see note 5).

These plans have been set up and operated in accordance with national laws and regulations.

25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into currency forwards contracts to limit its exposure to currency risks. The value of the derivatives that have not been settled is calculated by the Group's bank.

Derivative financial instrument assets:

(in NOK '000s)	Current	Non-current	31 December 2021	31 December 2020	1 January 2020
Currency forward	-	-	-	358	1,864
Total derivative liabilities	**-**	**-**	**-**	**358**	**1,864**

Derivative financial instrument liabilities:

(in NOK '000s)	Current	Non-current	31 December 2021	31 December 2020	1 January 2020
Currency forward	-	-	-	311	1,098
Total derivative assets	**-**	**-**	**-**	**311**	**1,098**

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(in NOK '000s)	Senior secured bonds	Loan from shareholder	Borrowings	Bank borrowing	Leases
Balance at 1 January 2020	-	**330,861**	-	-	**378,829**
Cash flows	-	(3,255)	35,365	18,640	(23,395)
Non-cash flows:					
Fair value adjustment	-	-	(7,021)	-	-
Unpaid accrued interest	-	25,478	-	-	42
Remeasurement at amortized cost	-	-	1,122	-	-
New leases/effect of variable leases	-	-	-	-	4,526
Currency translation adjustment	-	-	(1,822)	-	4,724
Balance at 31 December 2020	-	**353,084**	**27,644**	**18,640**	**364,726**
Current	-	70,761	-	18,640	53,233
Non-current	-	282,323	27,644	-	311,493
Total	-	**353,084**	**27,644**	**18,640**	**364,726**

(in NOK '000s)	Senior secured bonds	Loan from shareholder	Borrowings	Bank borrowing	Leases
Balance at 1 January 2021	**-**	**353,084**	**27,644**	**18,640**	**364,726**
Cash flows	382,299	(268,131)	-	(1,442)	(36,982)
Non-cash flows:					
Fair value adjustment	-	-	-	-	-
Unpaid accrued interest	8,553	26,583	-	-	-
Bond conversion	80,986	(80,986)	-	-	-
Remeasurement at amortized cost	(1,264)	-	1,081	-	-
New leases/effect of variable leases	-	-	-	-	16,003 -
Adjustments	-	-	-	-	(2,679)
Currency translation adjustment	-	-	(1,249)	-	(7,260)
Balance at 31 December 2021	**470,574**	**30,551**	**27,476**	**17,198**	**333,808**
Current	8,713	30,551	-	17,198	48,721
Non-current	461,861	-	27,476	-	285,088
Total	**470,574**	**30,551**	**27,476**	**17,198**	**333,808**

27. LEASES

(in NOK '000s)	31 December 2021	31 December 2020	1 January 2020
Right-of-use assets			
Land and buildings	226,659	253,752	275,674
Plant and machinery	11,939	11,358	14,265
Furniture and fittings	1,135	603	644
Total right-of-use assets	**239,733**	**265,713**	**290,583**
Lease liabilities			
Current	48,721	53,233	55,292
Non-current	285,088	311,493	323,537
Total lease liabilities	**333,808**	**364,726**	**378,829**

Additions to the right-of-use assets for the year ended 31 December 2021 amounted to NOK 19,952 thousand (2020: NOK 5,252 thousand). Out of this amount, the AICO Italy office lease contributes with NOK 8,052 thousand, while the remaining differences is driven mainly by the renewal of the leased vehicles fleet and forklifts lease agreements in Norway.

The maturity analysis of lease liabilities is presented in note 3.2.

In order to mitigate negative impacts of the COVID-19 pandemic, the Group was granted with rent deferral for some of its house lease contracts (Note 2.21.1) for an amount of NOK 11,386 thousand which was full settled in 2021 in accordance with the term of the agreement.

Average remaining duration of lease contracts as of 31 December 2021:

Land and buildings	8 years
Plant and machinery	2 years
Furniture and fittings	2.5 years

Total interest expense relating to leases amounts to NOK 15,111 thousand (2020: NOK 16,696 thousand) and is presented in Finance expense. Please refer to Note 11.

Total cash outflow relating to leasing during 2021 amounted to NOK 48,412 thousand (2020: NOK 40,091 thousand).

28. SEGMENT REPORTING

Norway, Poland, France and North America are deemed to be the most important geographical markets for the Group. Segmental reporting is based on the Group's divisional geographical operations and mirrors internal reporting organization. Corporate assets, liabilities and expenses relate to corporate headquarters and include management of financial resources, investing and other activities not assignable to separately listed divisions.

During the first half of 2020 the Group has completed the relocation of its manufacturing activities from Norway and Denmark to Poland. This change had an impact on the identification of Group's reportable segments. From 1 January 2020, management of the Group has identified Poland as new reportable segment and included Denmark in the reportable segment "Other".

The Group's reportable segments are as follows for the year ended 31 December 2021:

(in NOK '000s)	Norway	Poland	North America	France	Other	Eliminations	Total
External sales	526,354	86,798	200,755	333,350	121,742	-	1,269,000
Intersegment sales	260,153	388,239	68	428	142,915	(791,802)	-
Total revenue	**786,507**	**475,037**	**200,823**	**333,778**	**264,657**	**(791,802)**	**1,269,000**
Segment results	44,762	(52,094)	14,094	6,972	21,028	-	34,762

Operating result	**34,762**
Finance income	8,412
Finance expense	(72,365)
Loss before income tax	**(29,190)**
Income tax	(5,563)
Net loss for the year	**(34,753)**

(in NOK '000s)	Norway	Poland	North America	France	Other	Total
Other information:						
Additions to non-current assets*	16,809	19,173	2,752	1,409	139	40,282
Depreciation and amortization expense	(47,534)	(16,657)	(9,174)	(5,301)	(8,019)	(86,685)

*other than financial assets and deferred tax

The Group's reportable segments are as follows for the year ended 31 December 2020:

(in NOK '000s)	Norway	Poland	North America	France	Other	Eliminations	Total
External sales	412,868	45,382	171,507	238,146	37,573	-	905,477
Intersegment sales	203,887	165,650	143	9,155	19,464	(398,299)	-
Total revenue	616,755	211,032	171,650	247,301	57,038	(398,299)	905,477
Segment results	5,017	(76,475)	3,948	6,972	15,923	-	(44,615)

Operating result	**(41,199)**
Finance income	1,299
Finance expense	(75,497)
Loss before income tax	**(118,812)**
Income tax	(2,419)
Net loss for the year	**(121,232)**

(in NOK '000s)	Norway	Poland	North America	France	Other	Total
Other information:						
Additions to non-current assets*	16,809	19,173	2,752	1,409	139	40,282
Depreciation and amortization expense	(24,168)	(14,830)	(10,031)	(4,679)	(15,979)	(66,271)

*other than financial assets and deferred tax

Segment assets

Segment assets are measured in the same way as in the financial statements.

(in NOK '000s)	31 December 2021
Norway	373,622
Poland	329,134
North America	132,604
France	117,359
Other	200,034
Total segment assets	**1,152,752**
Unallocated:	
Deferred tax assets	1,269
Total assets as of 31/12/2021	**1,154,020**
	1,154,020

Segment liabilities

Segment liabilities are measured in the same way as in the financial statements.

(in NOK '000s)	**31 December 2021**
Norway	791,255
Poland	130,399
North America	68,433
France	87,708
Other	173,761
Total segment liabilities	**1,251,556**
Unallocated:	
Deferred tax liabilities	
Total liabilities as of 31/12/2021	1,967
	1,253,523
	1,253,523

Segment assets

Segment assets are measured in the same way as in the financial statements.

(in NOK '000s)	**31 December 2020**
Norway	404,292
Poland	279,584
North America	75,991
France	123,230
Other	33,671
Total segment assets	**916,768**
Unallocated:	
Deferred tax assets	1,439
Total assets as of 31/12/2020	**918,207**
	918,207

Segment liabilities

Segment liabilities are measured in the same way as in the financial statements.

(in NOK '000s)	31 December 2020
Norway	676,783
Poland	147,634
North America	46,713
France	100,057
Other	14,824
Total segment liabilities	**986,011**
Unallocated:	
Deferred tax liabilities	2,231
Total liabilities as of 31/12/2020	**988,242**
	988,242

Segment assets

Segment assets are measured in the same way as in the financial statements.

(in NOK '000s)	1 January 2020
Norway	432,700
Poland	76,026
North America	85,514
France	86,536
Other	206,099
Total segment assets	**886,875**
Unallocated:	
Deferred tax assets	1,335
Total assets as of 1/01/2020	**888,210**
	888,210

Segment liabilities

Segment liabilities are measured in the same way as in the financial statements.

(in NOK '000s)	1 January 2020
Norway	426,976
Poland	87,266
North America	15,589
France	64,705
Other	275,120
Total segment liabilities	**869,656**
Unallocated:	
Deferred tax liabilities	3,615
Total liabilities as of 1/01/2020	**873,271**
	873,271

Geographical information

The Group's revenue from external customers by the country of destination and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below as at 31 December 2021:

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets	Right-of-use assets
France	309,486	1,134	2,749	19,078
Norway	307,014	44,188	87,976	100,448
United States	172,625	3,679	9,200	48,319
Italy	154,214	5,843	9,828	8,753
Germany	51,180	-	-	-
Sweden	41,697	-	-	-
Canada	33,285	-	-	-
Great Britain (UK)	30,658	84	-	681
Czech Republic	26,545	-	-	-
Spain	22,492	29	20	1,360
Other countries	119,804	63,085	4,104	61,095
Total	**1,269,000**	**118,043**	**113,877**	**239,733**

The Group's revenue from external customers by the country of destination and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below as at 31 December 2020:

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets	Right-of-use assets
France	238,146	1,269	4,885	27,421
Norway	251,616	43,247	90,126	139,894
United States	141,004	8,104	4,539	22,101
Italy	39,134	160	117	-
Germany	39,448	-	-	-
Sweden	35,634	-	-	-
Canada	30,437	-	-	-
Great Britain (UK)	19,574	145	270	47
Czech Republic	17,718	-	-	-
Spain	12,050	50	26	1,025
Other countries	80,715	74,317	32	75,225
Total	**905,477**	**127,292**	**99,994**	**265,713**

The Group's revenue from external customers by the country of destination and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below as at 1 January 2020:

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets	Right-of-use assets
France	235,410	1,049	1,662	30,448
Norway	286,341	49,809	100,211	146,556
United States	179,052	10,922	4,697	26,525
Italy	28,454	221	-	-
Germany	33,619	-	-	-
Sweden	37,005	-	-	-
Canada	31,251	-	-	-
Great Britain (UK)	22,898	205	-	243
Czech Republic	14,287	-	-	-
Spain	13,534	68	-	1,155
Other countries	79,268	63,467	276	85,656
Total	**961,119**	**125,741**	**106,846**	**290,583**

Nordic countries include Norway, Denmark, Finland and Sweden.
Latin Europe countries include Spain, France, Italy, Portugal and Luxembourg.
Central Europe countries include Austria, Belgium, Switzerland, Germany and the Netherlands.
Eastern Europe countries include Poland, Ukraine, Lithuania and Belarus.

Major customers

The Group does not have any single customer whose revenue streams exceed 10% of the Group's revenue in 2020 and 2021.

29. RELATED PARTY BALANCES AND TRANSACTIONS

The Group is ultimately held by (i) OpenGate Capital Partners I, LP, an exempted limited partnership registered in the Cayman Islands, (ii) OpenGate Capital Partners I-A, LP I, an exempted limited partnership registered in the Cayman Islands, and (iii) OGCP I Employee Co-Invest, LP, an exempted limited partnership registered in the Cayman Islands (collectively, the "Funds"). OpenGate Capital Management, LLC, a limited liability company formed under the laws of the State of Delaware, is an investment adviser to private equity funds, including but not limited to the Funds, which is registered with the United States Securities and Exchange Commission and is based in Los Angeles, California and Paris, France.

Compensation to key management personnel is included in Note 8.

(in NOK '000s)	Purchases for the period from 1 January to 31 December 2021	Sales for the period from 1 January to 31 December 2021	Balance payable outstanding as at 31 December 2021	Balance receivable outstanding as at 31 December 2021
OpenGate Capital Management, LLC	(6,000)	-	(6,000)	-

(in NOK '000s)	Purchases for the period from 1 January to 31 December 2020	Sales for the period from 1 January to 31 December 2020	Balance payable outstanding as at 31 December 2020	Balance receivable outstanding as at 31 December 2020
OpenGate Capital Management, LLC	(6,000)	-	(6,000)	-
Aico SpA	(73,913)	13,694	(17,380)	13,030

(in NOK '000s)	Purchases for the period from 1 January to 31 December 2019	Sales for the period from 1 January to 31 December 2019	Balance payable outstanding as at 1 January 2020	Balance receivable outstanding as at 1 January 2020
OpenGate Capital Management, LLC	(6,000)	-	-	-
Aico SpA	-	697	-	-

Transactions relating to OpenGate Capital Management, LLC include certain corporate infrastructure monitoring services and certain transaction advisory services, including with respect to the acquisition of the subsidiary.

In 2020, Jotul Poland has entered into a manufacturing agreement with the Italian company Aico SpA for pellets stoves. This contract was fully implemented and matured in 2021. Starting from June 1st, 2021, AICO SpA is part of the Jøtul Group.

All the above-mentioned entities are controlled by the same ultimate parent company.

The above-mentioned transactions between the Group and the respective entities were conducted on an arm’s length basis.

30. COMMITMENTS

Non-cancellable leases

From 1 January 2019, the Group has recognized right-of-use assets and lease liability for these leases (Note 26). Future lease payments as of 1 January 2020, 31 December 2020 and 31 December 2021 are disclosed in Note 3.2.

Guarantees, pledges and other collateral

All of the assets of the Group have been pledged to jointly secure senior secured bonds pursuant to the super senior RCF provided by Nordea Bank AB, filial in Norge ("Nordea"), the hedging arrangements with Nordea and the bonds, pursuant to the terms of an intercreditor agreement. Nordic Trustee AS is acting as security agent and holds all security on behalf of Nordea in its capacity as lender and hedge counterparty and on behalf of the bondholders. The super senior RCF was entered into on 20 October 2021 and the terms and conditions for the bonds were entered into on 1 October 2021.

The Group provided a bank guarantee of NOK 13,850 thousand to the property lessor Festningsveien 2 AS and EUR 804 thousand, equivalent of NOK 8,033 (2020: EUR 661 thousand, equivalent of NOK 6,527 thousand) to the property lessor Prologis Poland LXXXIII Sp.z.o.o.

31. SUBSEQUENT EVENTS

As of the date of this report, the directors are not aware of any subsequent events that may materially impact these financial statements and accompanying notes.

32. APPROVAL BY THE BOARD OF DIRECTORS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 29 April 2022.

33. JØTUL AS STANDALONE ANNUAL ACCOUNTS

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Profit and loss

Jøtul AS

All amounts in 1000 NOK

	Note	2021	2020
Revenue	1	526 354	412 868
Revenue from group companies	1	292 169	218 845
Other operating income	1,2	4 744	4 705
Total operating income		**823 268**	**636 419**
Cost of Goods Sold	3,11	450 708	305 661
Change in inventory	3	-7 559	47 490
Payroll expenses	4,17	105 485	90 824
Depreciation	2	19 518	20 169
Other operating expenses	2,4	171 180	174 946
Total operating expenses		**739 332**	**639 091**
Operating profit		**83 936**	**-2 672**
Income from subsidiaries		0	4 727
Interest received from group companies		12 154	10 021
Other financial income	7	6 058	361
Total financial income		**18 212**	**15 110**
Write-down of fin. fixed assets	6	0	6 000
Interest paid to group companies	15	25 938	25 479
Other financial expenses	8	27 443	15 621
Total financial expenses		**53 381**	**47 100**
Net financial items		**-35 169**	**-31 990**
Result before tax		**48 766**	**-34 662**
Income tax expense	9	109	306
Result after taxes		**48 657**	**-34 968**
Net profit for the year		**48 657**	**-34 968**
Allocated to other equity	13	48 657	-34 968
Total amount allocated		**48 657**	**-34 968**

Balance sheet

Jøtul AS

All amounts in 1000 NOK

	Note	2021	2020
Assets			
Fixed assets			
Intangible fixed assets			
Research and development	2	40 744	44 219
Trademarks	2	46 000	46 000
Total intangible fixed assets		**86 744**	**90 219**
Tangible fixed assets			
Land, buildings and other property	2	1 412	971
Machinery and plant	2	29 449	33 427
Fixtures and fittings, tools etc	2	13 327	8 758
Total tangible fixed assets		**44 188**	**43 155**
Financial fixed assets			
Investments in subsidiaries	6,15	124 332	114 304
Investments in shares		3	3
Other receivables	10	10 800	10 800
Total financial fixed assets		**135 135**	**125 107**
Total fixed assets		**266 067**	**258 481**
Current assets			
Inventory	**3**	**61 045**	**61 356**
Receivables			
Accounts receivable		50 175	32 922
Accounts receivable with group companies	11	46 205	29 482
Other receivables with group companies	11	332 845	177 467
Other receivables		5 015	5 250
Total receivables		**434 240**	**245 121**
Investments			
Other listed financial instruments	10	0	311
Total investments		**0**	**311**
Cash and cash equivalents	**12**	**13 972**	**22 263**
Total current assets		**509 257**	**329 051**
Total assets		**775 323**	**587 532**

Balance sheet

Jøtul AS

All amounts in 1000 NOK

	Note	2021	2020
Equity and liabilities			
Equity			
Contributed equity			
Share capital	13,14	139 414	139 414
Share premium reserve		1 026 612	1 026 612
Total contributed equity		**1 166 026**	**1 166 026**
Retained earnings			
Uncovered loss	13	-1 058 672	-1 107 316
Total retained earnings		-1 058 672	-1 107 316
Total equity		**107 354**	**58 710**
Liabilities			
Allowances for liabilities			
Other provisions	2	18 820	23 526
Total provisions		**18 820**	**23 526**
Non-current liabilities			
Subordinated debt	15	30 551	353 084
Bonds	18	461 861	0
Total non-current liabilities		**492 412**	**353 084**
Current liabilities			
Liabilities to financial institutions	16	19 658	8 202
Accounts payable		37 910	54 163
Accounts payable with group companies		46 105	49 480
Public duties payable	12	19 587	16 944
Other short term liabilities		33 477	23 423
Total current liabilities		**156 737**	**152 212**
Total liabilities		**667 969**	**528 822**
Total equity and liabilities		**775 323**	**587 532**

Balance sheet

Jøtul AS

All amounts in 1000 NOK

Fredrikstad, 29.04.2022
Jøtul AS

Nils Agnar Brunborg Chairman of Board / CEO	Øyvind Arne Sandnes Member of Board	Lars Tore Heggem Member of Board
Rene Valentin Christensen Member of Board	Anette Johansen Member of Board	Bjørn Harald Bjørnli Member of Board

Jøtul AS

All amounts in 1000 NOK

	Note	2021	2020
Cash flows from operating activities			
Result before tax		48 766	-34 662
Income taxes paid	9	-109	-306
Loss/gain on sale of assets	2	2 506	0
Depreciation/amortisation	2	19 518	20 169
Impairment	2	0	9 135
Impairment of shares in subsidiaries	6	0	6 000
Change in inventories	3	311	54 632
Change in trade receivables		-33 976	-17 753
Change in trade payables		-19 628	46 295
Change in other accruals/prepayments		8 525	-7 031
Net cash flows from operating activities		**25 913**	**76 479**
Cash flows from investing activities			
Payments to acquire fixed assets	2	-13 066	-14 393
Payment for purchase of intangible assets	2	-6 516	-2 417
Payment of loan receivable group (short-/long-term)	11	-155 378	-97 641
Receipt from other loan receivables (short-/long-term)		0	777
Payments for capital increase group subsidiaries	6	-10 028	-28 159
Net cash flows from investing activities		**-184 987**	**-141 833**
Cash flows from financing activities			
Change bank overdraft	16	11 456	8 202
Receipt/Payment of loan group (short-/long-term)	11	-322 534	22 224
Receipt from issue of other liabilities (short-/long-term)	18	461 861	-258
Capital increase	13	0	35 000
Cash flows from financing activities		**150 783**	**65 168**
Net cash flow for the period		**-8 291**	**-186**
Cash and cash equivalents at the beginning of the period	12	22 263	22 449
Cash and cash equivalents at the end of the period		**13 972**	**22 263**
Consisting of:			
Bank deposits etc.		**13 972**	**22 263**
Unutilised RCF	12	**20 342**	**91 798**

Summary of accounting policies

All figures are in NOK’000 unless stated otherwise.

The annual financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (NGAAP).

Revenue
Revenue recognition from the sale of goods occurs at the time of delivery. Revenue in foreign currency is recognised at the prevalent monthly exchange rates during the year. Services are recognised as they are performed.

Classification and assessment of balance sheet items
Assets that are held for permanent ownership or use are classified as non-current assets. Assets that relate to the flow of goods are classified as current assets. Receivables are classified as current asset if they are due to be repaid within one year of the time of payment. Liabilities are based on analogous criteria.

Current assets are measured at the lower of cost and fair value. Current liabilities are recognised at their nominal amount.

Non-current assets are recognised at cost of acquisition. Fixed assets that depreciate in value, are depreciated on a straight-line basis over their expected economic life. Fixed assets are written down to fair value on impairment if required by accounting standards. Non-current liabilities in Norwegian kroner, with the exception of other provisions, are measured at their nominal amount on initial recognition. Provisions are discounted if the interest element is material.

Intangible assets
Expenditure related to intangible assets is capitalised to the extent that the criteria for recognition of an asset are met. This entails that such expenditure is capitalised when it is considered probable that the future economic benefits associated with the asset will flow to the company, and the cost of the asset can be reliably measured. Capitalised intangible assets are amortised on a straight-line basis over their expected useful life. Exempt are Trademarks, which follow an impairment test performed annually.

Fixed assets
Fixed assets are capitalised and depreciated on a straight-line basis over the expected useful life of the assets, provided they have a useful life exceeding three years and a cost price exceeding NOK 15,000. Maintenance of fixed assets is expensed as incurred and classified as an operating expense. Additions or improvements are added to the cost of the asset and depreciated in line with the fixed asset. The differentiation between what constitutes maintenance and addition/improvement is based on the condition of the fixed asset on acquisition of the fixed asset.
Leased fixed assets are recognised as fixed assets if the lease agreement is considered a finance lease.

Subsidiaries
Subsidiaries are measured according to the cost method in the company financial statements. The investment is measured at the cost of the shares unless impairment has been necessary.
Dividends and group contribution are recognised as income in the same year that the amounts are provided for in the subsidiary. To the extent that dividends and/or group contributions exceed the share of post-acquisition retained earnings, the excess amount is considered a repayment of invested capital, and reduces the carrying value of the investment recognised in the balance sheet.

Foreign currency
Receivables, cash and liabilities in foreign currencies are translated at the balance sheet date rate of exchange. Foreign exchange gains and losses related to sale and purchase of goods in foreign currencies are recognised as foreign exchange gains/foreign exchange losses. Exchange rates at the time of transaction are used for transactions in foreign currency.

Forward contracts and fixed interest rate contracts
The company uses currency forward contracts to hedge the exchange rate on forecast future cash inflows in foreign currency. The company uses interest rate hedging contracts to ensure a predictable interest cost. For accounting purposes, the currency forward contracts and fixed interest rate contracts are classified as hedging instruments. The fair value of the fixed interest rate contracts is calculated as the difference between the agreed fixed interest rate and the market interest rate.

Summary of accounting policies

Impairment of non-current assets
An impairment test is performed when there is an indication that the carrying value of a non-current asset is higher than its fair value. The test is conducted at the lowest level of non-current assets that has independent cash flows. If the carrying value is higher than both the sales value and the recoverable amount (present value of continued use/ownership), an impairment charge to the higher of sales value and recoverable amount is made. Previous impairment losses are reversed if the conditions for the impairment are no longer present (with the exception of e.g. impairment of goodwill).

Inventories
Inventories of purchased goods are measured at the lower of cost according to the FIFO principle and fair value. Own manufactured finished goods and work in progress are measured at full manufacturing cost. An impairment is charged if the fair value (sales price reduced by selling costs) is lower than the cost price. Selling costs include all remaining sales-, administration- and storage costs.

Receivables
Trade receivables and other receivables are recognised in the balance sheet at the nominal amount reduced by provisions for expected losses. Provisions for losses are made based on an individual assessment of the individual receivables. For smaller trade receivables, an unspecified provision is made to cover expected losses.

Warranty obligations
Expected costs for future warranties related to sales are expensed and recognised as a provision in the balance sheet. The provision is based on historical experience for warranties.

Loans
Loans are recognised at fair value at the time of inception. In subsequent periods, loans are measured at amortised cost using the effective interest method. Loans are classified as current liabilities unless there is an unconditional right to defer payment of the liability for more than 12 months from the balance sheet date.

Taxation
The income tax expense in the income statement includes both the tax payable for the period and changes in deferred tax. Deferred tax is calculated using the actual tax rate based on the temporary differences existing between the carrying amounts and tax values, as well as any tax losses carried forward at the end of the financial year. Tax increasing and tax reducing temporary differences that reverse or could reverse in the same period are offset. The company has not recognised deferred tax assets on net tax reducing differences that are not offset and losses carried forward.

Events after the balance sheet date
New information after the balance sheet date about the financial position of the company as at the balance sheet date is recognised in the annual financial statements. Events after the balance sheet date that do not have an impact on the company's financial position as at the balance sheet date, but which will affect the company's financial position in the future, are disclosed if this is material, see note 19.

Statement of cash flows
The statement of cash flows is prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid deposits that may immediately and with insignificant currency risk be converted to known cash amounts and with a due date of less than three months from the date of acquisition.

Note 1 Revenue by Country / Region of Destination

The Company’s revenue specified by main markets:

	2021	2020
Norway	287 860	257 125
Nordics other	50 565	44 115
Europe exc. Nordics	391 669	295 108
North America	37 091	13 232
Other	56 082	26 838
Total	**823 267**	**636 418**

Note 2 Fixed assets and leasing costs

	Trademarks	Assets in Progress	R&D	Property	Machinery and plant	Fixtures	Total
Acquisition cost at 1 Jan.	190 000	27 913	193 887	1 071	273 329	68 291	754 491
+ Additions		19 705	11 562	555	3 603	9 032	44 457
- Disposals		- 24 752	- 3 859		- 135 242	- 144	- 163 998
Acquisition cost at 31 Dec.	**190 000**	**22 866**	**201 590**	**1 626**	**141 690**	**77 179**	**634 950**
Acc. Depr/Amort/Imp. 1 Jan.	- 144 000		- 177 580	- 101	- 239 902	- 59 533	- 621 116
+ Depreciation/Amortisation			- 9 991	- 114	- 5 095	- 4 319	- 19 518
- Disposals Acc Depreciation			3 859		132 756		136 616
Acc. Depr/Amort/Imp. 31 Dec.	**- 144 000**	**-**	**- 183 711**	**- 214**	**- 112 240**	**- 63 852**	**- 504 018**
Balance as per 31 Dec.	**46 000**	**22 866**	**17 878**	**1 412**	**29 450**	**13 327**	**130 932**
Period of ordinary Amort./Depr.			4	20	10-15	3-8	

Fixed assets are depreciated on a straight-line basis.

Trademarks with indefinite useful lives at 31 December 2021 amounting to NOK 46,000 thousand are not amortised (2020: NOK 46,000 thousand). As Jøtul has a history of more than 160 years and the management has no plans to abandon the trademarks in the near future, the useful lives for the trademarks are assumed to be indefinite. The Company tests whether trademarks have suffered any impairment on an annual basis.

The Company sold the factory building, as well as the shares, of Jøtul Eiendom AS (which owned the company’s leased-back administration building) at the beginning of 2006. The lease agreement was determined to be an operating lease. The gain on disposal of the building/shares was in total NOK 93 694 794. Due to severe difficulties in determining the market value of the company’s properties without a leaseback agreement, the gain is recognised over the rental term. The gain recognised in 2021 is NOK 4 705 104.

The Company capitalise research and development cost related to product development; product specifications, design, drawings etc. as intangible assets. The product development process follows a clearly identified policy, overseen by an internal body, with a project start, pre-study, concept development, detailed development, industrialisation & launch.

Deferred income at 31.12.2021	
Deferred income from gain on sale of factory building	15 452
Deferred income from gain on sale of shares	3 369
Total other provisions for obligations	**18 821**

Rental and leasing arrangements:	**Annual Cost**	**Year of expiry / duration**	**Type**
Office and factory	17 948	2032, renewable	Lease contract
Warehouse	8 675	2032, renewable	Lease contract
Trucks	1 628	2 years renewable	Lease contract
Company cars	1 577	4 years renewable	Leasing
IT equipment	320	3 years renewable	Leasing
Total	**30 148**		

Note 3 Inventory

By inventory category	2021	2020
Raw materials	2 271	2 979
Work in Progress	675	527
Finished goods	31 514	23 774
Trading goods	26 584	34 076
Total	**61 045**	**61 356**
Obsolescence provision recognised	5 537	4 811
Expensed obsolescence provision	- 726	3 011

Company policy is to hold spare parts for all products that have been manufactured in the last 10 years in inventory, and the Company’s criteria for calculating obsolescence is:

Category 1	No sale/usage last 36 months, allowance of 100% of manufacturing cost
Category 2	No sale/usage last 24 months, allowance of 50% of manufacturing cost
Category 3	Inventory larger than sale/usage of the last 12 months on outgoing products are accrued by 25% of manufacturing cost.

Note 4 Employee benefits expense, number of employees, remuneration to management and representatives

The average number of full time equivalents during the financial year is 150 people.

Specification of employee benefits expense	2021	2020
Salaries	82 396	74 675
Social security	13 462	11 902
Pension cost	3 574	3 428
Other payroll related benefits	6 052	819
Total	**105 485**	**90 824**

Remuneration to leading employees

CEO	2021	2020
Salary	3 487	3 506
Pension	321	321
Other benefits	873	1 121
Members of the Board	0	0

The CEO has a notice period of 6 months in addition to rights to compensation for 6 months. The CEO has a bonus agreement which is limited to a maximum of 50% of the base salary.

No loans or credits have been given to leading employees or key persons.

The Company has contribution based pension arrangements including 152 people.

The Company’s pension arrangements satisfy the regulations for mandatory occupational pensions.

Fees to auditor, exclusive of VAT:	2021	2020
Audit	735	553
Total fees to auditors	**735**	**553**

Note 5 Other Operating Expense

	2021	2020
Shipping and distribution cost	26 613	26 019
Rental of buildings and machinery	33 615	31 762
Selling and marketing costs	23 249	25 241
Production and maintenance costs	15 868	14 134
Management fees	6 000	6 000
Other administration and operating expenses	65 836	71 790
Total other operating expense	**171 180**	**174 946**

Note 6 Subsidiaries

Investments in subsidiaries are accounted for in accordance with the cost method.

Company	Business office	Year of acquisition	Share	Equity 31.12	Result 2021	Carrying value 31/12
Jotul North America Inc.	Portland, USA	1979	100 %	74 981	5 773	25 000
Jotul France S.A.	Dardilly, France	1983	100 %	28 997	6 617	16 000
Jotul UK Ltd.	Worcestershire, UK	2000	100 %	15 058	- 1 106	2 800
Jotul Hispania S.L.	Zaragosa, Spain	2006	100 %	7 879	73	100
Scan A/S	Vissenbjerg,Denmark	2006	100 %	11 365	1 008	41 439
Jotul Italy s.r.l	Milano, Italy	2007	100 %	6 657	816	3 960
Jotul Poland sp. zo. o. [1]	Wroclaw, Poland	2019	100 %	- 133 422	- 59 196	24 771
Aico Italy s.r.l	Milano, Italy	2021	100 %	- 18 054	- 30 138	10 262
Carrying value at 31.12						**124 332**

[1] Jotul Polska sp. zo. o. was merged with Jotul Poland sp. zo. o. at 31/12/21

Note 7 Other finance income

	2021	2020
Interest income bank	-	144
Other interest income	-	217
Foreign exchange gain	6 058	-
Total	**6 058**	**361**

Note 8 Other finance expense

	2021	2020
Foreign exchange loss	-	5 287
Bank charges	3 582	2 636
Interest/fees bank overdraft, amortised estab. costs	12 441	6 841
Interest to suppliers	310	183
Interest factoring	1 027	586
Bond Finance Cost	9 907	-
Other interest expense	176	87
Total	**27 443**	**15 621**

* The Company's fixed interest- and forward contracts are measured at fair value in the balance sheet, and changes in fair value are recognised in the income statement (as unrealised currency gains/losses). Refer also to note for "Financial market risk, fixed interest- and forward contracts".

Note 9 Income tax expense, deferred tax and income tax payable

Temporary differences included in the basis for deferred tax/deferred tax asset	2021	2020
Fixed assets	26 303	26 527
Inventory	-1 477	-1 650
Receivables	-457	-682
Financial instruments	13 139	-47
Gain and loss account	1 932	2 415
Deferred revenue	-15 452	-19 315
Warranty provision	-1 590	-3 340
Net temporary differences	22 399	3 908
Losses and tax credits carried forward	-517 895	-559 071
Restricted interest deduction carried forward	-2 555	-2 555
Basis for deferred tax/deferred tax assets in the balance sheet	-498 052	-557 717
Deferred tax/deferred tax asset	-109 571	-122 698
Deferred tax assets not recognised	109 571	122 698
Deferred tax/deferred tax asset recognised in the financial statements	**0**	**0**

Basis for income tax expense, change in deferred tax and income tax payable		
Result before tax	48 766	-34 662
Permanent differences	11 118	2 477
Change in temporary differences incl. in the basis for deferred tax/deferred tax asset	-18 491	26 616
Taxable income before utilising losses carried forward	41 394	-5 569
Change in losses and allowances carried forward	-41 394	5 569
Taxable income (basis for income tax payable in the balance sheet)	0	0

Specification of permanent differences		
Dividends from subsidiaries	0	-4 727
Other non-deductible expenses and non-taxable income	11 118	7 204
Total permanent differences	**11 118**	**2 476**

Split of the income tax expense		
Income tax expense from foreign operations	109	306
Total income tax payable	0	0
Change in deferred tax/deferred tax asset	0	0
Income tax expense	**109**	**306**

Note 10 Financial market risk, fixed interest- and forward contracts

The Company is exposed to foreign currency risk mainly related to sales in foreign currencies. Fluctuations in foreign currencies are hedged through forward contracts. As per 31.12.2021 the Company has not entered any forward contract to hedge against foreign currency fluctuations related to sales in foreign currencies.

The Company's loans, long-term and bank overdrafts, have floating interest rates in NOK, USD, EUR, GBP, SEK, DKK and PLN and are consequently exposed to fluctuations in general interest levels.
The values of the Company's foreign currency forward- and fixed interest contracts that have not been settled are estimated by the Company's bank, and included in the balance sheet at the following amounts:

	2021	2020
In the line item "Other market based financial instruments"	-	311
In the line item «Other current liabilities»	-	- 358
Total forward- and fixed interest rate contracts	**-**	**- 47**

An interest-bearing loan of NOK 13.5 million has been given to Festningsveien 2 AS in connection with their building of a new warehouse and manufacturing facility for the company's plant in Kråkerøy. The current balance of he loan on 31.12.2021 was MNOK 10,8 , of which MNOK 2,25 is current receivable.
The Company has no debt that expiry later than 5 years.

Note 11 Other receivables from group companies

	2021	2020
Trade receivables from group companies	**46 205**	**29 482**

	2021	2020
Group Cash Pool [1)]	284 856	119 646
Dividends receivable	-	9 980
Other receivables from subsidiaries	47 988	47 841
Total Other receivables from group companies	**332 845**	**177 467**

[1)] Jøtul AS is the principal account owner in a cash pool arrangement and is therefore in effect bank for its subsidiaries.

The parent company, Jøtul AS, has entered into a loan engagement with its bank, Nordea, which among other things includes a multi-currency bank overdraft facility for the entire Group. The subsidiaries are included in the cash pool system and every company has a bank overdraft tied to its account. Jøtul AS manages the system and distributes the overdraft facility to the individual companies as required. Every subsidiary has a loan- or deposit relationship with Jøtul AS and not with external financial institutions. The subsidiaries have a joint responsibility to Nordea for the obligations of Jøtul AS in accordance with Jøtul AS' agreement with Nordea.

The company has in 2021 purchased products of 306 MNOK and services of 27 MNOK from subsidiaries. Purchasing of products are mainly related to finished products from Poland, while services mainly consist of R&D and Sales services.

Note 12 Bank deposits, cash etc.

The Company has restricted bank deposits to cover employee withholding tax due of:	4 336
Drawn portion of MNOK 40 revolving credit facility as at 31 December 2021:	19 658

Note 13 Equity

	Share Capital	Share Premium	Losses carried forward	Total Equity
As of 1 January	139 414	1 026 612	- 1 107 316	58 710
Result of the year			48 657	48 657
Equity adj. prior period			- 13	- 13
As of 31 December	**139 414**	**1 026 612**	**-1 058 672**	**107 354**

Note 14 Share capital and shareholders

All amounts in the note are in single NOK.

The Company had 1 shares, with nominal value of NOK 139 413 732. Total share capital is NOK 139 413 732.

The Company's shares are split into the following share classes:

Share class	Total nominal value	Number shares	Nominal amount per share
Ordinary shares	139 413 732	1	139 413 732
Total	**139 413 732**	1	**139 413 732**

The Company has following shareholders:

Name	Country	Amount	Share	Voting Right	Dividend Right
Jotul Holdings S.a.r.l	Luxembuourg	1	100 %	100 %	100 %

Note 15 Long-term liabilities group companies

Jotul Holdings S.a.r.l used the possibility to redeem the MNOK 400 bond in advance and settle the inter-company loan with Jøtul AS. Refer to note 18 new senior secured bond.

A loan of MNOK 26 has been issued by the principal shareholder, with calculated interest in accordance to the loan agreement.

The interest rate set to 9 % and accrued interest in 2021 is KNOK 4.432.

Note 16 Debt to credit institutions and mortgages

	2021	2020
Bank overdraft	19 658	8 202
Total debt to credit institutions	**19 658**	**8 202**

Carrying value of mortgaged assets:	2021	2020
Fixed Assets	84 932	87 374
Trade receivables	50 175	32 922
Trade receivables group companies	46 205	29 482
Inventory	61 045	61 356
Shares in subsidiaries	124 332	114 304
Total mortgaged assets	**366 688**	**325 438**

All of the assets of the Group have been pledged to jointly secure senior secured bonds pursuant to the super senior RCF provided by Nordea Bank AB, filial in Norge ("Nordea"), the hedging arrangements with Nordea and the bonds, pursuant to the terms of an intercreditor agreement. Nordic Trustee AS is acting as security agent and holds all security on behalf of Nordea in its capacity as lender and hedge counterparty and on behalf of the bondholders. The super senior RCF was entered into on 20 October 2021 and the terms and conditions for the bonds were entered into on 1 October 2021.

The Group provided a bank guarantee of NOK 13,850 thousand to the property lessor Festningsveien 2 AS and EUR 804 thousand, equivalent of NOK 8,033 (2020: EUR 661 thousand, equivalent of NOK 6,527 thousand) to the property lessor Prologis Poland LXXXIII Sp.z.o.o.

Note 17 Related parties

Information about and remuneration to leading employees are shown in note 4 Employee benefits expense.
Liabilities to related parties have been described in note 15.
No leading employees have a shareholding exceeding 1 %. Ref. note 14 Share capital.
In 2006, the Company sold the factory building and office building with a leaseback term of 20 years, with an option for an additional 20 years, to a consortium that established two limited companies for the purpose of owning and operating the properties. In 2012, the Company extended the lease agreement to include a new warehouse and manufacturing facility. The shareholders of Jøtul AS, leading employees, the Board or other key persons do not own any interest in these limited companies.

The Company has purchased management services from Open Gate of approx. MNOK 6 in 2021.

Note 18 Senior Secured Bond

	2021	2020
Opening balance at 1 January 2021	-	-
Issue of Bond	475 000	-
Interest paid during the year	-	-
Valuation / Amortisation	- 13 139	-
Closing balance at 31 December 2021	**461 861**	**-**
Interest accrued on bonds during the year	**8 713**	**-**
Current	8 713	0
Non-current	461 861	0
Total	**470 574**	**-**

On 6 October 2021, the Company issued a 3-year NOK 475 million senior secured bonds with ISBN NO0011104069. The bonds bear a floating rate coupon of 6,95% plus 3 months NIBOR with coupon payments quarterly. The bond has a maturity date of 6 October 2024.

The bonds were listed at EURONext Frankfurt in October 2021.

The Company has a possibility to issue bonds up to a maximum total nominal amount of NOK 750 million (representing sum of initial bonds, subsequent bonds and PIK bonds) under the terms and conditions of the listed bond.

The Issuer may redeem all, but not only some, of the outstanding Bonds in full:

(i) any time from and including the First Issue Date to, but excluding, the First Call Date at an amount per Bond equal to 103.475 per cent. of the Nominal Amount plus the remaining interest payments to, and including, the First Call Date, together with accrued but unpaid Interest;

(ii) any time from and including the First Call Date, but excluding, the first CSD Business Day falling 24 months after the First Issue Date at an amount per Bond equal to 103.475 per cent. of the Nominal Amount, together with accrued but unpaid Interest;

(iii) any time from and including the first CSD Business Day falling 24 months after the First Issue Date to, but excluding, the first CSD Business Day falling 30 months after the First Issue Date at an amount per Bond equal to 102.085 per cent. of the Nominal Amount, together with accrued but unpaid Interest;

(iv) any time from and including the first CSD Business Day falling 30 months after the First Issue Date to, but excluding, the first CSD Business Day falling 33 months after the First Issue Date at an amount per Bond equal to 100.695 per cent. of the Nominal Amount, together with accrued but unpaid Interest; and

(v) any time from and including the first CSD Business Day falling 33 months after the First Issue Date to, but excluding, the Final Maturity Date at an amount per Bond equal to 100 per cent. of the Nominal Amount, together with accrued but unpaid Interest.

Redemption in accordance with Clause 9.3(a) shall be made by the Issuer giving not less than 15 Business Days' notice to the Bondholders and the Agent. Upon receipt of such notice, the Agent shall inform the Paying Agent. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. The notice shall specify the Call Option Repayment Date. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

Unless the redemption price is set out in the written notice where the Issuer exercises its right to redemption in accordance with Clause 9.3(a)(i), the Issuer shall publish the redemption price to the Bondholders as soon as possible and at the latest within three Business Days from the date of the notice.

For the purpose of calculating the remaining interest payments pursuant to paragraph (a)(i) above it shall be assumed that the Interest Rate for the period from the relevant Record Date to the First Call Date will be equal to the Interest Rate in effect on the date on which notice of redemption is given to the Bondholders. The relevant Record Date shall be agreed upon between the Issuer, the CSD and the Agent in connection with such repayment.

Note 19 Subsequent Events

Ukraine

Following the war in Ukraine, Jotul Group has stopped all sales and exports to Russia. The Russian and Ukrainian markets represent less than 1% of total sales and therefore not considered significant. Supply chain from these markets, in particular Ukraine was also insignificant.

Inflation

As a consequences of higher electricity demand, which have also escalated in connection with the war in Ukraine, the company has seen significant price increase in electricity prices. In additions the supply chain issues from the pandemic have contributed with a significant pressure on both logistics and commodity prices.

To the General Meeting of Jøtul AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Jøtul AS, which comprise:

- The financial statements of the parent company Jøtul AS (the Company), which comprise the balance sheet as at 31 December 2021, the profit and loss statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Jøtul AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and 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, and

- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and 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 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 as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Other Matters

The consolidated financial statements of Jøtul AS and its subsidiaries (the Group) for the previous periods have not been audited and the comparative figures for the Group have therefore not been subject to audit. This matter does not affect our opinion on the financial statements.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Oslo, 29 April 2022
PricewaterhouseCoopers AS

Hallvard Helgetun

Hallvard Helgetun
State Authorised Public Accountant