Jotul Holdings SA

Annual report
and the report of the Réviseur d'Entreprises Agréé
for the year ended 31 December 2020

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Jotul Holdings SA
Annual report
for the year ended 31 December 2020

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Consolidated Management Report of the Board of Directors

Business

The Jotul Group (representing Jotul Holdings SA 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 and Scan. 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. The head office is based in Luxembourg. 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.

The year in brief

The revenue in 2020 declined by 6.1%, to MNOK 905.5 compared to MNOK 961.1 in 2019. The decline is less than initially anticipated at the outbreak of the COVID-19 pandemic in March 2020. In the second half of 2020 we have seen a strong recovery the market, fueled by high activities in the home improvement segments and also towards the year-end with a cold season and high electricity cost. The order backlog as per 31 December 2020 was MNOK 122, up by MNOK 93 compared to 2019.

In 2020, the Jotul Group reached a consolidated operating income of MNOK 911.5 (2019: MNOK 973.9). The 2020 total comprehensive loss for the year was MNOK -125.7 (2019: MNOK -85.7). The operating result of year totaled MNOK -65 in 2020 (2019: MNOK -27.4).

In addition to the furlough schemes launched in Norway and USA, the negative impact is mainly linked to the delay in the ramp-up the production in new production facilities in Poland. The lock-down and travel restrictions caused delays in tuning the production, which initially was intended to be supported by staff from the previous production sites of Norway and Denmark during the first half of the year. in Q1-Q2. In general Poland has been severely hard hit by the pandemic, and we have seen a shortage of staff and very high absence rates. The shortage of staff has been compensated with a temporary hiring effort, which has also resulted in low efficiency and lower output. The low efficiency and high scrap rates have resulted in lower margin. However, we have seen clear improvements in terms of output towards the end of the year, though not been able to compensate the strong market demand, resulting in a backlog of MNOK 122 as per 31 December 2020.

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK 18.9 for 2020 (2019: MNOK 57.3). This contains effect of non-recurring items of MNOK 63.5 (2019: MNOK 79.1) that are related to relocation cost, mainly incurred in the beginning of 2020, and productivity (low efficiency) cost related to the Polish operations. Adjusted EBITDA (adjusted Earnings before interests, taxes, depreciation and amortizations: Operating result less Depreciations and non-recurring items) was MNOK 82.4 in 2020 (2019: MNOK 136.3).

In June 2020, the Company performed a re-financing, following the outbreak of the COVID-19, to ensure financial strength during pandemic. The re-financing constituted of a capital injection by shareholders, a waiver of interest payments on the secured bond and conversion of interest to PIK bonds up and including Q1 2021. As well as an increase of the Revolving Credit Facility (RCF) with Nordea Bank until 31 January 2021.

Cash and cash equivalent as per 31 December 2020 was MNOK 70.3. Available RCF (less ancillary facility of MNOK 21) was MNOK 84 giving a total available liquidity of MNOK 154.3 by end of 2020.

As per February 2021 the RCF was reduced by MNOK 30 to MNOK 75 (including ancillary facilities).

In 2020, Jotul Group had an average of 532 full-time employees (2019: 538).

The COVID-19 pandemic, which impacted most economies by the end of March 2020, has been a challenge for the Group particularly with regards to establish the new operations in Poland. Furlough schemes were implemented in Jøtul AS during the beginning of Q2 and in USA towards end of May and through-out June, this to mitigate financial impacts. In addition, we have also had temporary production stoppage in Poland due to COVID-19. The very high absence rate in Poland has been compensated by temporary staffing efforts. Precautions, with respect to HSE has been implemented at all our units, working closely with local authorities, and following country by country recommendations and regulations imposed. We have accommodated for home office and safety aspects such as face mask and to ensure distance keeping.

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 plans to re-finance the Senior secured bonds ahead of their maturity in January 2022 and believe that the timing for a re-financing is favourable provided the liquidity in the bond market and favourable customer demand for Jotul products in the markets in which the Group operates.

- The sales in the first quarter of 2021 are expected to exceed the last year by 30%, and orders received compared to last year is estimated to be up with 50%. The strong demand is seen across the Group in all main markets.
- Towards end of Q4 2020 the production in the new manufacturing facility in Poland, which started operations in early 2020, stabilized and therewith the Group is expecting an improved manufacturing footprint and margin in comparison to 2019.
- the Group shows negative net assets of MNOK 211 as of 31 December 2020, however, if we disregard a balance of CPECs issued by the Company and subscribed by the shareholders, the external liabilities exceed assets by MNOK 32.5. Management forecasted positive results for 2021 that will help to reduce this negative position of the Group.
- the Group has access to undrawn facilities.
- Shareholders of the Company demonstrated their support to the Group by capital contribution of MNOK 40 in June 2020.

For further information refer to Note 2.1.

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

As disclosed by management under Note 2.1 of the consolidated financial statements, the coronavirus continues to impact the performance and health of the Group. Management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the financial performance of the Group.

The Board confirms that the going concern assumption is valid while a material uncertainty exists associated to the outcome of the refinancing process of the senior secure bond which is dependent among other factors on market condition, intention and ability of the bondholders to refinance, which is by nature, inherently uncertain as of the day of approval of these accounts, because, indicated above, the company is expecting to initiate the process in the second half of 2021.

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 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

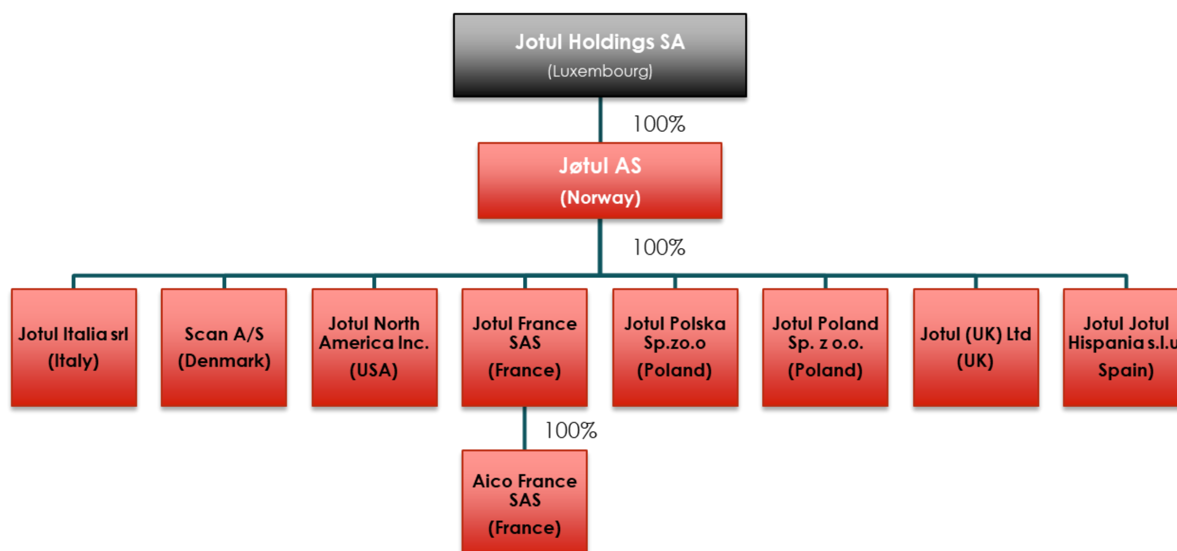
differing local rules and regulations. In most markets, the local participant is the market leader, such as the Jøtul brand is in Norway. In the short term, demand is influenced by local outside temperatures and the cost development for alternative heating sources – electricity, oil and gas.

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 has introduced 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 2020.



Risk exposure

The Group's activities entail various types of financial risk associated with foreign currency, interest rates, raw materials prices, credit and liquidity. The Group utilizes foreign exchange ("FX") forward contracts to reduce its exposure to currency rate risk. The Group policy in this regard, is to secure through FX forward contracts and limit estimated exposure in EUR, USD and GBP on 24 months timeframe. Effective January 2020, production activities from Norway and Denmark were transferred to Poland, resulting in a decrease in currency exposure due to higher cost in PLN which is closer correlated to EUR. No other currency exposure is considered material enough to be covered by the Group's FX hedging scheme. The Group does not apply hedge accounting. The distribution of revenues in several markets provides opportunities for continued growth, and simultaneously spreads the market risk and reduces the dependence on individual markets and individual customers.

Technical risk is primarily associated with the operation of existing and 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 serious 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.

Sustainable development

The ability to offer high-quality and environmentally friendly products are central in Jotul Group's product development and manufacturing processes. The cast iron utilized in manufacturing is produced largely 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. The Group 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), and in Jotul North America. 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. 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 2020 was MNOK 17 of which MNOK 3.9 was booked as capital expenditures (2019: R&D spending of MNOK 30 of which MNOK 9.8 was booked as capital expenditure).

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, and on-time deliveries. 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 Jotul 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.

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.

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 24% of the total workforce.

The Group is an inclusive workplace company, which entails a commitment to make arrangements for people with disabilities. There are implemented routines for whistleblowing related to complaint worthy incidents. Employees can here report e.g. bullying, discrimination and harassment. The company has a zero tolerance for such incidents.

The health and safety of all the people who work for and with the Group is our top priority. Incidents are reported daily to site management for our production sites. Performance is disclosed during monthly business reviews, which includes accidents, near misses and days lost. There is a coverage on training among personnel related to staff. When any incident has occurred there is a follow-up with the quality manager, team leaders and staff to evaluate the situation. The aim for this process is to assure a continuation of cultural transformation of safety improvements while focusing on operational excellence.

The 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 programme and implementing any other measures regarded as necessary in order to prevent the corruption risks identified in the risk analysis.

Listed debt instrument

Jotul Holdings SA issued a senior secured bond loan in an initial amount of MNOK 250 and issued subsequent bonds of MNOK 90, within a total framework amount of MNOK 340 on the Nordic bond market. The bonds carry a floating interest rate of 3M Norwegian InterBank Offered Rate (NIBOR) + 7.00 per cent. per annum and matures 31 January 2022.

In May 2020, Terms and Conditions of the bonds were amended and granted the Company right to defer interest payments and issue PIK Bonds. A of 31 December 2020, total PIK bonds amounted to MNOK 26.8 (refer to Note 20).

The Group has prepared a bond prospectus which was approved by the Commission de Surveillance du Secteur Financier in Luxembourg on 12 April 2019 and was subsequently notified to the Swedish Financial Supervisory Authority. Jotul Holdings SA's application for admission to trading on Nasdaq Stockholm's corporate bond list has been approved and first day of trading occurred on 6th May 2019.

Some details about the securities (relevant clauses in the Terms & Conditions of the bonds in parentheses):

- There are no restrictions on the transfer of securities, and the bonds are freely transferable (2f).
- There are no bonds with special control rights for the bondholder.
- Group companies or any of their affiliates may not participate in voting procedures among the bondholders (17d). There are certain time periods and deadlines in respect of, for instance, voting procedures that bondholders will need to take into account when participating in voting procedures (18 and 19c). Furthermore, in voting procedures there is a quorum requirement of 20 per cent. in the first procedure (17g), and certain decisions require consent from a qualified majority of 66 2/3, such as decisions regarding (i) waiving a breach of or amend an undertaking, (ii) release the security provided under the security documents, (iii) reduce the principal amount, interest rate or interest amount which shall be paid by the issuer, (iv) amend any payment day

for principal or interest amount or waive any breach of a payment undertaking, and (v) amend the provisions regarding the majority requirements under the Terms and Conditions (17e).

- There are no shareholder agreements known to the company in relation to the restriction of voting rights. The shares in the Jotul Holdings SA are freely transferrable unless otherwise restricted by the articles of association or shareholders agreement or deeds of issue of convertible bonds. A transfer or issuance of shares to a non-shareholder must be approved by shareholders representing at least three-quarters of the capital given at a shareholders meeting. The articles of association may lower this threshold up to the favorable votes of shareholders representing at least half of the capital. However, in our case, Jotul Holdings SA has only one shareholder.
- The rules governing the appointment and replacement of board members and the amendment of the articles of association, described in article 7.1 of the articles, state that at least three members, appointed by the shareholder for six years and can be re-appointed at the expiry of their term. Directors can be removed at any time with or without cause by shareholder's resolution. The articles of incorporation and subsequent amendments must be drawn up in writing and resolved upon by a shareholder resolution. Such resolution must be made in front of a Luxembourg notary.
- There are no significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company.
- There are no agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Future development

The Group has a strong global market position through its Jøtul brand and extensive distribution network, but the market situation has had a negative development in the last few years. The focus in the upcoming years is to implement further efficiency measures to restore the company's profitability. Most notably in this respect is the establishing of the new manufacturing and assembly plant in Poland, and the closure of the Danish manufacturing site and the assembly lines of Jøtul AS.

Jotul Poland Sp. z o.o. was established in January 2019 in Katy Wrocławskie, Poland. The production is now fully operational, however the pandemic has posed challenges to reach the expected level of efficiency. Towards the end of 2020 the efficiency has clearly improved and during 2021 the efficiency rate will gradually improve and reach the initial targets and improve the cost competiveness following the lower cost structure compared to Norway and Denmark.

The Group has ambitions to grow in the market and is focusing on increased distribution to further strengthen its global market position. A carrying element for competitive ability is to continue to be a leader in product development, focusing on both design, emissions and efficiency, in line with changes to relevant regulations.

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 Jotul 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 in detail 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 staff 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 organised through a centrally managed reporting calendar.

Quarterly reporting to the financial market is reviewed by the Audit Committee and approved by the Board of Directors.

Liquidity forecasts and debt servicing ability are reviewed by Corporate Control department and the Group's CFO and reviewed by the ultimate 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 statement. Subsequently, a business review with the ultimate shareholder is held for presentation of the statement, and financial and operational KPIs.

The budget process starts in the month of September, where all components are to prepare a forecast for the present year. This forecast forms the incoming balance of the 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 team, consolidated in Frango, and presented to the ultimate shareholder.

Jotul 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.

Other remarks

Jotul Holdings SA did not acquire any of its own shares during the year ended 31 December 2020.

The Polish plant has entered into a manufacturing agreement with the Italian company Aico for pellets stoves. Besides producing for Aico, this also allows Jotul Group to extend our offering of own produced pellets stoves in the European market.

Corporate governance statement

The Jotul Group is governed by the Law dated 10 August 2016 modernising the companies law dated 10 August 1915, as amended and the Law dated 19 December 2002 on the commercial and companies register and on the accounting and annual accounts of undertakings, as amended.

Shareholder

As of 31 December 2020, share capital of Jotul Group is set at NOK 4,060,001 and is divided into 4,060,001 shares fully paid up with a nominal value of NOK 1.00 each. The Group has a sole shareholder, Stove Investment Holdings S.à r.l.

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 shall be held at the registered office or in any other place within the Grand Duchy of Luxembourg within six months following the end of the relevant financial year.

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 will also approve the allocation of profit proposed by the Board and decide on the discharge of the directors and the auditor from any duties.

Since net assets of the Company fall below half of the corporate capital, the Board of directors followed the requirement of article 480-2 of the law of 10 August 1915 and convene a general meeting of the shareholder on 10 August 2020. During the meeting, the Board of directors presented to the shareholder a special report (the "Report") justifying the financial position and recommendations for continuous activity. The sole shareholder approved the content and recommendations of the Report and resolved to continue activities of the Company.

The Board of directors obtained waiver from the sole shareholder to present a new Report to the sole shareholder during the annual general meeting approving the financial statements for the financial year 2020.

Board and management

Board of directors

All powers not expressly reserved to the shareholders by the Law (as mentioned above) or the Articles of association fall within the competence of the Board of directors, which has full power to carry out and approve all acts and operations consistent with the Company's corporate object.

On 31 December 2020, the Board of directors had 4 members of which 2 class A directors and 2 class B directors.:

Class A directors	**Class B directors**
Nils Agnar Brunborg	Lyudmyla Buzyanovska
Jonas Bloom	Karel Andrew Wouters

Jonas Bloom became an A director on 16 June 2020 and replaced Amund Wold Skaaden who was a director from 1 January to 16 June 2020.

As of 14 August 2020, Lyudmyla Buzyanovska became a B director and replaced Ashley Stanley.

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, provided that if the General Meeting has appointed one or several class A directors and one or several class B directors, at least one class A director and one class B director vote in favour of the resolution.

Each year, the Board must prepare the balance sheet and profit and loss account, together with an inventory stating the value of the Company's assets and liabilities, with an annex summarising the Company's commitments and the debts owed by the officers and directors of the Company. One month before the Annual General Meeting, the Board shall provide the supervisory auditors with a report on, and documentary evidence of, the Company's operations.

The Board of Directors met several times in 2020 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.

Audit committee

On 6 May 2019 the senior secured bonds issued by the Company were admitted to trading on Nasdaq Stockholm's corporate bond list (Note 20). Following the admission, the Company became a public interest entity and following the shareholder's resolution of 12 September 2019, the Company created an audit committee which shall consist of 4 independent members.

As of 31 December 2020, the audit committee have the following members:

- Thierry Derochette (chairman)
- Benjamin Chouraki
- Benoit Baudouin

Hugo Froment resigned from audit committee 14 May 2020 and the Company is looking for his replacement.

Mandate of the current members expires on 12 September 2025.

The Committee assists the Board of Directors in its responsibility with respect to overseeing the Group's financial reporting, the statutory audit of the stand-alone and consolidated accounts, the independence of the external auditors, risk management and internal control, and standards of business conduct and compliance.

External auditor

In accordance with the Luxembourg law on commercial companies, the Company's annual and consolidated accounts are certified by an external auditor, appointed at the Annual General Meeting of Shareholders. On 5 October 2020, the shareholder appointed Deloitte Audit, société à responsabilité limitée ("Deloitte"), for a year. Deloitte's mandate will expire at the Annual General Meeting approving consolidated financial statements for financial year 2020.

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 Jotul Group presented in this Consolidated financial statements and prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss of Jotul 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 Jotul Group and undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Luxembourg, 18 May 2021

Nils Agnar Brunborg	Jonas Bloom
CEO and Class A Director	CFO and Class A Director
Lyudmyla Buzyanovska	Karel Andrew Wouters
Class B Director	Class B Director

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To the Sole Shareholder of
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jotul Holdings S.A. (formerly Jotul Holdings S.à r.l.) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Société à responsabilité limitée au capital de 360.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement 10022179

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Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that senior secured bond, including PIK bonds, is maturing in January 2022 and the Recurring Credit Facility with Nordea, which is in an advanced process to be extended to November, 2021, expires on May 31, 2021. The Group does not have the financial resources to repay the senior secure bond. The Group will begin the refinancing process during the second half of 2021 and the outcome of it is inherently uncertain. This aspect indicates that a material uncertainty exists, that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of trademarks

As mentioned in notes 2.22 and 14, management has determined that trademarks held by the Group represent assets with indefinite useful lives and as such are subject to annual impairment test.

The trademarks balance as of December 31, 2020, was NOK 60 million.

The recoverable amount of the trademarks was calculated using the Relief from Royalty method. Key assumptions that had a significant impact on the Company’s estimate of the recoverable amount included the royalty rate and the discount rate. Changes in these assumptions could have a significant impact on the recoverable amount of the trademarks.

Given the significant judgments made by management to estimate the recoverable amount of the trademark, performing audit procedures to evaluate the reasonableness of management’s estimates related to the royalty rate and the discount rate, specifically due to the sensitivity of these key assumptions, required a high degree of auditor judgment and an increased extent of effort, including the need to involve valuation specialists.

How the matter was addressed in the audit?

Our audit procedures for testing management estimate of trademarks recoverable amount included the following:

- We obtained an understanding of how management developed the estimation of the recoverable amount of the trademarks.
- We evaluated the reasonableness of management's estimate of future revenue considering macroeconomic conditions and the effects related to the COVID-19 pandemic.
- With the assistance of valuation specialists, we evaluated the reasonableness of the discount rate, the long term growth rate and the royalty rate by:
    - Evaluating the reasonableness of the methodology used and underlying source information used in the Company's calculation of the discount rate.
    - Testing the mathematical accuracy of the calculation.
    - Developing an independent range of estimates and comparing the discount rate selected by management to our range.
    - Assess reasonability of the royalty rate used by the management to typically observed royalty rates on other similar valuations
- We evaluated the consistency of management's estimation of the discount rate and the future revenue with other relevant pieces of information available and inquiry with relevant personnel.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Deloitte.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "*réviseur d'entreprises agréé*" by the General Meeting of the Shareholders on October 05, 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on page 12. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

For Deloitte Audit, *Cabinet de révision agréé*

Marco Crosetto, *Réviseur d'entreprises agréé*
Partner

Luxembourg, May 21, 2021

Consolidated statement of comprehensive income

(in NOK '000s)	Notes	2020	2019
Revenue	5	905,477	961,119
Other operating income	6	6,041	12,705
Total operating income		**911,518**	**973,824**
Raw materials and consumables		(286,638)	(371,117)
Changes in inventories of finished goods and work in progress		(78,677)	23,801
Employee benefits expense	7	(252,871)	(284,759)
Depreciation, amortisation and write-off	13,14,27	(83,877)	(84,642)
Other operating expense	8	(274,440)	(284,454)
Total operating expenses		**(976,503)**	**(1,001,171)**
Operating result		**(64,985)**	**(27,347)**
Finance income	9	34,308	5,233
Finance expense	10	(85,822)	(63,372)
Net finance cost		**(51,514)**	**(58,139)**
Loss before income tax		**(116,499)**	**(85,486)**
Income tax	11	(10,497)	(1,347)
Net loss for the year		**(126,996)**	**(86,833)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations		1,257	1,092
Other comprehensive income/(loss) for the year net of tax		**1,257**	**1,092**
Total comprehensive loss for the year		**(125,739)**	**(85,741)**

Consolidated statement of financial position

(in NOK '000s)	Notes	31 December 2020	31 December 2019 (Restated)*	1 January 2019 (Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	13	127,292	125,741	110,415
Intangible assets	14	143,426	156,777	149,298
Right-of-use assets	27	281,086	310,744	-
Derivative financial instrument	25	-	327	-
Other receivables	15	11,260	10,550	14,448
Deferred tax asset	11	1,439	1,335	1,300
Total non-current assets		**564,503**	**605,474**	**275,461**
Current assets				
Inventories	16	201,268	227,317	179,012
Derivative financial instrument	25	311	771	-
Trade and other receivables	17	121,734	73,813	90,911
Other receivables	15	471	2,961	900
Current income tax receivable		2,138	2,812	-
Cash and cash equivalents	18	70,295	56,681	117,811
Total current assets		**396,217**	**364,355**	**388,634**
Total assets		**960,720**	**969,829**	**664,095**

*Refer to Note 2.23 for more details

Consolidated statement of financial position (continued)

(in NOK '000s)	Notes	31 December 2020	31 December 2019 (Restated)*	1 January 2019 (Restated)*
EQUITY AND LIABILITIES				
Equity				
Share capital	19	4,060	600	600
Share premium		36,540	-	-
Foreign currency translation reserve		9,866	8,609	7,517
Retained earnings		(261,569)	(134,573)	(47,740)
Total equity		**(211,103)**	**(125,364)**	**(39,623)**
Non-current liabilities				
Senior secured bonds	20	333,759	340,000	243,750
Convertible preferred equity certificates ("CPECs")	21	177,321	177,321	177,321
Lease liabilities	27	331,469	353,830	7,929
Borrowings	22	27,644	-	-
Government grant	22	3,954	-	-
Derivative financial instruments	25	-	258	1,263
Deferred tax liability	11	10,309	3,615	2,377
Long-term provisions	24	4,805	4,711	93,309
Total non-current liabilities		**889,261**	**879,735**	**525,949**
Current liabilities				
Senior secured bonds	20	5,891	5,099	3,448
Convertible preferred equity certificates ("CPECs")	21	1,234	1,234	1,055
Lease liabilities	27	59,735	48,576	-
Derivative financial instruments	25	358	1,606	3,513
Government grant	22	1,493	-	-
Trade and other payables	23	211,243	146,254	155,491
Short-term provisions	24	287	10,883	13,962
Current income tax payable		2,321	1,806	300
Total current liabilities		**282,562**	**215,458**	**177,769**
Total equity and liabilities		**960,720**	**969,829**	**664,095**

*Refer to Note 2.23 for more details

Consolidated statement of changes in equity

(in NOK '000s)	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
Balance as at 31 December 2018	**600**	**-**	**7,517**	**(47,740)**	**(39,623)**
Loss for the year	-	-	-	(86,833)	(86,833)
Other comprehensive income for the year	-	-	1,092	-	1,092
Total comprehensive loss	-	-	1,092	(86,833)	(85,741)
Balance as at 31 December 2019	**600**	**-**	**8,609**	**(134,573)**	**(125,364)**
Transactions with owners in their capacity as owners:					
Contributions to equity	3,460	36,540	-	-	40,000
	3,460	36,540	-	-	40,000
Loss for the year	-	-	-	(126,996)	(126,996)
Other comprehensive income for the year	-	-	1,257	-	1,257
Total comprehensive loss	-	-	1,257	(126,996)	(125,739)
Balance as at 31 December 2020	**4,060**	**36,540**	**9,866**	**(261,569)**	**(211,103)**

Consolidated statement of cash flows

(in NOK '000s)	Notes	2020	2019 (Restated)*
Cash flows from operating activities			
Net loss for the year		(126,996)	(86,833)
Adjustments for:			
Income tax recognised in profit or loss	11	10,497	1,347
Depreciation and impairment of property, plant and equipment and right-of-use asset	13, 27	65,042	63,717
Amortisation of intangible assets	14	18,835	20,925
Net (gain)/loss on sale of non-current assets	6	(2,487)	(2,512)
Finance income	9	(34,308)	(5,233)
Finance expense	10	85,822	63,372
Changes in operating working capital:			
Decrease (increase) in trade and other receivables**		(51,376)	24,741
Decrease (increase) in inventories		26,114	(45,915)
Increase (decrease) in trade and other payables and provisions		46,277	(16,684)
Cash generated from operating activities		37,420	16,925
Interest paid		(35,244)	(47,112)
Interest received		522	1,213
Income tax paid		(2,718)	(1,756)
Net cash flows from operating activities		**(20)**	**(30,730)**
Cash flows from investing activities			
Acquisition through business combination, net of cash acquired	12	-	(993)
Purchase of property, plant and equipment	13	(34,260)	(59,992)
Purchase of intangible assets	14	(5,696)	(28,509)
Proceeds from disposal of property, plant and equipment		2,807	6,823
Proceeds from disposal of intangible assets		1,126	2,256
Repayment of loan receivable	15	450	900
Net cash flows used in investing activities		**(35,573)**	**(79,515)**

Consolidated statement of cash flows (continued)

(in NOK '000s)	Notes	2020	2019
Cash flows from financing activities			
Proceeds from issuance of bonds		-	85,337
Payment of transaction costs related to bonds issuance		-	(449)
Proceeds from borrowings	22	35,365	-
Proceeds from issuance of share premium	19	36,540	-
Proceeds from issuance of share capital	19	3,460	-
Payment of principal portion of lease liability		(23,395)	(31,933)
Net cash flows from financing activities		**51,970**	**52,955**
Net increase/(decrease) in cash and cash equivalents		**16,377**	**(57,290)**
Cash and cash equivalents at the beginning of the year		56,681	117,811
Exchange gains on cash and cash equivalents		(2,763)	(3,840)
Cash and cash equivalents at the end of the year	18	**70,295**	**56,681**

*Refer to Note 2.23 for more details

**Change in trade and other receivables includes proceeds received from factor (Note 3.3)

Non-cash investing and financing activities of 2020 are as follows:

- Settlement of accrued interest on Senior secured bonds by issuance of PIK bonds (Note 20)
- Acquisition of right-of-use assets (Note 27)

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Jotul Holdings SA (hereinafter the “Company”) was incorporated in Luxembourg on 22 December 2015 for an unlimited period. On 18 December 2018, the legal form of the Company was changed from “société à responsabilité limitée” to “société anonyme”. The number and allocation of shares remain the same.

The Company is registered with the Trade and Companies Register of Luxembourg with the number B 203258 and has its registered office established at 6, Rue Eugène Ruppert, L-2453, Luxembourg.

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, France, Poland and the United States of America and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted in the European Union (“EU”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”), issued and effective or issued, as at 31 December 2020.

2.1 Basis of preparation

The consolidated financial statements are prepared on the going concern and 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”). All information presented in NOK has been rounded to the nearest thousand.

Going concern

The Group has prepared the financial statements for the financial year ended 31 December 2020 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 senior secured bond is going to maturity in January 2022 and the Group needs to refinance it as possesses insufficient available financial resources to repay it. As of 31 December 2020, the nominal value amounts to NOK 340 million plus PIK bonds of NOK 26.8 million (Note 20) and, in January 2021, the Group converted additional accrued interest of 8.5 million into PIK bonds. As of the day of approval of these accounts the Group has not started the refinancing process and the strategy is to start it during the second half of 2021. In conjunction with the re-finance process the Group will also re-negotiate the Recurring Credit Facility of NOK 75 million with Nordea bank. This Recurring Credit Facility expires on 31 May 2021 but the Group is in a very advanced process of negotiation of an extension up to 30 November 2021 to subsequently refinance with the senior secure bond as indicated above. The Group believes the timing for a re-financing is favorable given the liquidity in the bond market and the favorable customer demand for Jotul products in the markets in which the Group operates.

The COVID-19 pandemic, which impacted most economies starting from March 2020, has been a challenge for the Group particularly with regards to establish the new operations in Poland where the Group also had temporary production stoppage and a very high absence rate that have been compensated by temporary staffing efforts. In addition, furlough schemes were implemented in Jøtul AS during the beginning of Q2 of 2020 and in USA towards end of May and through-out June, this to mitigate financial impacts. In several countries we have seen set-backs in the roll-out of the vaccination program and with pockets of surge in infection rates in some countries, which therefore continue to impact on the performance and health of the Group. However, it is currently not possible to fully assess the impact of the corona situation and estimate the impact on the financial performance of the Group.

Towards end of Q4 2020 the production in the new manufacturing facility in Poland, which started operations in early 2020, stabilized and therewith the Group is expecting an improved manufacturing footprint and margin in comparison to 2019. The improved output capacity allowed to meet the business plan targets, in terms of sales and ability to execute on the backlog. The sales in the first quarter of 2021 are expected to exceed the last year by 30%, and orders received compared to last year is estimated to be up with 50%. The strong demand is seen across the Group in all main markets.

The available liquidity of the Group was NOK 101 million as per end of March 2021 which included available cash and cash equivalents of NOK 47 million and the undrawn revolving credit facility (the “RCF”, see Note 18) of NOK 54 million. Shareholders of the Company also demonstrated their support to the Group by capital contribution of NOK 40 million in June 2020.

As of 31 December 2020, the Group shows negative net assets of NOK 211 million. However, if the balance of the CPECs issued by the Company and subscribed by the shareholders is disregarded, the external liabilities exceed assets by NOK 32.5 million. Management forecasted positive results for 2021 that will help to reduce the negative position of the Group. Since net assets of the Company fall below half of the corporate capital, the Board of directors followed the requirement of article 480-2 of the law of 10 August 1915 and convene a general meeting of the shareholder on 10 August 2020. During the meeting, the Board of directors presented to the shareholder a special report (the “Report”) justifying the financial position and recommendations for continuous activity. The sole shareholder approved the content and recommendations of the Report and resolved to continue activities of the Company.

The Board of directors obtained waiver from the sole shareholder to present a new Report to the sole shareholder during the annual general meeting approving the financial statements for the financial year 2020.

With the current Group performance and the favourable 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 a material uncertainty exists associated to the outcome of the refinancing process of the senior secure bond which is dependent among other factors on market condition, intention and ability of the bondholders to refinance, which is by nature, inherently uncertain as of the day of approval of these accounts, because, indicated above, the Company is expecting to initiate the process in the second half of 2021.

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) Functional and presentational currency

The financial statements of the individual entities in the Group are measured in the currency used in the economic area in which the entity operates (functional currency). Please see Note 2.3.2 for the functional currency of the entities in the Group.

On 23 February 2018, the Company changed its functional currency from Euro ("EUR") to NOK due to the change in the primary economic environment in which the Company operates. In February 2018, the Company issued senior secured bonds and CPECs both dominated in NOK. Proceeds from bonds were used for investing into shares and loans of Jotul AS, a Norwegian limited company that manufactures cast iron stoves and fireplaces. Since the acquisition of Jotul AS the exposure of the Group to NOK has considerably increased.

Impact on financial statements for the year ended 31 December 2018 was insignificant.

(b) 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.

(c) 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 2019 and 2020, the exchange rates were used:

	2020		2019	
Currency	**Closing**	**Average**	**Closing**	**Average**
EUR/NOK	10.5053	10.7409	9.8807	9.8538
USD/NOK	8.5375	9.4264	8.8176	8.8025
GBP/NOK	11.666	12.0823	11.5856	11.2397
SEK/NOK	1.0419	1.0239	0.9426	0.9308
PLN/NOK	2.2963	2.4134	2.3172	2.2921
DKK/NOK	1.4118	1.4408	1.3228	1.3198

*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 2020 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. The Group controls an entity when the Group has power over the 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. The Group has power over the entity when it has existing rights that give it the current ability to direct the relevant activities.

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.

Business combinations are recognised and measured in terms of IFRS 3 Business Combination. On purchase of a business, the acquisition method is applied. The Group measures the identifiable assets acquired and the liabilities assumed at their acquisition date 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 the acquisition date 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. Elements of gains and losses related to an asset that has been recognised as a result of a group transaction are also eliminated. 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
		2020	2019	
Jotul Holdings SA	Luxembourg, Luxembourg	Parent	Parent	NOK
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

*Jotul Poland Sp. z o.o. was incorporated on 31 January 2019.
** Aico France SAS was acquired on 25 June 2019.

2.4 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment. Those property, plant and equipment acquired in a business combination are recorded initially at fair value and are subsequently depreciated. 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 recognised as an expense in the period incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the expected useful life of the asset. Land is not depreciated. Depreciation is not provided on assets during the time of construction.

The expected useful lives for the assets are as follows:

Buildings	25-40 years
Machinery	10-15 years
Vehicles	3-5 years
Equipment and fittings	3-8 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if necessary, at each reporting date. The 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 or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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 is recognised in profit or loss as an expense 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 recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite 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 for impairment annually and are not amortised. If the carrying amount exceeds the recoverable amount, an impairment loss will be recognised. Amortisation and impairment on intangible assets are expensed to profit or loss. If an intangible asset with an indefinite life has changed to a finite life the change is made on a prospective basis. The expected useful lives for the assets 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 reviewed at each reporting date to determine whether there is any indication of 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 carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. 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, net of bank overdrafts, 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 assessed at each reporting date 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. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss reversals are also 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 recognised immediately 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.

This category includes the Group's senior secured bonds and derivative financial instruments.

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 recognised initially 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, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Provisions are determined 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. Future operating losses 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, France, Poland and USA 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 5.

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 comprises tax payable calculated in accordance with the tax law and regulations enacted or substantively enacted by the taxation authorities at the reporting date. The legislation in the countries in which the subsidiaries in the Group operate and generate taxable income prevails in the calculation of taxable income.

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.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- 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 comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in 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.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. 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.

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 (Note 2.21.1).

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.

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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

The amendments which are effective from 1 January 2020 that do not have material impact on the consolidated financial statements:

- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) effective 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019) effective 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) effective 1 January 2020
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) effective 1 January 2020

The amendments which are effective after 1 January 2020 and were early adopted:

- Amendment to IFRS 16 to help lessees accounting for covid-19-related rent concessions (issued on 28 May 2020) effective on 1 June 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. Impact of these lease concessions in the statement of comprehensive income for the year ended, 31 December 2020 is insignificant.
The practical expedient may be applied if the following conditions are applicable:

- The concession is a direct consequence of the COVID-19 pandemic
- The changed lease payments are substantially the same or less than payments prior to the rent concessions
- The reductions only affect payments which fall due before 30 June 2021
- There has been no substantive change in the terms and conditions of the lease

The practical expedient was applied to all qualifying rent concessions.

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 2021 and which are not expected to have a material impact on the financial statements:

- IFRS 17 Insurance Contracts (issued on 18 May 2017) effective 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively) effective 1 January 2023
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 effective 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 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 1 January 2023
- Amendments to IFRS 4 Insurance Contracts effective 1 January 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 effective 1 January 2021
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) effective 1 April 2021
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021) effective 1 January 2023

The standards will be adopted at the effective dates except for the Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021.

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 Change in accounting policies

During 2020, the Group revised its accounting policy relating to cost capitalized for moulds. All costs relating to development of a physical mould used to be previously capitalized into the value of the mould and presented as property, plant and equipment. The company has carried out an in depth analysis and determined that the majority of the cost capitalized to the mould relates to development of a new product which include activities such as creation of a new product specification, creation of product's and mould's design, prototype and manufacturing testing etc. Consequently, the Group revised the policy and elected to change presentation of these development costs in order to show them within Intangible assets. The Group believes that the new presentation provides more relevant information to the users of the financial statements. The change has no impact on consolidated statement of comprehensive income and consolidated statement of changes in equity of the Group.

If an entity changes an accounting policy voluntarily, the change is applied retrospectively. Impact of the change is showed in the below table:

Impact on consolidated statement of financial position:

	31 December 2019	**Restatement**	**31 December 2019 restated**
Property, plant and equipment	171,559	(45,818)	125,741
Intangible assets	110,959	45,818	156,777

	1 January 2019	**Restatement**	**1 January 2019 restated**
Property, plant and equipment	139,587	(29,172)	110,415
Intangible assets	120,126	29,172	149,298

Impact on consolidated statement of cash flows:

(in NOK '000s)	**2019**	**Restatement**	**2019 restated**
Cash flows from operating activities			
Adjustments for:			
Depreciation and impairment of property, plant and equipment and right-of-use asset	72,792	(9,075)	63,717
Amortisation and impairment of intangible assets	11,850	9,075	20,925
Cash flows from investing activities			
Purchase of property, plant and equipment	(85,664)	25,672	(59,992)
Purchase of intangible assets	(2,837)	(25,672)	(28,509)
Net increase/(decrease) in cash and cash equivalents	(57,290)	-	(57,290)

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 2020**	**31 December 2019**
Loan receivable	10,800	11,250
Senior secured bonds	(366,768)	(340,000)

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):

	Effect on profit before tax	
(in NOK '000s)	**10% increase**	**10% decrease**
Loan receivable	5	(5)
Senior secured bonds	(180)	180

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 and CPECs 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. 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 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
Senior secured bonds	18,461	381,491	-	-	-	399,952
CPECs	4,278	3,308	178,080	-	-	185,667
Borrowings	166	424	8,662	8,662	17,324	35,238
Derivative financial instruments	358	-	-	-	-	358
Trade and other payables	211,243	-	-	-	-	211,979
	295,458	**432,964**	**233,223**	**54,445**	**297,034**	**1,313,123**

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 31 December 2019. 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 2019.

(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	496,695
Senior secured bonds	32,941	30,336	342,576	-	-	405,853
CPECs	2,480	1,246	1,246	177,529		182,501
Derivative financial instruments	1,606	258	-	-	-	1,864
Trade and other payables	146,254	-	-	-	-	146,254
	232,521	**77,887**	**388,437**	**221,591**	**312,730**	**1,233,166**

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 2020	31 December 2019
Other receivables	11,731	13,511
Trade and other receivables (excluding prepayments)	80,255	56,970
Cash and cash equivalents	70,295	56,681
Maximum exposure to credit risk	**162,281**	**127,162**

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 arrangement. Under this arrangement, 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.

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 2020, total receivables transferred to factor amount to NOK 560,736 thousand (2019: NOK 306,404 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	BBB+
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 the RCF agreement. For 2020 the covenant requirements were waived. There are no indications that the covenants will not be met for 2021.

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 in the foundry in Norway, and these are safeguarded in a separate fire-proof storage facility with an automatic foam installation. In addition, the design is stored electronically and may be recreated in an automated cutting machine.

The foundry machine is a critical factor, but a sufficient inventory of critical spare parts held both locally and with suppliers secures continual operations. The Group's casts fit standardized foundry machines in Europe so that hire production can be established within a reasonable time.

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 its 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.

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. The different levels are defined as follows:

Level 1: Quoted price in an active market for an identical asset or liability.
Level 2: The valuation is based on other observable factors than direct (price) or indirect (derived from prices) for the asset or liability.
Level 3: The valuation is based on factors that are not derived from observable markets (non-observable assumptions).

The following table analyses within the fair value hierarchy the Group's financial instruments measured at fair value on recurring basis:

(in NOK '000s)	Level 1	Level 2	Level 3	Total
31 December 2020				
Financial assets				
Derivative financial instruments	-	311	-	**311**
Financial liabilities				
Senior secured bonds	-	333,759	-	**333,759**
Derivative financial instruments	-	358	-	**358**
31 December 2019				
Financial assets				
Derivative financial instruments	-	1,098	-	**1,098**
Financial liabilities				
Senior secured bonds	-	340,000	-	**340,000**
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. Management has estimated NOK 234,628 thousand as fair value of CPECs as of 31 December 2020 (2019: NOK 327,000 thousand). Market approach was used as valuation methodology.

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

The senior secured bonds were listed at Nasdaq Stockholm in May 2019, however, the Group does not consider their market as active due no transactions being transacted on the market. The Group has derived the fair value from bid-ask spread reported by the financial advisor at any given moment, based on over the counter transactions. The fair value is therefore classified as Level 2 similarly to the previous year. As of 31 December 2020, the bonds were traded at 91% of its nominal value (2019: 100%). Accrued interest on the bonds amounts to NOK 5,891 thousand (2019: NOK 5,099 thousand).

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. 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 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.

(in NOK '000s)	2020	2019
Sale of goods	909,410	966,066
Discount allowed	(3,933)	(4,947)
Total revenue	**905,477**	**961,119**

The decline in revenue compared to 2019 is mainly related to production output. The strong recovery in order intake in US in Q3 and the furlough schemes in the quarter before impacted negatively the stock level and therefore sales in Q3 and Q4 of 2020. In addition, the productivity, indirectly to the pandemic, in the Polish operations did not reach efficient levels of output until Q4, and therefore not able to match the, stronger than initially anticipated, market demand.

6. OTHER OPERATING INCOME

(in NOK '000s)	2020	2019
Gain on disposal of property, plant and equipment	2,487	3,980
Other operating income	3,554	8,725
Total other operating income	**6,041**	**12,705**

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

7. EMPLOYEE BENEFITS EXPENSE

(in NOK '000s)	2020	2019
Salaries and wages	(201,399)	(224,689)
Social security contribution	(35,464)	(36,395)
Pension fund contribution	(7,355)	(6,153)
Other employee benefits	(8,653)	(17,522)
Total employee benefits expense	**(252,871)**	**(284,759)**

Included in employment benefits expense is remuneration of key management personnel as listed below:

(in NOK '000s)	2020	2019
CEO and CFO remuneration:		
Salary	(4,433)	(4,573)
Pension fund contribution	(322)	(321)
Other remuneration	(1,544)	(1,717)
Fees to board members	(66)	(26)

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

8. OTHER OPERATING EXPENSE

(in NOK '000s)	2020	2019
Shipping and distribution cost	(45,491)	(40,086)
Rental of buildings and machinery	(4,695)	(1,441)
Selling and marketing costs	(47,395)	(57,589)
Production and maintenance costs	(36,053)	(28,085)
Cost relating to relocation of manufacturing	(19,976)	(60,733)
Management fees	(6,000)	(6,000)
Insurance	(14,631)	(13,295)
Audit fees	(3,330)	(2,555)
Tax advisory and other non-audit fees	(435)	(180)
Other consultancy fees	(27,945)	(17,659)
Other administration and operating expenses	(68,489)	(56,831)
Total other operating expense	**(274,440)**	**(284,454)**

Included in other operating expense is NOK 3,330 thousand (2019: NOK 2,555 thousand) for audit fees and NOK nil (2019: NOK 40 thousand) for non-audit fees. During 2020, NOK 435 thousand (2019: NOK 140 thousand) was charged for tax advisory fees.

9. FINANCE INCOME

(in NOK '000s)	2020	2019
Fair value adjustment on senior secured bonds	33,009	-
Interest income on loan receivable	361	400
Fair value adjustment on derivatives	719	4,010
Write down on financial fixed assets	58	-
Bank interest and other interest income	161	823
Total finance income	**34,308**	**5,233**

Fair value of the senior secured bonds is derived from bid-ask spread reported by the financial advisor at any given moment, based on over the counter transactions. As of 31 December 2020, the bonds were traded at 91% of its nominal value (2019: 100%). In 2019, the Group recorded a loss from fair value adjustment on senior secured bonds of NOK 6,250 thousand (Note 10).

10. FINANCE EXPENSE

(in NOK '000s)	2020	2019
Interest on senior secured bonds	(35,250)	(28,556)
Net foreign currency loss	(23,080)	(3,065)
IFRS 16 interest	(16,696)	(14,203)
Interest on borrowings	(1,266)	-
Compensation of interest on borrowing by government grant	1,147	-
Interest on CPECs	-	(179)
Bond issue costs	-	(5,112)
Fair value adjustment on senior secured bonds	-	(6,250)
Other finance expense	(10,677)	(6,007)
Total finance expense	**(85,822)**	**(63,372)**

In 2020, the Group recorded a gain from fair value adjustment on senior secured bonds of NOK 33,009 thousand (Note 9).

11. INCOME TAX

The components of income tax are as follows:

(in NOK '000s)	2020	2019
Current income tax (expense)/benefit in respect of the current year	(3,628)	(211)
Deferred tax expense	(6,869)	(1,136)
Total income tax expense	**(10,497)**	**(1,347)**

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

(in NOK '000s)	2020	2019
Loss before tax	(116,499)	(85,486)
Applicable tax rate	24.94%	24.94%
Calculated income tax benefit/(expense)	**29,055**	**21,320**
Foreign tax rate different from 24.94 %	(6,710)	(3,829)
Tax effect on non-taxable income	361	682
Tax attributable to prior years	598	1,530
Tax effect on non-deductible expenses	(3,887)	(11,083)
Deferred tax assets not recognised	(29,408)	(10,226)
Other	(506)	259
Income tax expense	**(10,497)**	**(1,347)**

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 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
Senior secured bonds	-	(8,078)	(8,078)
Tax losses carried forward	-	-	-
Other items	-	(17)	(17)
Deferred tax assets/(liabilities)	**3,762**	**(12,632)**	**(8,870)**

Reflected in the consolidated statement of financial position as follows:	
Deferred tax asset	**1,439**
Deferred tax liability	**(10,309)**

The origin of deferred tax assets and liabilities is as follows as of 31 December 2019:

(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 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	279
Deferred tax expense recognised in the statement of comprehensive income	(6,869)
Net deferred tax liability as at end of the year	**(8,870)**

The movement in net deferred tax liability for the year ended 31 December 2019 is as follows:

(in NOK '000s)	31 December 2019
Net deferred tax assets as of beginning of the year	(1,077)
Net deferred tax assets arising on acquisition of subsidiaries through business combination	-
Translation difference	(67)
Deferred tax expense recognised in the statement of comprehensive income	(1,136)
Net deferred tax liability as at end of the year	**(2,280)**

Deferred tax assets not recognised by the Group are NOK 166,228 thousand and NOK 126,752 thousand as of 31 December 2020 and 31 December 2019, respectively. Unrecognised tax losses have 17 years of expiration period in Luxembourg and no expiration date in other jurisdictions.

13. PROPERTY, PLANT AND EQUIPMENT

(in NOK '000s)	Land and buildings	Machinery	Fixtures	Total
Cost				
Balance at 1 January 2019 restated*	2,425	85,987	38,199	126,611
Additions	787	58,062	1,143	59,992
Disposals	(225)	(28,595)	(15,906)	(44,726)
Acquisition of subsidiary	-	-	84	84
Transfers	-	188	(188)	-
Adjustment for change in accounting policy (IFRS 16)	-	(8,903)	-	(8,903)
Effect of foreign currency exchange differences	88	294	53	435
Balance at 31 December 2019 restated*	**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**
Accumulated depreciation				
Balance at 1 January 2019 restated*	(691)	(4,528)	(10,977)	(16,196)
Depreciation expense	(360)	(24,081)	(6,858)	(31,299)
Disposals	185	26,114	13,492	39,791
Adjustment for change in accounting policy (IFRS 16)	-	503	-	503
Effect of foreign currency exchange differences	(67)	(487)	3	(551)
Balance at 31 December 2019 restated*	**(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)**
Carrying value as at 31 December 2020	**2,536**	**92,199**	**32,557**	**127,292**
Carrying value as at 31 December 2019 restated*	**2,142**	**104,554**	**19,045**	**125,741**
Carrying value as at 1 January 2019 restated*	**1,734**	**81,459**	**27,222**	**110,415**

* See Note 2.23 for details on restatement

14. INTANGIBLE ASSETS

(in NOK '000s)	Trademarks	Customer relation-ships	Other intangible assets	Total
Cost				
Balance at 1 January 2019 restated*	60,000	52,000	51,758	163,758
Acquisitions through business combinations	-	2,069	-	2,069
Additions	-	-	28,509	28,509
Disposals	-	-	(12,092)	(12,092)
Effect of foreign currency exchange differences	-	(132)	(906)	(1,038)
Balance at 31 December 2019 restated*	**60,000**	**53,937**	**67,269**	**181,206**
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	**60,000**	**53,885**	**70,735**	**184,620**
Accumulated amortisation				
Balance at 1 January 2019 restated*	-	(5,417)	(9,043)	(14,460)
Amortisation expense	-	(6,776)	(14,149)	(20,925)
Disposals	-	-	10,460	10,460
Effect of foreign currency exchange differences	-	-	496	496
Balance at 31 December 2019 restated*	**-**	**(12,193)**	**(12,236)**	**(24,429)**
Amortisation expense	-	(6,741)	(12,094)	(18,835)
Disposals	-	-	2,987	2,987
Reclassification	-	164	-	164
Effect of foreign currency exchange differences	-	(2)	(1,079)	(1,081)
Balance at 31 December 2020	**-**	**(18,772)**	**(22,422)**	**(41,194)**
Carrying value as at 31 December 2020	**60,000**	**35,113**	**48,313**	**143,426**
Carrying value as at 31 December 2019 restated*	**60,000**	**41,744**	**55,033**	**156,777**
Carrying value as at 1 January 2019 restated*	**60,000**	**46,583**	**42,715**	**149,298**

* See Note 2.23 for details on restatement

Trademarks with indefinite useful lives at 31 December 2020 amounting to NOK 60,000 thousand are not amortised (2019: NOK 60,000 thousand). The Group tests whether trademarks have suffered any impairment on an annual basis. For the 2020 and 2019 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 2021 revenue is based on budgeted figures and revenues of the following years are assumed to grow by 2.3% every year. Assumption of royalty rate of 1.5% and a discount rate of 18%.

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

(in NOK '000s)	**Recoverable amount**	**Change**
Current assumptions	71,352	
Decrease in discount rate by 2%	81,686	10,334
Increase in discount rate by 2%	63,343	(8,009)
Decrease in 2021 budgeted revenues by 10%	64,217	(7,135)
Increase in 2021 budgeted revenues by 10%	78,487	7,135
Decrease in perpetual revenue growth rate by 2%	65,511	(5,841)
Increase in perpetual revenue growth rate by 2%	77,858	6,506

The below table summarizes the main trademarks held by the Group and their weight in overall value:

Jøtul	77%
Scan	18%
Ild/Warm	3%
Atra	2%

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 expensed during the year amounts to NOK 13,418 thousand (2019: NOK 20,187 thousand).

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 2020	31 December 2019
Loan receivable	10,800	11,250
Deposits for property leases	443	2,261
Other	488	-
Total other receivables	**11,731**	**13,511**
Current	471	2,961
Non-current	11,260	10,550
Total other receivables	**11,731**	**13,511**

Loan receivable 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 COVID-19 pandemic, the Group entered into an agreement with Festningsveien 2 AS to defer part of its rental payments which shall be paid during 2021 (Note 2.21.1 and 27). As part of the agreement, the payment of two loan installments due by Festningsveien 2 AS in 2020 were also deferred until the deferred rent is fully settled.

As at 31 December 2020, the principal outstanding is NOK 10,800 thousand (2019: NOK 11,250 thousand) and accrued interest is NOK 0 (2019: NOK 0). Interest income on the loan amounts to NOK 361 thousand (2019: NOK 400 thousand) and is included in finance income (see Note 9).

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 2020	31 December 2019
Raw materials	59,905	64,475
Work in progress	29,974	12,584
Finished goods	99,609	138,270
Spare parts and other inventories	11,780	11,988
Total inventories	**201,268**	**227,317**

As of 31 December 2019, the Group increased its inventory levels in anticipation of the relocation project (Note 24).

The carrying amount of inventories recorded at the net realisable value is NOK 9,028 thousand (2019: NOK 9,500 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 2,396 thousand (2019: NOK 1,441 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 2020	31 December 2019
Trade receivables	66,510	60,613
Allowance for doubtful debts	(2,255)	(3,643)
	64,255	56,970
VAT receivable	16,000	-
Prepayments	41,479	16,843
Total trade and other receivables	**121,734**	**73,813**

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 nil (2019: NOK 188 thousand).

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 aging of the trade receivables are as follows:

(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	1,464	(424)	1,040
Total			**64,255**

The VAT receivable of NOK 16,000 thousand (2019: nil) represents VAT paid during investment and start-up of a new factory in Poland and shall be collected from Polish tax authorities during 2021.

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 70,295 thousand (2019: NOK 56,681 thousand) of which NOK 3,945 thousand (2019: NOK 4,800) 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 and Jotul North America Inc. 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 105 million. The revolving credit facility has been provided for general corporate purposes (and any refinancing, amendments or replacements thereof). The revolving credit facility expires on 31 May 2021.

As at the statement of financial position date, the Group has a liquidity reserve of NOK 65.5 million in unused bank overdraft facilities. Facility used totaled NOK 18.5 million as at year end and is net of against the bank balance. Total available drawing rights are NOK 105 million and cover both guarantees and withdrawals. As per February 2021 the RCF reduced by MNOK 30 to MNOK 75 (including ancillary facilities).

19. EQUITY

As of 31 December 2020, capital contributed from the sole shareholder in a form of equity consisted of share capital of NOK 4,060 thousand (31 December 2019: NOK 600 thousand) and share premium of NOK 35,640 thousand (31 December 2019: nil).

As at 31 December 2019, the authorized and issued share capital consist of 600,000 shares fully paid at a par value of NOK 1 each.

On 4 June 2020, the sole shareholder of the Company resolved to contribute a total amount of NOK 40,000,000 into share capital and share premium of the Company. Share capital of the Company was increased by NOK 3,460,001 raising it to a total of NOK 4,060,001 by way of the issue of 3,460,001 new shares of NOK 1 each. The remaining NOK 36,539,999 were contributed to the share premium.

On 23 February 2018, the Company changed its functional currency from EUR to NOK.

20. SENIOR SECURED BONDS

	(in NOK '000s)
Opening balance at 1 January 2020	345,099
PIK bonds issued during the year (converted from interest)	26,768
Interest accrued on bonds during the year (part not converted)	8,482
Interest paid during the year	(7,690)
Fair value adjustment (Note 9)	(33,009)
Closing balance at 31 December 2020	**339,650**
Current	5,891
Non-current	333,759
Total	**339,650**

On 21 February 2018, the Company issued a 4-year NOK 250 million senior secured bonds with ISBN NO0010815749. The bonds bear a floating rate coupon of 7% plus 3 months NIBOR with coupon payments quarterly. The bond has a maturity date of 31 January 2022.

In January 2019, the Group performed a tap issue of NOK 90 million as part of the bond facility agreement. The tap-issue is based on the same conditions as the outstanding bond debt which was issued in February 2018.

The bonds were listed at Nasdaq Stockholm in May 2019.

Following the non-payment of interest on 30 April 2020, the Group issued bonds with ISIN NO0010881733 in an aggregate amount equivalent to the amount of interest due to the holders of Bonds on such date. The Company instructed the paying agent to convert the issued bonds to PIK Bonds (as defined in the Terms and Conditions of the Bonds), at a premium of 2.50% per annum and with the same ISIN as the Bonds. This conversion was completed on 26 May 2020 and relevant record date is 22 May 2020. Net issued bonds amounted to NOK 9,605 thousand.

In July 2020 and October 2020, the Group exercised its right to defer interest payments and issued PIK Bonds with ISIN NO0010815749. As of 31 July 2020, the Group issued PIK bonds with nominal amount of NOK 8,741 thousand and as of 30 October 2020 the Group issued additional PIK bonds having nominal amount of NOK 8,423 thousand.

The Company has a possibility to issue bonds up to a maximum total nominal amount of NOK 400 million (representing sum of initial bonds, subsequent bonds and PIK bonds) under the terms and conditions of the listed bond.

The contract also contains a call option with early redemption conditions for the issuer. The Group may redeem all, but not only some, of the outstanding bonds in full:

(i) any time prior to the date falling 24 months after the bonds' issue date ("first call date"), at an amount per bond equal to 103.500 per cent of the nominal amount; and the present value on the relevant record date of the remaining interest payments (excluding accrued but unpaid interest up to the relevant redemption date) up to and excluding the first call date;
(ii) any time from and including the first call date to the first business day falling 30 months after the issue date at an amount per bond equal to 103.500 per cent of the nominal amount, together with accrued but unpaid Interest;

(iii) any time from and including the date falling 30 months after first issue date to the first business day falling 36 months after the issue date at an amount per bond equal to 102.275 per cent of the nominal amount, together with accrued but unpaid Interest;

(iv) any time from and including the date falling 36 months after issue date to the first business day falling 42 months after the issue date at an amount per bond equal to 101.050 per cent of the nominal amount, together with accrued but unpaid Interest; and

(v) any time from and including the first business day falling 42 months after the issue date to final maturity date at an amount per bond equal to 100 per cent of the nominal amount, together with accrued but unpaid Interest.

Early repayment option represents embedded derivative which is not closely related to the host contract. As management of the Group is unable to measure the embedded derivative separately both at acquisition date and as of the balance sheet date, the Group designated the entire hybrid contract as at fair value through profit or loss.

Assets pledged as security under senior secured bonds' agreement are disclosed in Note 30.

21. CONVERTIBLE PREFERRED EQUITY CERTIFICATES ("CPECS")

(in NOK '000s)	31 December 2020	31 December 2019
Accrued interest on CPECs	1,234	1,234
Principal amount of CPECs	177,321	177,321
Total CPECs	**178,555**	**178,555**

On 26 February 2018, the Company issued convertible preferred equity certificates ("CPECs"), each having a par value of NOK 1. The CPECs mature on the 30th anniversary date of its date of issuance. The yield on the CPECs is determined by the (i) percentage of interest on intercompany loans; (ii) minus the coupon on high yield bonds; and (iii) minus an appropriate margin determined.

The CPECs were fully subscribed by the ultimate shareholders of the Company for a total subscription price of NOK 177,321 thousand.

The Group measures CPECs as subsequently to recognition at amortised cost.

CPECs can be converted into shares of the Company at any time at the request of the Holders. Conversion price for one share shall be equal to par value of one CPEC.

According to conditions of the contract if any CPECs shall remain outstanding on maturity date, the Company shall redeem all of the outstanding CPECs at a price equal to the greater of the sum of the par value for each outstanding CPEC plus the unpaid yield accrued until that date and the fair market value (as determined by the Board of Directors of the Company) of the conversion shares into which such CPECs are convertible.

The Company is also entitled, at any time and at its election, to redeem any or all of the CPECs on a the optional redemption date at a call price equal to the greater of the sum of the par value for each outstanding CPEC plus the unpaid yield accrued until the optional redemption date and the fair market value (as determined by the Board of Directors of the Company) of the conversion shares into which such CPECs are convertible. The Company may pay the redemption price of an optional redemption either in cash or assets of any nature having a fair market value equal to the call price.

22. 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 2020, the carrying amount of the government grant is NOK 5,447 thousand of which NOK 1,493 thousand shall be amortized within next 12 months.

The borrowing is measured at amortized cost with carrying amount of NOK 27,644 thousand as of 31 December 2020. 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.

23. TRADE AND OTHER PAYABLES

(in NOK '000s)	31 December 2020	31 December 2019
Trade payables	131,017	83,899
Employee related payables	21,992	28,250
Social security, VAT payable	28,736	10,512
Accrued expenses	28,835	20,664
Other payables	663	2,929
Total trade and other payables	**211,243**	**146,254**

24. PROVISIONS

(in NOK '000s)	31 December 2020	31 December 2019
Provision relating to relocation of manufacturing	-	10,883
Provision for defined benefit pension plans	3,084	2,562
Warranty provision	1,970	1,933
Other provisions	38	216
Total provisions	**5,092**	**15,594**
Short-term provisions	287	10,883
Long-term provisions	4,805	4,711
Total provisions	**5,092**	**15,594**

The movement during the year is as follows:

(in NOK '000s)	31 December 2019	Additions	Provision used during the year	Conversion difference	31 December 2020
Provision for relocation of manufacturing	10,883	-	(10,883)	-	-
Provision for defined benefit pension plans	2,562	368	-	154	3,084
Warranty provision	1,933	-	-	37	1,970
Other provisions	216	172	(485)	135	38
Total	**15,594**	**540**	**(11,368)**	**326**	**5,092**

The process of relocating the manufacturing operations from Kråkerøy and Vissenbjerg to Poland was finalized in Q2 of 2020. The production is now fully operational. Total cost for relocation incurred in 2020 totaled NOK 19,390 thousand.

Provision for defined benefit pension plans relate to accruals of pension bonus payable to employees upon retirement in France.

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 2020**	**31 December 2019**
Currency forward	311	-	311	1,098
Total derivative assets	**311**	**-**	**311**	**1,098**

Derivative financial instrument liabilities:

(in NOK '000s)	**Current**	**Non-current**	**31 December 2020**	**31 December 2019**
Currency forward	358	-	358	1,864
Total derivative liabilities	**358**	**-**	**358**	**1,864**

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(in NOK '000s)	Senior secured bonds	CPECs	Borrowings	Leases
Balance at 1 January 2019	**243,750**	**177,321**	**-**	**348,910**
Cash flows	85,337	-	-	(31,933)
Fair value adjustment	6,250	-	-	-
Bond issue cost	4,663	-	-	-
New leases/effect of variable leases	-	-	-	85,429
Balance at 31 December 2019	**340,000**	**177,321**	**-**	**402,406**
Cash flows	-	-	35,365	(23,394)
Fair value adjustment	(33,009)	-	(7,021)	-
PIK bonds	26,768	-	-	-
Remeasurement of amortized cost	-	-	1,122	-
New leases/effect of variable leases	-	-	-	5,252
Currency translation adjustment	-	-	(1,822)	6,940
Balance at 31 December 2020	**333,759**	**177,321**	**27,644**	**391,204**

27. LEASES

(in NOK '000s)	31 December 2020	31 December 2019
Right-of-use assets		
Land and buildings	250,128	273,609
Plant and machinery	29,708	36,119
Furniture and fittings	1,250	1,016
Total right-of-use assets	**281,086**	**310,744**
Lease liabilities		
Current	59,735	48,576
Non-current	331,469	353,830
Total lease liabilities	**391,204**	**402,406**

Additions to the right-of-use assets for the year ended 31 December 2020 amounted to NOK 9,326 thousand (2019: NOK 88,167 thousand).
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) which postponed part of the lease payments to 2021. The rent deferral that relates to 2020 but will be payable during 2021 amounts to NOK 11,836 thousand.

(in NOK '000s)	31 December 2020	31 December 2019
Depreciation charge of right-of-use assets		
Land and buildings	(28,289)	(25,357)
Plant and machinery	(5,672)	(6,448)
Furniture and fittings	(745)	(613)
Total depreciation charge of right-of-use assets	**(34,706)**	**(32,418)**

Average remaining duration of lease contracts as of 31 December 2020:

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 16,696 thousand (2019: NOK 14,203 thousand) and is presented in Finance expense (Note 10).

Total cash outflow relating to leasing during 2020 amounted to NOK 40,091 thousand (2019: NOK 44,840 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 2020:

(in NOK '000s)	Norway	Poland	North America	France	Other	Elimina-tions	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	(2,672)	(76,475)	3,948	6,972	8,785	-	(59,442)

Unallocated corporate expenses included:	
Corporate administrative expenses	(5,543)
Operating result	**(64,985)**
Finance income	34,308
Finance expense	(85,822)
Loss before income tax	**(116,499)**
Income tax	(10,497)
Net loss for the year	**(126,996)**

(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	(45,130)	(14,830)	(10,031)	(4,679)	(9,208)	(83,877)

*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 2020
Norway	435,406
Poland	278,655
North America	73,762
France	133,635
Other	35,476
Total segment assets	**956,934**
Unallocated:	
Corporate assets	2,347
Deferred tax assets	1,439
Total assets as of 31/12/2020	**960,720**

Segment liabilities

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

(in NOK '000s)	31 December 2020
Norway	341,975
Poland	146,705
North America	36,726
France	100,057
Other	15,304
Total segment liabilities	**640,767**
Unallocated:	
Corporate liabilities	2,542
Deferred tax liabilities	10,309
Senior secured bonds	333,759
Convertible preferred equity certificates ("CPECs")	177,321
Interest accrued on bonds and CPECs	7,125
Total liabilities as of 31/12/2020	**1,171,823**

The Group's reportable segments are as follows for the year ended 31 December 2019:

(in NOK '000s)	Norway	Denmark	North America	France	Other	Elimina-tions	Total
External sales	357,896	73,020	206,731	248,479	74,993	-	961,119
Intersegment sales	140,045	60,594	1,350	10,971	1,088	(214,048)	-
Total revenue	497,941	133,614	208,081	259,450	76,081	(214,048)	**961,119**
Segment results	7,347	(40,013)	13,618	10,833	(13,744)	-	**(21,959)**
Unallocated corporate expenses included:							
Corporate administrative expenses							(5,388)
Operating result							**(27,347)**
Finance income							5,233
Finance expense							(63,372)
Loss before income tax							**(85,486)**
Income tax							(1,347)
Net loss for the year							**(86,833)**

(in NOK '000s)	Norway	Denmark	North America	France	Other	Total
Other information:						
Additions to non-current assets*	28,617	1,586	7,762	1,343	137,360	176,668
Depreciation and amortization expense	(44,787)	(14,949)	(9,538)	(4,594)	(10,774)	(84,642)

*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 2019
Norway	473,963
Denmark	76,026
North America	93,531
France	93,474
Other	168,875
Total segment assets	**905,869**
Unallocated:	
Corporate assets	62,625
Deferred tax assets	1,335
Total assets as of 31/12/2019	**969,829**

Segment liabilities

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

(in NOK '000s)	31 December 2019
Norway	119,693
Denmark	87,266
North America	15,589
France	64,705
Other	275,120
Total segment liabilities	**562,373**
Unallocated:	
Corporate liabilities	5,551
Deferred tax liabilities	3,615
Senior secured bonds	340,000
Convertible preferred equity certificates ("CPECs")	177,321
Interest accrued on bonds and CPECs	6,333
Total liabilities as of 31/12/2019	**1,095,193**

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 2020:

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets	Right-of-use assets
Nordic countries	**295,660**	**44,935**	**112,247**	**156,663**
-Norway	251,810	43,247	109,664	155,267
-Sweden	35,550	-	2,583	-
-Denmark	2,038	1,688	-	1,396
-Finland	6,262	-	-	-
Latin Europe	**289,266**	**1,480**	**12,132**	**28,446**
-France	238,146	1,270	10,697	27,421
-Italy	39,070	160	1,409	-
-Other Latin Europe	12,050	50	26	1,025
Central Europe	**59,933**	-	**1,937**	**-**
-Germany	42,779	-	1,937	-
-Other Central Europe	17,154	-	-	-
Eastern Europe	**31,382**	**72,628**	**31**	**73,829**
-Poland	19,465	72,628	31	73,829
-Other Eastern Europe	11,917	-	-	-
United States of America	**171,507**	**8,104**	**10,997**	**22,101**
United Kingdom	**20,734**	**145**	**1,562**	**47**
Rest of the world	**36,995**	**-**	**4,521**	**-**
Total	**905,477**	**127,292**	**143,426**	**281,086**

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 2019:

(in NOK '000s)	Revenue	Property, plant and equipment (restated)	Intangible assets (restated)	Right-of-use assets
Nordic countries	**328,790**	**51,868**	**124,704**	**168,908**
-Norway	284,189	49,809	121,621	166,717
-Sweden	36,834	-	3,083	-
-Denmark	2,143	2,059	-	2,191
-Finland	5,624	-	-	-
Latin Europe	**239,237**	**1,338**	**10,141**	**31,603**
-France	196,958	1,049	8,599	30,448
-Italy	28,320	221	1,542	-
-Other Latin Europe	13,959	68	-	1,155
Central Europe	**55,153**	-	**2,312**	**-**
-Germany	33,459	-	2,312	-
-Other Central Europe	21,694	-	-	-
Eastern Europe	25,955	**61,408**	**-**	**83,465**
-Poland	19,775	61,408	-	83,465
-Other Eastern Europe	6,180	-	-	-
United States of America	**208,025**	**10,922**	**12,405**	**26,525**
United Kingdom	**22,793**	**205**	**1,542**	**243**
Rest of the world	**81,165**	**-**	**5,673**	**-**
Total	**961,119**	**125,741**	**156,777**	**310,744**

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 2019 and 2020.

29. RELATED PARTY BALANCES AND TRANSACTIONS

The direct sole shareholder of the Group is Stove Investment Holdings S.à r.l., a company settled in Luxembourg. The Group is ultimately held by OpenGate Capital UGP I, Ltd a company settled in Cayman Islands. The Group is managed by OpenGate Capital Management, LLC. Open Gate Capital is a private equity firms based in Los Angeles and Paris.

Compensation to key management personnel is included in Note 7.

(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)	-
OpenGate Capital Partners I, LP	-	-	(88,375)	-
OpenGate Capital Partners I-A, LP	-	-	(89,603)	-
OGCP I Employee Co-Invest LP	-	-	(557)	-
Aico SpA	(73,912)	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 31 December 2019	Balance receivable outstanding as at 31 December 2019
OpenGate Capital Management, LLC	(6,000)	-	-	-
OpenGate Capital Partners I, LP	(185)	-	(88,375)	-
OpenGate Capital Partners I-A, LP	(187)	-	(89,603)	-
OGCP I Employee Co-Invest LP	(1)	-	(577)	-
Aico SpA	-	697	-	-

Transactions relating to OpenGate Capital Management, LLC include management fees and fees relating to the acquisition of the subsidiary.

Transactions relating to OpenGate Capital Partners I, LP, OpenGate Capital Partners I-A, LP and OGCP I Employee Co-Invest LP relates to the CPECs issued in the current year.

In 2020, Jotul Poland has entered into a manufacturing agreement with the Italian company Aico SpA for pellets stoves.

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 31 December 2019 and 31 December 2020 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 28 February 2018 and the terms and conditions for the bonds were entered into on 19 February 2018.

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

31. SUBSEQUENT EVENTS

As disclosed by management under Note 2.1, the coronavirus continues to impact the performance and health of the Group. Management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the financial performance of the Group.

The senior secured bonds issued by the Group mature in January 2022 and the Group plans to start the process of re-financing during the second half of 2021. In conjunction with this the Group will also re-negotiate the Recurring Credit Facility of NOK 75 million with Nordea bank. The Group believes that the timing for a re-financing is favourable provided the liquidity in the bond market and favourable customer demand for Jotul products in the markets in which the Group operates.

The board of directors confirms that the factors that may cause material uncertainty in the continuity of the operations (refer to Note 2.1) are mitigated and therefore the going concern assumption is valid.

32. APPROVAL BY THE BOARD OF DIRECTORS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 18 May 2021.