Group Financial Statements
for

Jøtul Group
31 December 2016

Income Statement

(Amounts in NOK'000)	Note	2016	2015
REVENUE, OPERATING INCOME AND OPERATING EXPENSE			
Operating income			
Revenue	1	880 331	888 208
Other operating income	2	10 104	10 456
Total operating income		**890 435**	**898 664**
Operating expense			
Changes in inventories of finished goods and work in progress	3	-7 308	-6 620
Raw materials and consumables used	3	296 434	300 087
Employee benefits expense	4	297 783	310 992
Depreciation and amortisation	5,6	47 883	49 659
Impairment of intangible assets		30 000	75 000
Other operating expense	7	255 265	245 003
Total operating expense		**920 057**	**974 121**
OPERATING RESULT		**-29 622**	**-75 457**
FINANCE INCOME AND FINANCE EXPENSE			
Finance expense			
Other interest income		602	702
Other finance income	8	10 682	35
Total finance income		**11 283**	**737**
Finance expense			
Interest expense to parent company	9	2 534	1 840
Other interest expense	10	19 842	17 934
Other finance expense	11	1 613	20 426
Total finance expense		**23 989**	**40 200**
NET FINANCE EXPENSE		**-12 706**	**-39 463**
RESULT BEFORE TAX		**-42 328**	**-114 920**
Income tax expense	12	2 424	277
RESULT FOR THE YEAR		**-44 752**	**-115 197**

Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation differences	-9 760	13 118
Income tax related to items that may be subsequently reclassified	0	0
Other comprehensive income after tax	**-9 760**	**13 118**
Total comprehensive income for the year	**-54 512**	**-102 079**

Balance sheet as at 31 December

(Amounts in NOK'000)	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Trade name	5	190 000	190 000
Other intangible assets	5	24 468	28 043
Deferred tax asset	13	3 122	3 320
Goodwill	5	218 412	252 790
Total intangible assets		**436 002**	**474 154**
Fixed assets			
Land, buildings and other property	6	1 704	1 660
Plant and equipment	6	163 901	182 829
Total fixed assets		**165 604**	**184 489**
Financial non-current assets			
Other receivables	14	15 876	17 204
Total financial non-current assets		**15 876**	**17 204**
TOTAL NON-CURRENT ASSETS		**617 482**	**675 847**
CURRENT ASSETS			
Inventories	3	192 225	185 183
Receivables			
Trade receivables	14	84 577	91 729
Other receivables	14	13 295	12 994
Total receivables		**97 871**	**104 723**
Derivatives	15	3 888	9
Bank deposits, cash etc.	9	5 893	6 189
TOTAL CURRENT ASSETS		**299 876**	**296 103**
TOTAL ASSETS		**917 358**	**971 950**

Balance sheet as at 31 December

(Amounts in NOK'000)	Note	2016	2015
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital	16	135 914	135 914
Share premium		565 112	565 112
Total paid-in capital		**701 026**	**701 026**
Retained earnings			
Accumulated losses/other equity		-573 384	-518 857
Total retained earnings		**-573 384**	**-518 857**
TOTAL EQUITY		**127 642**	**182 169**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions			
Deferred tax	13	4 640	4 147
Other provisions	2	44 255	49 366
Total provisions		**48 895**	**53 514**
Other non-current liabilities			
Debt to credit institutions	9	478 749	477 436
Subordinated borrowings from shareholders	9	89 373	86 839
Other non-current liabilities	9	0	634
Total other non-current liabilities		**568 122**	**564 909**
TOTAL NON-CURRENT LIABILITIES		**617 017**	**618 423**
CURRENT LIABILITIES			
Debt to credit institutions	9	34 035	27 016
Trade payables		71 735	71 181
Income tax payable	12	545	40
Social security tax, VAT etc. payable		16 007	14 241
Other current liabilities		48 434	56 373
Derivatives	15	1 943	2 507
TOTAL CURRENT LIABILITIES		**172 699**	**171 358**
TOTAL LIABILITIES		**789 716**	**789 781**
TOTAL EQUITY AND LIABILITIES		**917 358**	**971 950**

Fredrikstad, 2 March 2017

Anders Lindblad Chairman of the Board	Johan E. Rydmark Board Member	Lars Johansson Board Member	F. Lennart Rappe Board Member
Kaare Frydenberg Board Member	Arild Johannessen Board Member	Geir Harry Bunes Board Member	Rannveig Krane Board Member
Tommy Johannessen Board Member		Nils Agnar Brunborg CEO	

Statement of changes in Group equity

(Amounts in NOK'000)

	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total
Equity as at 1 January 2015	**135 914**	**565 112**	**11 219**	**-427 997**	**284 248**
Result for the year	0	0	0	-115 197	-115 197
Other comprehensive income:					
Foreign currency translation differences	0	0	13 029	89	13 118
Total comprehensive income for the year	0	0	13 029	-115 108	-102 079
Transactions with shareholders:					
Share capital increase			0	0	0
Total transactions with shareholders	0	0	0	0	0
Equity as at 31 December 2015	**135 914**	**565 112**	**24 248**	**-543 105**	**182 169**
Equity as at 1 January 2016	**135 914**	**565 112**	**24 248**	**-543 105**	**182 169**
Result for the year	0	0	0	-44 752	-44 752
Other comprehensive income:					
Foreign currency translation differences	0	0	-9 760	-15	-9 775
Total comprehensive income for the year	0	0	-9 760	-44 767	-54 527
Equity as at 31 December 2016	**135 914**	**565 112**	**14 488**	**-587 872**	**127 642**

Statement of cash flows as at 31 December

(Amounts in NOK'000)

Cash flows from operating activities	**2016**	**2015**
Result before tax	-42 328	-114 920
Income taxes paid	-1 228	-9 747
Capitalised interest	10 770	6 246
Depreciation and amortisation	47 883	49 659
Impairment of intangible assets	30 000	75 000
Change in inventories	-7 042	-6 233
Change in trade receivables	7 152	116
Change in trade payables	554	7 705
Change in other accruals/prepayments	-16 057	-13 713
Unrealised currency translation differences	-6 105	27 078
Net cash flows from operating activities	**23 599**	**21 191**
Cash flows from investing activities		
Payments to acquire fixed assets	-30 915	-42 510
Net cash flows from investing activities	**-30 915**	**-42 510**
Cash flows from financing activities		
Net payment bank overdraft	7 019	-65 608
Receipt from other borrowings (current/non-current)	0	85 268
Net cash flows from financing activities	**7 019**	**19 660**
Net cash flow for the period	**-297**	**-1 659**
Cash and bank deposits at the beginning of the period	6 189	7 848
Cash and bank deposits at the end of the period	**5 893**	**6 189**
Unused credit facility and bank deposits comprise, in addition	65 965	72 984

Notes 2016

1 General information

All figures are in NOK'000 unless stated otherwise.

Jøtul AS and its subsidiaries manufacture, distribute and sell 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 approx. 30 countries. Jøtul AS is registered and domiciled in Norway, and has its head office in Langøyveien on Kråkerøy in Fredrikstad. The company's postal address is: PO Box 1411, 1602 Fredrikstad. Telephone 69 35 90 00.

The consolidated Group financial statements were approved by the Board of Directors on 2 March 2017.

Jøtul's parent company is RATOS AB, a listed company on the Stockholm Stock Exchange, which owns Jøtul AS through a 100% owned investment company, Kamin Intressenter AB. The consolidated financial statements of Jøtul are included in the consolidated financial statements of RATOS AB.

2 Summary of the principal accounting policies

Below is a description of the principal accounting policies applied in the preparation of the consolidated group financial statements. These policies have been applied consistently for all periods presented, unless stated otherwise.

2.1 Basis for preparation of the financial statements

The consolidated financial statements of Jøtul AS have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

New and amended accounting standards issued by the IASB and approved by the EU may impact the financial statements to a larger or smaller degree. No new standards have been implemented in 2016, that have had a significant impact on the consolidated financial statements of Jøtul.

The consolidated financial statements will be impacted by changes to IFRS going forward. The IASB are currently working on a number of projects, the most important being Revenue from Contracts with Customers, Leases and Financial instruments. The new standards will not be effective before 2018/2019. An assessment of IFRS 15 has been conducted, and it has been assessed that the standard will not have a significant impact on the revenue recognition of the company. IFRS 16 Leases will result in a material balance sheet recognition of leasing agreements (see note 7 for additional information on leasing agreements), but the impact on the annual income statements is expected to be of lesser significance. The adoption of the new standards is not expected to have other material effects on the Group.

Jøtul expects to implement the standards on their effective dates, provided that they have been approved by the EU. The Group's consolidated financial statements have been prepared under the going concern assumption.

2.2 Consolidation principles

(a) Subsidiaries
The following subsidiaries are included in the Group:

Subsidiary	Business office/country	Year of acquisition	Share
Jøtul North America Inc.	Portland, US	1979	100 %
Jøtul France SASU	Dardilly, FR	1983	100 %
Jøtul UK Ltd.	Worcestershire, UK	2000	100 %
Jøtul Hispania	Zaragosa, ESP	2006	100 %
Jøtul Polska	Gdansk, PL	2006	100 %
Scan AS	Vissenbjerg, DK	2006	100 %
Jøtul Italia S.R.L.	Milano, IT	2007	100 %

Subsidiaries are companies over which the Group has control to determine the financial and operating policies of the entity, normally through share ownership of more than half of the voting rights. Potential voting rights that may be exercised or converted as of the balance sheet date are also included in the assessment of whether control exists.

Subsidiaries are consolidated from the point in time when the Group obtains control, and consolidation is discontinued when control over the subsidiary ceases to exist.

On purchase of a business, the acquisition accounting method is applied. The consideration given is measured at the fair value of the assets transferred, obligations assumed and equity instruments issued. Included in the consideration is also the fair value of all assets or obligations that follow from contingent consideration agreed. Identifiable assets, liabilities and contingent liabilities are recognised at fair value at the date of acquisition. Expenses related to the business combination are expensed as incurred.

Contingent consideration is measured at fair value at the date of acquisition. Subsequent changes in fair value of the contingent consideration shall in accordance with IAS 39 be recognised in profit or loss, or recognised as a change in other comprehensive income if the contingent consideration is classified as an asset or a liability.

Contingent consideration classified as equity is not re-measured, and subsequent changes are recognised in equity.

If the total of the consideration 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 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.

De-recognition of subsidiaries

On loss of control, the remaining ownership interest is measured at fair value, recognising a gain or loss in the income statement. The fair value represents the acquisition cost for subsequent measurement, either as an investment in an associate, joint venture or as a financial asset. Amounts previously recognised in other comprehensive income related to the de-recognised subsidiary are accounted for as if the Group had disposed of the underlying assets and liabilities. This may result in amounts previously accounted for in other comprehensive income being re-classified to profit or loss.

2.3 Allocation of fair value adjustments and previous reporting

The Jøtul Group was formed through the establishment and recapitalisation of Jøtul Group Holding AS (subsequent change of name to Jøtul AS), acquired by the current group of shareholders in 2006.

Allocation of fair value adjustments are presented as part of Ratos' Group financial statements for 2007. No fair value adjustments were identified for tangible fixed assets. Intangible assets, primarily represented by the trade name "Jøtul", were recognised at carrying book value. Fair value adjustments on acquisition

were fully allocated to goodwill at NOK 446.1 million. Goodwill also includes "technical" goodwill related to deferred tax on trade name of NOK 53.2 million. Furthermore, goodwill also includes minor amounts from acquisitions in 2007, as well as currency translation differences on conversion from foreign currencies.

Goodwill was, on establishment of the Group, explained as follows:

- Potential for consolidation of the market for stoves and fireplaces and the strategy developed for acquisitions, product development, geographical spread and the potential access to manufacturing in low cost countries, as well as a strong market position
- Own product development
- Business plan associated with expected growth in the market, a complete product programme and synergies in market organisations
- Synergies related to the acquisition of Scan A/S (Krog Iversen)

2.4 Segment reporting

Operating segments are reported in the same manner as internal reporting to the company's chief operating decision maker, and the Group's only operating segment is "production and sale of fireplaces". The company's chief operating decision maker, responsible for the allocation of resources to, and the assessment of the performance of, the operating segment, is defined as the Board of directors in the parent company.

2.5 Translation of foreign currency

(a) Functional currency and presentation 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). The Group financial statements are presented in NOK, which is both the functional currency and the presentation currency of the parent company.

(b) Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency using the transaction date exchange rate. Currency gains and losses arising on the payment of such transactions, and on translation of monetary items (assets and liabilities) in foreign currencies at the year-end, are translated at the exchange rate prevalent on the balance sheet date.

(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:

a. the balance sheet is translated at the end-rate at the balance sheet date
b. the income statement is translated at the average rate (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)
c. currency translation differences are recognised in other comprehensive income and as a separate line item within equity

Goodwill and fair value adjustments arising on the acquisition of foreign entities, are recognised as assets and liabilities in the acquired entity and translated using the exchange rate at the balance sheet date.

2.6 Fixed assets

Fixed assets comprise largely machines and equipment in the Group's plants. The Group's buildings are for the most part rented under long-term operating lease contracts. Fixed assets are recognised at cost in the balance sheet and depreciated on a straight-line basis over the expected useful life of the asset if the expected useful life is more than three years and the asset had a cost price of more than NOK 15,000. The cost price includes expenses directly attributable to the acquisition of the asset.

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.

Land is not depreciated. Other fixed assets are depreciated on a straight-line basis, so that the cost price of the fixed asset is depreciated over its expected useful life, which is:

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

The expected useful life of a fixed asset is re-assessed at each reporting date and amended if necessary. 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 (note 2.7).

Gains and losses on disposal are recognised in profit or loss, classified as other (losses)/gains, and comprises the difference between the sales price and carrying value.

2.7 Intangible assets

(a) Goodwill

Goodwill is the difference between the cost of acquisition of a business and the fair value of the Group's share of net identifiable assets in the business at the date of acquisition. Goodwill on acquisition of a subsidiary is classified as an intangible asset. Goodwill is tested for impairment on an annual basis, and recognised at cost less impairment losses. Impairment on goodwill is not reversed. Gains or losses on disposal of a business include the carrying value of goodwill related to the sold business.

For subsequent testing of impairment of goodwill, this is allocated to relevant cash generating units. The allocation is based on the cash generating units or groups of cash generating units expected to obtain benefits from the acquisition. Goodwill is for a significant part associated with market-related synergies.

(b) Trade names

Trade names are recognised at cost of acquisition and tested for impairment on an annual basis.

(c) Software

Acquired software is recognised at cost (including expenditure to make the software operational) and amortised over its expected useful life (3 to 5 years).

Expenditure for maintenance of software is expensed as incurred.

(d) Development costs

Expenditure related to the development of new products is expensed until the decision to realise the new product is made. Subsequent development costs to make suitable casts are recognised as fixed assets and depreciated on a straight-line basis over the asset's expected useful life. Other development costs are recognised as intangible assets and amortised on a straight-line basis over the expected useful life of the asset.

(e) Production rights

Production rights are recognised as intangible assets and amortised on a straight-line basis over their expected useful like.

2.8 Impairment of non-financial assets

Intangible assets with an indefinite useful life and goodwill are not amortised, but tested for impairment on

an annual basis. Fixed assets and intangible assets that are subject to amortisation, are assessed for impairment when there is an indication that future earnings are not sufficient to recover the carrying value of the asset. The difference between the carrying value and the recoverable amount is recognised as an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing impairment, assets are grouped at the lowest level at which it is possible to identify independent cash inflows (cash generating units).

For goodwill and trade name, impairment is assessed based on the estimated value in use. Future cash flows are assessed based on budgets and forecasts approved by management and discounted in accordance with the model required in IAS 36.

At each reporting date, the potential for reversing prior impairment charges related to non-financial assets is assessed (except goodwill).

2.9 Financial assets

The Group classifies financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose of the asset. Management determines the classification of financial assets on initial recognition.

(a) *Financial assets at fair value through profit or loss*
A financial asset classified into this category is acquired with the primary purpose to obtain gains from short-term price fluctuations (held for trading). Derivatives are classified as held for trading, unless they are part of a hedging arrangement. Assets in this category are classified as current assets. The fair value of financial derivatives is measured at the balance sheet date, and changes in value are recognised as finance income/finance expense.

(b) *Loans and receivables*
Loans and receivables that are not quoted in an active market are classified as current assets, unless they are due in more than 12 months after the balance sheet date, in which case they are classified as non-current assets. Loans and receivables are classified as “trade and other receivables” in the balance sheet (note 2.12). Loans and receivables are recognised at amortised cost using the effective interest method.

2.10 Derivatives and hedging

The Group limits its currency and interest risk by entering into long-term currency loans and fixed interest rate contracts. Hedge accounting is not applied and fluctuations in the fair value of foreign currency loans and fixed interest rate contracts are recognised as finance income-/expense.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in – first out method (FIFO). 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 costs to complete and selling costs.
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2.12 Trade receivables

Trade receivables are measured at fair value on initial recognition. Allowances for losses are recognised when there are objective indicators that the Group will not receive a settlement in accordance with the original terms. If the customer has significant financial problems, there is a likelihood of bankruptcy or a financial restructuring, as well as if there are delays and shortages to payments, these are considered indicators of impairment of trade receivables. The carrying value of trade receivables is reduced by using an allowance account, with changes to the allowance being recognised as part of other operating expense.

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 in other operating expense. Trade receivables are not discounted when they are due within one year.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank deposits.

2.14 Equity, share capital and share premium

Ordinary shares, B-shares, C-shares and D-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.

2.15 Trade payables

Trade payables are measured at fair value on initial recognition.

2.16 Borrowings

Borrowings are recognised at fair value on receipt of the loan. In subsequent periods, borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer payment of the liability for more than 12 months after the balance sheet date.

2.17 Income tax payable and deferred tax

The income tax expense comprises income tax payable and deferred tax. Income tax is recognised in profit or loss, except when it relates to items recognised directly in equity.

Income tax payable for the period is recognised in accordance with the tax law and regulations enacted or substantively enacted by the taxation authorities as at the balance sheet date. The legislation in the countries in which the subsidiaries in the Group operate and generate taxable income prevail in the calculation of taxable income.

Deferred tax is calculated on all temporary differences between the tax bases and the Group carrying amounts of assets and liabilities, using the liability method. Deferred tax is determined using the tax rates and tax laws enacted or substantively enacted as at the balance sheet date, and which are expected to be prevalent when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available.

2.18 Pension liabilities

The companies in the Group have various post-retirement arrangements, all complying with requirements in the individual countries.

The parent company decided in December 2014 on a transition from a defined benefit plan to a defined contribution pension plan with effect from 1 January 2015, and the effect was recognised in 2014 as a settlement of the pension plan.

Under defined contribution plans, the Group makes contributions to public or privately managed pension insurance plans, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations when the contributions have been paid. The contributions are recognised as an employee benefits expense on their due date. Prepaid contributions are recognised as an asset to the extent the contribution is refundable or will reduce future payments.

In addition, the company has a supplementary retirement benefits plan (AFP), which entitles employees to a life-long supplement to the ordinary pension payment. Employees may elect to utilise this from the age of 62, also if continuing as an employee, and additional benefits are earned by working until the age of 67. The plan is a defined benefit multi-employer plan, and is financed through contributions, which are determined as a percentage of salary.

It is currently not possible to measure and allocate the obligations in the plan in a reliable manner.

The plan is recognised as a contribution based pension plan where the contributions are expensed as incurred, and no provisions are made in the financial statements.

2.19 Provisions

The Group recognises provisions for environmental remediation, warranties, restructuring and legal claims when there is a present legal or constructive obligation arising from past events, and it is probable that the Group will be required to settle the obligation by transferring economic resources, and a sufficiently reliable estimate can be made as to the amount of the obligation.

2.20 Revenue recognition

Revenue from the sale of goods and services is recognised at fair value of the consideration, net of value added tax, returns, rebates and discounts.

(a) Sale of goods
The Group manufactures and sells a broad spectrum of stove products to distributors and importers. The sale of goods is recognised when an entity within the Group has delivered the goods to the distributor/importer, the distributor/importer is free to select the sales channel and sales price for the goods, and there are no unfulfilled obligations that may influence the distributor/importer’s acceptance of the goods. Delivery is not made until the goods have been shipped to the agreed place and the risk of loss and obsolescence has been transferred to the distributor/importer. Additionally, the distributor/importer must either have accepted the delivery as part of the contract, the time allowed for claims has expired or documentation exists to demonstrate that all criteria associated with delivery have been fulfilled.

(b) Interest income
Interest income is recognised proportionally over time in accordance with the effective interest method.

2.21 Lease agreements

Lease agreements where a substantial part of risks and rewards associated with ownership remains with the lessor, are classified as operating leases. Lease payments for operating leases (net of any economic incentives from the lessor) are recognised as an expense on a straight-line basis over the lease term. Lease agreements are classified as operating leases based on an assessment of the substance of the agreements in light of the criteria in IAS17 that are expected to be assessed. The Group leases certain fixed assets. Lease agreements related to fixed assets where the Group assumes substantially all the risks and rewards associated with ownership, are classified as finance leases. Finance leases are, at the inception of the lease, recognised at the lower of the fair value of the fixed asset and the present value of the minimum lease payments. Each lease payment is apportioned between the lease obligation and finance expense to achieve a constant rate of interest on the remaining balance of the obligation. The corresponding lease obligation (net of finance expense) is included in other non-current liabilities. The interest element of the finance expense is recognised over the lease term to achieve a constant rate of interest on the remaining balance of the liability for each period. Fixed assets under finance lease agreements are depreciated over the shorter of the expected useful life of the asset and the term of the lease agreement.

2.22 Dividends

Dividend payments to the company's shareholders are classified as a liability from the date on which the dividends have been approved by the General Meeting.

2.23 Contingent liabilities

Contingent liabilities are only recognised if it is more likely than not that an actual obligation exists.

2.24 Events after the balance sheet date

New information after the balance sheet date pertaining to the financial position on the balance sheet date, is included in the annual financial statements. Events after the balance sheet date that do not affect the financial position of the company as at the balance sheet date, but which will influence the company's financial position in future periods, is disclosed if material, see note 17.

3 Financial risk management

3.1 Financial risk factors

The Group's activities entail varying types of financial risk, such as: market risk (including currency risk, fair value interest rate risk, floating interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management plan focuses on the unpredictability of the capital markets and attempts to minimise the potential negative effects on the financial results of the Group. The Group utilises foreign currency loans (EUR and USD) and fixed interest rate contracts to reduce its currency and interest rate risk.

Risk management for the group is attended to by Group management in accordance with guidelines approved by the Board. Group management identifies, evaluates and reduces financial risk. The Board issues written principles for the overall risk management, and provides written guidelines for specific areas such as currency risk, interest rate risk, credit risk, use of derivative financial instruments and the investment of surplus liquidity.

(a) Market risk

(i) Currency risk
The Group has international operations and is exposed to foreign exchange risk in several currencies. This risk is particularly relevant for USD, EUR, GBP, SEK, PLN, DKK and JPY. Currency risk arises from future trade 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. To manage the currency risk from future trade transactions and recognised assets and liabilities, the Group utilises currency loans in EUR and USD. 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's trade receivables, trade payables, multi-currency bank overdrafts and unpaid currency forward contracts are subject to fluctuations in exchange rates. The currency exposure as at the balance sheet date is presented in the notes.

Foreign subsidiaries, with the exception of Scan A/S, generate revenues predominantly in the local currency, and the cost base is also in the local currency. The parent company and the subsidiary Scan A/S have receivables outstanding in foreign currency, and these receivables are subject to fluctuations in exchange rates. The exchange rate exposure related to trade payables is minimal.

(ii) Floating interest- and fixed interest risk
The Group's interest rate risk is related to non-current borrowings. Loans with a floating interest rate give rise to an interest rate risk associated with the cash flows of the Group. As at the year-end 31 December 2016, NOK 127 million of the company's borrowings were hedged through interest rate swaps.

(b) Credit risk
Credit risk is considered on Group level. Credit risk arises in transactions involving cash, cash equivalents, derivatives, deposits in banks and credit institutions in addition to transactions with wholesalers and consumers, including trade receivables and fixed agreements. Routines have been implemented to ascertain that sales are only made to distributors/importers that have satisfactory creditworthiness. Counterparties to derivative contracts and financial investments are limited to credit institutions with high credit rating (minimum "A" 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.

(c) Liquidity risk
Cash flow forecasts are prepared in the various operational entities in the Group, and aggregated by the Group's treasury function. The treasury function monitors 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 utilises surplus cash for the repayment of the multi-currency overdraft liability.

The table below details the Group's financial obligations classified in accordance with the maturity structure as at 31 December 2016. The amounts in the table are undiscounted contractual cash flows.

31 December 2016 (KNOK)	1 year	2 years	3 years	4 years	More than 4 years	Total
Loans	0	0	0	0	476 410	476 410
Interest payable (calculated)	7 801	7 801	7 801	7 801	56 557	87 761
Bank overdraft	34 035	0	0	0	0	34 035
Trade payables	71 735	0	0	0	0	71 735
Income tax payable	545	0	0	0	0	545
Social security tax, VAT etc. payable	16 007	0	0	0	0	16 007
Non-current debt to Group companies	0	0	0	0	89 373	89 373
Other current liabilities	48 434	0	0	0	0	48 434
Derivatives	1 943	0	0	0	0	1 943
Total	**180 500**	**7 801**	**7 801**	**7 801**	**622 340**	**826 243**

31 December 2015 (KNOK)	1 year	2 years	3 years	4 years	More than 4 years	Total
Non-current loans from credit institutions	0	0	0	0	474 390	474 390
Interest payable (calculated)	7 250	7 250	7 250	7 250	59 831	88 831
Bank overdraft	27 016	0	0	0	0	27 016
Trade payables	71 181	0	0	0	0	71 181
Income tax payable	40	0	0	0	0	40
Social security tax, VAT etc. payable	14 240	0	0	0	0	14 240
Non-current debt to Group companies	0	0	0	0	86 839	86 839
Other current liabilities	56 373	0	0	0	0	56 373
Derivatives	2 507	0	0	0	0	2 507
Total	**178 607**	**7 250**	**7 250**	**7 250**	**621 060**	**821 417**

The Company entered in 2015 into an agreement with its main bank to refinance the company's borrowings. The term of the arrangement matures in 2020 and is classified as non-current. The loan agreement is subject to quarterly covenants testing from and including the first quarter of 2016.

As at the balance sheet date, the Group has a liquidity reserve of MNOK 66 in unused bank overdraft facilities. Total available drawing rights are MNOK 100 and cover both guarantees and withdrawals.

3.2 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. 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.

3.3 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 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 standardised foundry machines in Europe so that hire production can be established within a reasonable time.

The production in Denmark 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 Jøtul's own factory.

The Group has no owned vehicles for transport of goods, but 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 not an issue in the countries in which the Group operates. Technical data, drawings, procedures etc. are stored electronically with good external back-up systems.

3.4 Fair value assessment

The table below shows financial instruments at fair value according to valuation method. 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 2)
Level 3: The valuation is based on factors that are not derived from observable markets (non-observable assumptions) (level 3)

	Level 1	Level 2	Level 3
Assets			
Derivatives	0	3 888	0
Total assets	**0**	**3 888**	**0**
Liabilities			
Derivatives	0	1 943	0
Total liabilities	**0**	**1 943**	**0**

The table below shows the Group’s financial instruments split by valuation method as at 31 December 2016:

	Measured as amortised cost	At fair value through profit or loss	Carrying value
Non-current assets:			
Other receivables	15 876	0	15 876
Current assets:			
Trade receivables	84 577	0	84 577
Other receivables	13 295	0	13 295
Derivatives	0	3 888	3 888

	Measured as amortised cost	At fair value through profit or loss	Carrying value
Non-current liabilities:			
Debt to credit institutions	478 749	0	478 749
Non-current debt to Group companies	89 373	0	89 373
Current liabilities:			
Debt to credit institutions	34 035	0	34 035
Trade payables	71 735	0	71 735
Other current liabilities	48 434	0	48 434
Derivatives*	0	1 943	1 943

The table below shows the Group’s financial instruments split by valuation method as at 31 December 2015:

	Measured as amortised cost	At fair value through profit or loss	Carrying value
Non-current assets:			
Other receivables	17 204	0	17 204
Current assets:			
Trade receivables	91 729	0	91 729
Other receivables	12 994	0	12 994

	Measured as amortised cost	At fair value through profit or loss	Carrying value
Non-current liabilities:			
Debt to credit institutions	477 436	0	477 736
Liability related to synthetic option	0	634	634
Non-current debt to Group companies	86 839	0	86 839
Current liabilities:			
Debt to financial institutions	27 016	0	27 016
Trade payables	71 181	0	71 181
Other current liabilities	56 373	0	56 373
Derivatives*	0	2 507	2 507

*Derivatives consist of the fair value of currency forward contracts in foreign currencies and fixed interest rate 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 balance sheet date, multiplied by the volume of the contract in the foreign currency, is used. In determining the present value of fixed interest rate contracts, the relevant interest rate as at the balance sheet date is used. The calculation is performed by the Group's bank, which submits a market report as at the balance sheet date to the Group.

The nominal amount less impairment for losses on trade receivables and the nominal amount of trade payables is considered to approximate the fair value of the items. The fair value of financial obligations (calculated for the purposes of notes disclosures) is estimated by discounting the future contractual cash flows using the alternative market interest rate for similar financial instruments.

4 Critical accounting estimates and management judgments

Estimates and judgments are assessed on an ongoing basis, and are based on historical experience and other factors, including expectation of future events that are considered likely to occur under current circumstances.

4.1 Critical accounting judgements and assumptions

The Group uses estimates and makes assumptions about the future. The accounting estimates arising from this will by definition rarely be completely in accordance with the actual outcome. Estimates and assumptions representing a significant risk of material changes to carrying values of assets and liabilities during the next financial year, are discussed below.

(a) Estimated impairment on goodwill and trade name
The Group performs annual tests to assess impairment on goodwill and trade name, ref. note 5. The recoverable amount from cash generating units is determined based on calculations of value in use. These are calculations that require the use of estimates. Sensitivity analyses are performed in the detailed note.

(b) Income tax

Transfer pricing

The Group is taxed on income earned in several countries. Use of judgment is necessary to determine the income tax for all countries, except one, in the Group financial statements. For many transactions and calculations there will be uncertainty associated with the final tax liability.

The Group complies with the OECD guidance on applying the arm's length principle in determining intra-group prices, by using the – according to the OECD – most common method, the TNMM method (Transactional net margin method). The method consists of determining transfer prices based on a comparison of own results with several other similar businesses in the various countries in which the Group has operations. The Group has complied with the documentation requirements for determination of transfer prices.

4.2 Significant judgments in the application of the entity's accounting policies

(a) Revenue recognition
The company sold the factory building, as well as the shares, of Jøtul Eiendom AS (which owns the company's leased administration building) at the beginning of 2006. The lease agreement was determined to be an operating lease in accordance with IAS 17.10/11. The gain on disposal of the building/shares was in total 93 694 794. Due to severe difficulties in determining the market value of the company's properties without a leaseback agreement, the gain is recognised over the rental term (IAS 17.61), which is 20 years. The gain recognised in profit or loss in 2016 is 4 705 104.

Note 1 – Revenue by geography

The Group's only operating segment «production and sale of fireplaces» is identified through the reporting used by the Board of the parent company in evaluating results and profitability on a strategic level.

Revenue by main markets in KNOK

	2016	2015
Nordic countries	320 507	284 215
United Kingdom and rest of the world	65 518	65 831
USA and Canada	170 939	174 914
Latin Europe	214 828	242 510
Central Europe	62 063	65 730
Eastern Europe	46 476	55 008
Total main markets	**880 331**	**888 208**

Note 2 - Other operating income and other provisions for obligations

	2016	2015
Deferred income recognised*	4 705	4 705
Other operating income	3 746	5 107
Gain on disposal of fixed assets	1 653	644
Total other operating income	**10 104**	**10 456**

*) Deferred income recognised in the current year from sale and leaseback of factory building in 2006 comprises 4 705.

Deferred income comprises	**31 Dec. 2016**
Deferred income from gain on sale of factory and office building	42 346
Other obligations	1 909
Total other provisions for obligations	**44 255**

Note 3 - Inventories

	2016	2015
Raw materials	67 129	54 458
Work in progress	16 444	16 988
Finished goods	101 934	102 591
Trading goods	6 718	11 146
Total	**192 225**	**185 183**

The carrying value of inventories measured at net realisable value (obsolescence) is NOK 9.7 million (prior year equivalent was NOK 8.0 million)

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

Note 4 - Employee benefits expense

	2016	2015
Wages and salaries	242 626	252 862
Social security	33 375	34 730
Other payroll related benefits	9 858	9 915
Other payroll related benefits	11 924	13 485
Total	**297 783**	**310 992**
Number of employees	564	595

Emoluments to leading employees

CEO	
Salary	2 546
Pension	96
Other remuneration	400
Members of the Board	980

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

The CEO resigned his position on 31 January 2017, and from the same date a temporary CEO was engaged on a consultancy basis.

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

Emoluments to leading employees
Leading employees include Group management and members of the Board. Emoluments to leading employees are shown below:

	2016	2015
Salary and other short term benefits to employees	10 793	9 775
Pension benefits	464	529
Total	**11 257**	**10 304**

No loans or credits have been given to leading employees or key persons.
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Fees to auditor, excl. VAT:

Total fees to the appointed auditor	961
Total fees to other auditor	557
Tax advisory and other services	233
Total fees to auditor	**1 751**

Note 5 – Intangible assets

	Goodwill	Trade name	Other intangible assets	Total
As at 1 January 2015				
Cost of acquisition	481 160	190 000	68 423	739 583
Accumulated amortisation	0	0	-40 023	-40 023
Accumulated impairment losses	-158 000	0	0	-158 000
Carrying value as at 1 January 2015	**323 160**	**190 000**	**28 400**	**541 560**
Financial year 2015				
Carrying value as at 1 January 2015	323 160	190 000	28 400	541 560
Currency translation differences – cost	4 630	0	4 120	8 750
Currency translation differences – acc. amortisation	0	0	-2 945	-2 945
Additions	0	0	6 718	6 718
Disposals – cost	0	0	-7	-7
Disposals – amortisation	0	0	5	5
Amortisation and impairment for the year	-75 000	0	-8 247	-83 247
Carrying value as at 31 December 2015	**252 790**	**190 000**	**28 043**	**470 833**
As at 31 December 2015				
Cost of acquisition	485 790	190 000	79 254	755 044
Accumulated amortisation	0	0	-51 211	-51 211
Accumulated impairment losses	-233 000	0	0	-233 000
Carrying value as at 31 December 2015	**252 790**	**190 000**	**28 043**	**470 833**
Financial year 2016				
Carrying value as at 1 January 2016	**252 790**	**190 000**	**28 043**	**470 833**
Currency translation differences – cost	-4378	0	-3 972	-8 350
Currency translation differences – acc. amortisation	0	0	2 714	2 714
Additions	0	0	5 202	5 202
Disposals – cost	0	0	-33	-33
Disposals – amortisation	0	0	32	32
Amortisation for the year	0	0	-7 519	-7 519
Impairment losses for the year	-30 000	0	0	-30 000
Carrying value as at 31 December 2016	**218 412**	**190 000**	**24 468**	**432 880**
As at 31 December 2016				
Cost of acquisition	481 412	190 000	80 452	751 864
Accumulated amortisation	0	0	-55 984	-55 984
Accumulated impairment losses	-263 000	0	0	-263 000
Carrying value as at 31 December 2016	**218 412**	**190 000**	**24 468**	**432 880**

The value of the trade name is defined as having an indefinite useful life and is consequently not amortised.

Goodwill has for the most part arisen through the establishment of the Group in 2006 (Ratos). Cost of acquisition for the trade name arose through the Group establishment in 2004 (Accent) and was carried at the same value in the new Group that was established in 2006 (Ratos).

* Goodwill and fair value adjustments on acquisition of foreign entities are considered as assets and liabilities in the acquired subsidiary and are translated at the exchange rate on the balance sheet date. Ref. accounting policies note 2.4

Goodwill is allocated to the Group's cash generating units identified by segment. Other intangible assets consist of capitalised development costs and production rights in the Group's subsidiary in Denmark. For other intangible assets, a straight-line amortisation period of 3-10 years is applied, depending on the asset category.

Impairment test for goodwill and trade name:

Group management has performed an impairment test based on the net total cash flows for the Group.

The estimated cash flows are based on the budgeted result (EBIT) for the upcoming years, i.e. expected operating result (EBIT) in accordance with the Board approved financial plan for the next five years.

Kommentert [JAR(-O1]: sentence in Norwegian was difficult to understand. Is this the correct meaning?

An impairment test based on the discounted future operating cash flows results in an impairment requirement of NOK 30 million for all intangible assets. An average weighted average cost of capital (WACC) of 6.85% is used in discounting the future cash flows, together with a growth factor of 1.0% and an EBITDA margin of 6.5% in calculating the terminal value from 2021. EBITDA is defined as operating result, adding back depreciation and amortisation.

A sensitivity analysis pertaining to the impairment test has been performed by changing the following variables individually:

- Margins reduced from 6.5% to 5.5% in the terminal. This results in a required impairment charge of NOK 200 million
- WACC adjusted by 1.0% to 7.85%, which results in a required impairment charge of NOK 130 million

Research and development costs:

The Group's total research and development costs expensed during the year are KNOK 17 205. 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. Certain services are bought in.

Note 6 - Fixed assets

	Land and buildings	Plant and machinery	Total
As at 1 January 2015			
Cost of acquisition	5 358	662 409	631 861
Accumulated depreciation	-3 823	-474 897	-422 143
Carrying value as at 1 January 2015	**1 536**	**187 511**	**209 718**
Financial year 2015			
Carrying value as at 1 January 2015	1 536	187 511	209 718
Currency translation differences – cost	912	19 614	20 454
Currency translation differences – acc. depreciation	-691	-16 245	-16 829
Additions	318	35 474	22 123
Disposals – cost	0	-19 368	-6 688
Disposals – depreciation	0	16 840	5 384
Depreciation for the year	-414	-40 998	-45 132
Carrying value as at 31 December 2015	**1 660**	**182 829**	**189 030**
As at 31 December 2015			
Cost of acquisition	6 588	698 128	667 750
Accumulated depreciation	-4 928	-515 300	-478 720
Carrying value as at 31 December 2015	**1 660**	**182 829**	**189 030**
Financial year 2016			
Carrying value as at 1 January 2016	1 660	182 829	184 489
Currency translation differences – cost	-267	-8 632	-8 898
Currency translation differences – acc. depreciation	217	6 126	6 343
Additions	458	25 255	25 713
Disposals – cost	-385	-21 474	-21 858
Disposals – depreciation	327	19 852	20 178
Depreciation for the year	-308	-40 056	-40 364
Carrying value as at 31 December 2016	**1 704**	**163 901**	**165 604**
As at 31 December 2016			
Cost of acquisition	6 395	693 278	699 674
Accumulated depreciation	-4 692	-529 378	-534 070
Carrying value as at 31 December 2016	**1 704**	**163 901**	**165 604**

Land is not depreciated. Other fixed assets are depreciated on a straight-line basis, so that the cost price of the fixed assets are depreciated to their residual value over the expected useful life, which is:

Buildings	25-40 years
Machinery	10-15 years
Vehicles	3-5 years
Fittings and equipment	3-8 years

The useful life of the fixed assets, as well as their residual values, are evaluated on every balance sheet date and amended if necessary. When the carrying value of a fixed asset is higher than the estimated recoverable amount, the value is written down to the recoverable amount.

Note 7 - Note 7 – Other operating expenses

Specification of other operating expense	**2016**	**2015**
Shipping and distribution cost	36 846	39 055
Rental of buildings and machinery	47 386	47 556
Selling costs	60 128	56 659
Production- and maintenance costs	30 984	29 985
Other operating expense	79 921	71 748
Total other operating expense	**255 265**	**245 003**

The Group rents plant, machinery, offices and factory buildings through non-cancellable rental agreements, where property rental constitutes the largest proportion of the annual cost and future minimum lease payments.

The agreements for rental of offices and factory buildings may be extended on the expiry of the rental terms:

- In Norway the rental term may be extended by 4 * 5 years after the expiry of the rental term, which is 2031
- In Denmark a 3 year rental contract has been entered into. On expiry of the rental term in 2018, the agreement continues until terminated, with a 6 month notice period
- In the USA the rental term continues until 2024 with an option to extend
- In France the rental term for the office building expires in July 2018, whilst for the production facilities there is a lease obligation until April 2017.

The agreements include provisions for annual price regulations.

	2016	**2015**
Expensed leasing cost for the year	47 386	47 556

Future accumulated minimum payments related to non-cancellable lease agreements are as follows:

	2016	**2015**
Expire in less than 1 year	41 302	43 185
Expire between 2 and 5 years	134 454	132 218
Expire later than 5 years	272 198	283 723
Total future lease obligations	**447 954**	**459 125**

Note 8 - Other finance income

	2016	**2015**
Net unrealised foreign exchange gains	10 658	0
Other finance income	23	35
Total other finance income	**10 681**	**35**

Note 9 – Debt to credit institutions, subordinated loan and loan covenants

Debt to credit institutions	**2016**	**2015**
Lease obligations	2 338	3 047
Non-current loans	476 411	474 390
Non-current debt to Group companies	89 373	86 839
Other non-current debt (synthetic option)	0	634
Total borrowings from financial institutions	**568 122**	**564 909**

There are no borrowings with a maturity of more than 5 years from the balance sheet date.

The Group's borrowings, long-term and bank overdrafts, have a floating interest rate in NOK, USD, EUR, GBP, SEK, DKK and PLN and are as such subject to fluctuations in the general interest rate levels.
Part of the non-current loans are hedged in terms of interest rates and the table below shows the loan amount and the hedged interest rate. Margins to the bank are additional to this.

Loan amount	Currency	Maturity	Interest rate hedged
34.2	MNOK	18.05.2017	2.55 %
4.6	MEUR	17.05.2017	0.92 %
5.9	MUSD	17.05.2017	0.95 %

As at the end of the year, the non-current loans were issued in NOK, USD and EUR.

Covenants
In 2015, the company's borrowings were re-financed in their entirety. The new loan agreement is effectual until 2020. The loan agreement is subject to quarterly covenants testing. The company has passed the covenants tests in 2016.

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

The total drawing rights related to the multi-currency overdraft and guarantees given as of 31 December 2016, is NOK 100 million.

Current liability by currency as at 31 December 2016	Currency	NOK
PLN	5 993	12 347
DKK	48 860	59 722
GBP	-153	-1 619
SEK	-3 181	-3 017
USD	2 238	19 352
EUR	-2 333	-21 200
NOK	-31 549	-31 549
Total		**34 035**

Current liability by currency as at 31 December 2016	Currency	NOK
PLN	6 197	14 023
DKK	39 204	50 519
GBP	-300	-3 914
SEK	-2 541	-2 659
USD	2 454	21 588
EUR	-2 071	-19 918
NOK	-32 622	-32 622
Total		**27 016**

Mortgages:

	2016	2015
Borrowings secured by collateral	510 446	501 406

Mortgaged assets:

Fixed assets	165 604	184 489
Trade receivables	84 577	91 729
Inventories	192 225	185 183
Total mortgaged assets	**442 406**	**461 401**

Note 10 – Other interest expense

	2016	2015
Interest to credit institutions	19 842	17 934
Total Other interest expense	**19 842**	**17 934**

Note 11 - Other finance expense

	2016	2015
Net currency gain/loss	743	1 319
Unrealised currency loss on currency loan	0	17 693
Other finance expense	870	1 414
Total other finance expense	**1 613**	**20 426**

Note 12 - Income tax expense

Income tax expense

	2016	2015
Income tax	1 686	2 709
Change deferred tax/deferred tax asset	738	-2 432
Total income tax expense	**2 424**	**277**

Tax on result before tax deviates from the amount that would have been arrived at if the Group's average tax rate had been used.

The difference is explained as follows:

	2016	2015
Result before tax	-42 328	-114 920
Tax estimated using the average tax rate, 25% 2016/27% 2015	-10 582	-31 028
Tax effects from:		
Effect of foreign tax rates differing from 25%	2 495	-2 018
Deferred tax assets not recognised	2 760	10 257
Non-deductible expenses	7 751	23 066
Total income tax expense	2 424	277

Note 13 - Deferred tax and deferred tax assets

Deferred tax is presented net when the Group has a legal right to offset deferred tax assets against deferred tax in the balance sheet and if the deferred tax relates to the same tax authority.

Change in the carrying value of deferred tax /deferred tax assets:	2016	2015
Carrying value as at 1 January	827	3 007
Expense/(income) for the period	691	-2 180
Carrying value as at 31 December	1 518	827

Change in deferred tax assets and deferred tax (without net presentation within the same taxation regime).

Deferred tax assets:	Fixed assets and intangible assets	Temporary differences	Losses carried forward	Other	Total
Balance as at 1 Jan 2017	67 384	3 265	-56 985	-12 838	827
Recognised in profit or loss	246	477	3 035	-2 997	761
Reclassified	0	0	0	-162	-162
Exchange rate differences	-372	7	0	458	93
Balance as at 31 Dec 2016:	**67 258**	**3 749**	**-53 950**	**-15 539**	**1 518**

The tax losses carried forward are largely related to the parent company. The total losses carried forward in the parent company are NOK 519 975 thousand, which represents a tax asset of NOK 124 794 thousand, of which NOK 77 088 thousand are not recognised.

Note 14 – Trade receivables and other receivables

	2016	2015
Trade receivables	87 915	95 872
Allowance for probable losses on trade receivables	-3 338	-4 143
Trade receivables, net	84 577	91 729
Prepayments and loans receivable	13 295	12 994
Loans receivable	15 876	17 204
Total trade and other receivables	**113 747**	**121 927**
Losses recognised on trade receivables	852	663
Of which non-current assets	15 876	17 204
Of which current assets	97 871	104 723

All non-current receivables are due within five years of the balance sheet date.

Fair value of trade receivables and other receivables are as follows:

	2016	2016
Trade receivables	84 577	91 729
Prepayments	13 295	12 994
Deposits for property leases and loans*	15 876	17 204
Total fair value of trade and other receivables	**113 747**	**121 927**

* An interest-bearing loan of NOK 13.5 million has been given to Festningsveien 2 AS in connection with their building of a new warehouse and manufacturing facility for the company's plant in Kråkerøy.

The Group's credit terms very 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.

Ageing of trade receivables and allowance for losses	**Nominal amount**	**Allowance**	**Carrying value**
Not due	66 307	0	66 307
0-61 days overdue	11 278	-18	11 260
61-180 days overdue	7 185	-209	6 976
181-365 days overdue	689	-655	34
More than one year	2 456	-2 456	0
Total	87 915	-3 338	84 577

Trade receivables by currency as at 31 December 2016	**Currency**	**NOK**
PLN	1 739	3 583
DKK	341	417
GBP	664	7 049
SEK	6 335	6 008
USD	2 156	18 642
EUR	3 747	34 048
NOK	14 831	14 831
Total		**84 577**

Trade receivables by currency as at 31 December 2015	**Currency**	**NOK**
PLN	2 078	4 699
DKK	490	632
GBP	598	7 810
SEK	5 162	5 403
USD	1 806	15 889
EUR	4 664	44 851
NOK	12 444	12 444
Total		**91 729**

Note 15 - Derivatives

The value of the Group's fixed interest rate contracts that have not been settled (derivatives) is calculated by the company's bank and included in the various line items in the balance sheet in the following amounts:

	2016	2015
"Derivatives" (current asset)	3 888	9
"Other current liabilities"	-1 943	-2 507
Total currency forward and fixed interest rate contracts	**1 944**	**-2 498**

Note 16 – Share capital

The parent company has 19 416 247 shares, each at a nominal value of NOK 7, the total share capital comprising NOK 135 913 729. All share classes have equal rights in terms of voting rights. The share classes have different rights related to dividend distribution.

The largest shareholders of the parent company owning more than 1% of the share capital are:

Shareholder	Ordinary shares	B-shares	C- shares	D- shares	Number of shares	Ownership
Ratos AB	10 663 176	5 393 772	1 973 943	499 987	18 530 878	95.44 %
FruGolino AS	280 312	0	0	0	280 312	1.44 %
Others	567 907	32 824	3 149	1 177	605 057	3.12 %
Total	**11 511 395**	**5 426 596**	**1 977 092**	**501 164**	**19 416 247**	**100.00 %**

Shares owned wither directly or indirectly by members of the Board:

Shareholder	Ordinary shares	B-shares	C- shares	D- shares	Number of shares	Ownership
Lennart Rappe	10 711	16 412	0	0	27 123	0.15 %
Total	**10 711**	**16 412**	**0**	**0**	**27 123**	**0.15 %**

Note 17 - Events after the balance sheet date

No other material events have occurred in the period from the balance sheet date to the date of approval of the financial statements, that have significantly impacted the Group's financial position, and which should have been reflected in the financial statements issued.

Nils Agnar Brunborg assumed the position of CEO at the end of January 2017, following Eskil Zapffe, who had been employed in this position from January 2014.

Note 18 – Related parties

The company is controlled by Kamin Intressenter AB, a company which is 100% owned by Ratos AB (listed on the Stockholm stock exchange in Sweden), and which owns 95.44% of the company's shares. The remaining 4.56% of the shares are owned by various shareholders.

Information about and remuneration to leading employees are shown in note 4 Employee benefits expense.

Debt to related parties are presented as a separate line item in the balance sheet.

In 2006, the company sold the factory building and office building with a leaseback term of 20 years, with an option for an additional 20 years, to a consortium that established two limited companies for the purpose of owning and operating the properties. In 2012, the Group used its option to extend the lease agreement on opening a new warehouse and manufacturing facility. The shareholders of Jøtul AS, leading employees, the Board or other key persons do not own any interest in these limited companies.

In connection with refinancing the company, Ratos AB has issued three shareholder loans with a total balance of NOK 89 373 thousand, interest bearing at 2-5% interest rate.

Directors' Report 2016

Business

Jøtul is one of the three largest suppliers of fireplaces in Europe. The company, as one of the oldest businesses in Norway, with history dating back to 1853, distributes stand-alone stoves, inserts, frames and accessories for fireplaces. The Group's chief 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 iron and are characterised by modern Danish design. The head office is located in Fredrikstad, Norway. Manufacturing normally occurs through own production in Norway, Denmark, France and the USA, in addition to some 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 end consumers through speciality shops, and in Norway also through building materials retailers.

Market

Jøtul'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 Jøtul 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 use of renewable energy. Important product characteristics for fireplaces are design, and also the products' ability to utilise the energy in the wood and to burn the wood in a clean manner to minimise particle emissions. In Norway, strict combustion regulations were introduced early, and Jøtul's products are among the global leaders in this area.

The year in brief

Revenue decreased in 2016, but cost measures resulted in an improved operating result. The operating result is nevertheless considered unsatisfactory. The reduction in revenue is due to a fall in the total market and not a result of lost market share. With background in a weaker market development than expected, an impairment of goodwill of NOK 30 million was made. In the Board's opinion, the financial statements provide a fair view of the company's and Group's financial position and results. The company's borrowing arrangements are subject to quarterly covenant testing. The company has complied with the covenant tests in 2016, and based on the budget for 2017 the company will also pass the covenant tests for this year. The Board confirms that the going concern assumption is valid.

Risk exposure

The Group's activities entail various types of financial risk associated with foreign currency, interest

rate, credit and liquidity. The Group utilises foreign currency loans, forward contracts and fixed interest rate contracts to reduce its exposure to currency- and interest rate risk. 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 in building the plant structure. There have been no serious incidents resulting in a prolonged stoppage in production in the last 10 years.

Sustainable development

High quality and environmentally friendly products are central to Jøtul's product development and manufacturing process. The cast iron, which is utilised in the production is produced largely from recycled scrap iron and using hydroelectric power, and has consequently no significant negative effect on the external environment.

Jøtul's products are among the most energy efficient in the market and have a very clean combustion technology. Jøtul are working towards ensuring that all products are energy labeled in accordance with local energy requirements.

The company has extensive focus on health and the workplace environment. The Jøtul Group's production is traditional, and part of the production is 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 parent company had 65 female employees at the end of 2016, comprising 20% of the total. The Group's goal is for full gender equality between men and women to be prevalent. Absence due to sickness in the parent company was 7.9% in 2016, the same level as in the prior year. During 2016, 8 work related injuries resulting in absence for more than the day of the injury, were reported, compared with 5 injuries in the prior year.

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.

Jøtul AS is an inclusive workplace company, which entails a commitment to make arrangements for people with disabilities. The company has 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.

Future development

Jøtul has a strong global market position, 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.

Jøtul has ambitions to grow in the market and are 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.

Nils Agnar Brunborg assumed the position of CEO at the end of January 2017, following Eskil Zapffe, who had been employed in this position from January 2014.

Fredrikstad, 2 March 2017

Anders Lindblad Chairman of the Board	Lars Johansson Board member	Johan Rydmark Board member	Lennart Rappe Board member
Arild Johannessen Board member	Geir Bunes Board member	Kaare Frydenberg Board member	Rannveig Krane Board member
Tommy Johannessen Board member	Nils Agnar Brunborg CEO		

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Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Jøtul AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Jøtul AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2016, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 2 March 2017
ERNST & YOUNG AS

Knut Aker
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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