Jotul Holdings SA

Consolidated Financial Statements
for the year ended 31 December 2018

Registered Office:
6, Rue Eugène Ruppert
L-2453 Luxembourg

R.C.S. Luxembourg B203258

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Deloitte.

Deloitte Audit
Société à responsabilité limitée
20 Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

To the Shareholders of
Jotul Holdings S.A.
6, Rue Eugène Ruppert
L-2453 Luxembourg

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. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, 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 give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 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.

Other Matter

The consolidated financial statements of Jotul Holdings S.A. for the year ended December 31, 2017 were not audited.

Basis for Opinion

We conducted our audit in accordance with 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 those Law and standards 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement 10022179

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report 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 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

Our objectives 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 Law of 23 July 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 Law of 23 July 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.

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- 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.

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

Report on Other Legal and Regulatory Requirements

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

For Deloitte Audit, *Cabinet de Révision Agréé*

Eddy Termaten, *Réviseur d'Entreprises Agréé*
Partner

July 29, 2019

Consolidated Management Report

The Jotul Group, in its current legal form, was established 28.02.2018 and the financial statement is presented with ten months of operations from the “old” Jøtul Group. To give the readers of the report an impression of the full-year 2018 Group performance, relevant 2018 vs 2017 comparisons are presented in this Management Report in parentheses in the format (FY 2018 xx MNOK vs FY 2017 yy MNOK). These comparisons are based on the Group’s unaudited 2018 Q4 report.

Business

The Jotul Group 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 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 steel and are characterized 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 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 retailers.

The year in brief

In the audited period of 2018, the Jotul Group reached a total operating income of MNOK 785 (FY 2018 912 MNOK vs FY 2017 906 MNOK). The Group is particularly pleased with the sales volume in two of the most important markets, Norway and North America. The 2018 total comprehensive loss for the year was MNOK -47,5 (FY 2018 -53 MNOK vs FY 2017 -355 MNOK). The operating result came in at MNOK -9,3 in 2018 (FY 2018 -10,0 MNOK vs FY 2017 -320,7 MNOK), and this figure implies productivity improvements at the Kråkerøy factory, and reduced indirect headcount and the effect of the closure of the operations in Halden, though negatively impacted by higher raw material costs related to metals and energy.

In January 2019, Jøtul Group performed a successful tap issue of MNOK 90 to finance the project of relocate the production from Denmark and Norway (only casting process to remain in Norway) to Poland. The project is planned to be finalized Q1 2020, and is running in accordance with this plan. The company expects to fulfil the loan agreements for 2019 based on the company’s budgets and forecasts.

In the Board’s opinion, the financial statements provide a fair view of the company’s and Group’s financial position and results. The Group has established a strategy towards 2020, which will ensure the basis for continued growth and results development. At the same time a new capital structure will bring increased capital adequacy. The Board confirms that the going concern assumption is valid.

Market

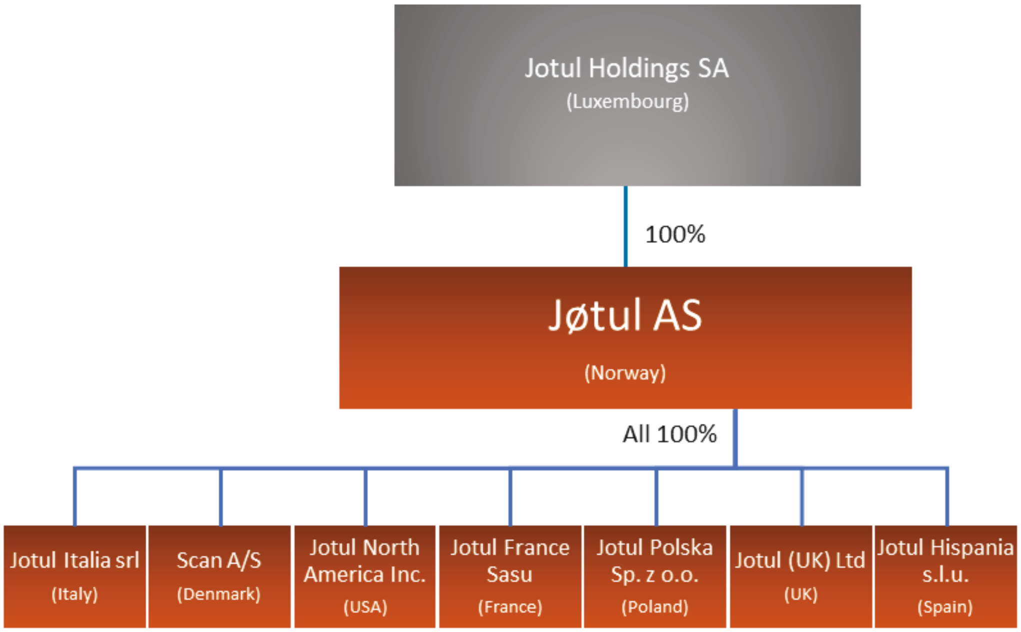
The Group's largest markets are the Nordic countries, France and USA. The company supplies fireplaces for wood, gas and pellets. The market is multi-local, and the competitors are largely local participants in national markets. This is driven by historical positions and a fragmented regulatory picture, 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 also 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 2018, including all branches and ownership percentages:



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 FX forward contracts to reduce its exposure to currency rate risk. The Group policy in this regard, is to secure through FX forward contracts 80% of the estimated exposure in EUR, USD and GBP on a 1-12 month perspective. Estimated exposure towards the mentioned currencies spanning 13-24 month forward is hedged at a rate of 60% of the exposure. No other currency exposure is considered material enough to be covered by the Group's FX hedging scheme.

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 plans to purchase a number of 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 and using hydroelectric power, and has consequently no significant negative effect 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 Scan factory in Denmark, 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. 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 2018 was MNOK 25,2 of which MNOK 6,0 was booked as capital expenditures.

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, OPEX, 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 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.

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.

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.

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 Holding 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 company's plans to relocate its manufacturing activities from Norway and Denmark to Poland.

Jotul Poland Sp. z o.o. was established in January 2019 in Katy Wrocławskie, Poland, and will significantly improve the Group's cost competitiveness once operative in 2020.

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.

Other remarks

Jotul Holdings SA did not acquire any of its own shares during the year ended 31 December 2018.

Luxembourg, 25 July 2019

Julien Lagrèze (Class A Director)

Fanny Auenallah (Class B Director)

Consolidated statement of comprehensive income

(in NOK '000s)	Notes	31 December 2018	31 December 2017
Revenue	5	782,006	-
Other operating income	6	2,843	-
Total operating income		**784,849**	**-**
Raw materials and consumables		(280,480)	-
Changes in inventories of finished goods and work in progress		12,754	-
Employee benefits expense	7	(234,802)	-
Depreciation and amortisation	13,14	(42,734)	-
Impairment losses on financial assets	17	(2,494)	-
Other operating expense	8	(246,200)	(226)
Total operating expenses		**(793,956)**	**(226)**
Operating result		**(9,107)**	**(226)**
Finance income	9	6,745	-
Finance expense	10	(40,924)	-
Net finance cost		**(34,179)**	**-**
Loss before income tax		**(43,286)**	**(226)**
Income tax	11	(3,894)	-
Net loss for the year		**(47,180)**	**(226)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations		7,526	(26)
Other comprehensive income/(loss) for the year net of tax		7,526	**(26)**
Total comprehensive loss for the year		**(39,654)**	**(252)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in NOK '000s)	Notes	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	139,587	-
Intangible assets	14	120,126	-
Other receivables	15	14,448	-
Deferred tax asset	11	1,300	-
Total non-current assets		**275,461**	**-**
Current assets			
Inventories	16	179,012	-
Trade and other receivables	17	90,911	5
Other receivables	15	900	-
Cash and cash equivalents	18	117,811	8
Total current assets		**388,634**	**13**
Total assets		**664,095**	**13**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

(in NOK '000s)	Notes	31 December 2018	31 December 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	19	600	119
Foreign currency translation reserve		7,517	(26)
Retained earnings		(47,740)	(541)
Total equity		**(39,623)**	**(448)**
Non-current liabilities			
Finance lease obligations		7,929	-
Senior secured bonds	20	243,750	-
Convertible preferred equity certificates ("CPECs")	21	177,321	-
Derivative financial instruments	24	1,263	-
Deferred tax liability	11	2,377	-
Long-term provisions	23	93,309	-
Total non-current liabilities		**525,949**	**-**
Current liabilities			
Senior secured bonds	20	3,448	-
Convertible preferred equity certificates ("CPECs")	21	1,055	-
Trade and other payables	22	155,491	461
Short-term provisions	23	13,962	-
Income tax payable		300	-
Derivative financial instruments	24	3,513	-
Total current liabilities		**177,769**	**461**
Total equity and liabilities		**664,095**	**13**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in NOK '000s)	Note	Share capital	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2017		**119**	**-**	**(315)**	**(196)**
Loss for the year		-	-	(226)	(226)
Other comprehensive loss for the year		-	(26)	-	(26)
Total comprehensive loss		-	(26)	(226)	(252)
Balance as at 31 December 2017		**119**	**(26)**	**(541)**	**(448)**
Loss for the year		-	-	(47,180)	(47,180)
Other comprehensive income for the year		-	7,517	-	7,517
Effect of change in functional currency		2	26	(19)	9
Total comprehensive loss		2	7,543	(47,199)	(39,654)
Share capital increase	**19**	479	-	-	479
Balance as at 31 December 2018		**600**	**7,517**	**(47,740)**	**(39,623)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in NOK '000s)	Notes	31 December 2018	31 December 2017
Cash flows from operating activities			
Net loss for the year		(47,180)	(226)
Adjustments for:			
Income tax recognised in profit or loss	11	3,894	-
Depreciation and impairment of property, plant and equipment	13	31,317	-
Amortisation and impairment of intangible assets	14	11,417	-
Gain on disposal of property, plant and equipment	6	(1,363)	-
Finance income	9	(6,745)	-
Finance expense	10	40,924	-
Changes in operating working capital:			
Decrease (increase) in trade and other receivables		34,020	(2)
Decrease (increase) in inventories		(12,204)	-
Increase (decrease) in trade and other payables and provisions		42,661	145
Cash generated from operating activities		96,741	(83)
Interest paid		(19,890)	-
Interest received		495	-
Income tax paid		(5,338)	(5)
Net cash flows from/(used in) operating activities		**72,008**	**(88)**
Cash flows from investing activities			
Acquisition through business combination, net of cash acquired	12	(326,077)	-
Transaction costs related to business combination	8	(20,895)	-
Purchase of property, plant and equipment		(19,967)	-
Purchase of intangible assets		(4,760)	-
Proceeds from disposal of property, plant and equipment		5,897	-
Repayment of loan receivable		507	-
Net cash flows used in investing activities		**(365,295)**	**-**

The accompanying notes form an integral part of these consolidated financial statements.

For Identification Purposes Only

Consolidated statement of cash flows (continued)

(in NOK '000s)	Notes	31 December 2018	31 December 2017
Cash flows from financing activities			
Proceeds from issuance of bonds		238,302	-
Proceeds from issuance of CPECs		177,321	-
Proceeds from issuance of share capital	19	479	-
Repayment of borrowings		(5,837)	-
Net cash flows from financing activities		**410,265**	**-**
Net increase/(decrease) in cash and cash equivalents		**116,978**	**(88)**
Cash and cash equivalents at the beginning of the year		8	93
Exchange gains on cash and cash equivalents		825	3
Cash and cash equivalents at the end of the year	18	**117,811**	**8**

The accompanying notes form an integral part of these consolidated financial statements.

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 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 2018.

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.

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. See note 12. 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 is insignificant and is disclosed in consolidated statement of changes in equity.

(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 statement of comprehensive 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 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)
iii. currency translation differences are recognised in other comprehensive income and as a separate reserve within equity

During the year ended 31 December 2017 and 2018, the exchange rates were used:

	2018		**2017**	
Currency	**Closing**	**Average**	**Closing**	**Average**
EUR/NOK	9.9483	9.5975	9.8425	9.3284
USD/NOK	8.6895	8.1427	-	-
GBP/NOK	11.0272	10.8565	-	-
SEK/NOK	0.9669	0.9365	-	-
PLN/NOK	2.3074	2.1933	-	-
DKK/NOK	1.3308	1.2887	-	-

*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 2018 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.

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
Jotul Holdings SA	Luxembourg, Luxembourg	Parent	NOK
Jotul AS	Kråkerøy, Norway	100%	NOK
Jotul North America Inc.	Portland, United States	100 %	USD
Jotul France SASU	Dardilly, France	100 %	EUR
Jotul UK Ltd.	Worcestershire, England	100 %	GBP
Jotul Hispania	Zaragosa, Spain	100 %	EUR
Jotul Polska	Gdansk, Poland	100 %	PLN
Scan AS	Vissenbjerg, Denmark	100 %	DKK
Jotul Italia S.R.L.	Milano, Italy	100 %	EUR

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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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
Machines	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 comprise 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 is 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.

This category includes the Group's senior secured bonds.

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 and share capital

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.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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.

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

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. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

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.

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Group or Company. Assets held in terms of finance leases are capitalised at the inception of the lease at the fair value of the leased item or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is recognised as a finance lease obligation. Lease payments are apportioned between finance charges (recognised as finance costs) and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are those leases which do not fall within the scope of the above definition. Payments made under operating leases are recognised in profit or loss on a straight line basis.

2.18 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, Denmark, North America and France. Segment “Other” aggregates operations in Great Britain, Spain, Italy and Poland.

2.19 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.

2.20 New and revised standards

2.20.1 Adoption of new and revised standards

A number of new or amended standards became applicable for the current financial year and the Group had updated its accounting policies as a result of adopting the following standard:

IFRS 9 “Financial Instruments”

IFRS 9 is effective from 1 January 2018 and was endorsed by the European Union on 22 November 2016. The standard introduced new requirements for the classification and measurement of financial assets and liabilities. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The classification of financial assets depends on the Group’s business model for managing financial assets and the contractual cash flow characteristics of those financial assets. The treatment of financial liabilities remains unchanged in the new standard.

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. It has the impact of more timely recognition of expected credit losses. Specifically, it requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

The International Accounting Standards Board ("IASB") has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group applies the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

The application of this standard has had no impact on the consolidated financial statements as of 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 is effective from 1 January 2018 and was endorsed by the EU on 22 September 2016.

IFRS 15 established a single model for entities to use in accounting for revenue arising from contracts with customers. It has replaced IAS 18 "Revenue", IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programs"; IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfer of asset from Customers".

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

Revenue is recognised following a 5 step approach, whereas Step 1 relates the identification of the contract with the customer, Step 2 requires the identification of the performance obligations in the contract that defines revenue. This performance obligation requires goods and services to be distinct (they are distinct if the customer can benefit from the good or service on its own). This means a contract for a service that is required to operate an asset should be accounted for as revenue from one contract (instead of revenue from sale of an asset and sales of service) and allocated to the appropriate period. Step 3 requires the identification of the transaction price; this price needs to be adjusted for the time value of money if the contract includes a significant financing component. Step 4 demands the allocation of the transaction price to the performance obligations based on the stand-alone components of the contract. If these prices are non-observable the entity will estimate it. In step 5 the revenue is recognised when the Group has satisfied its performance obligation towards its customer.

The Group has one primary revenue stream, which is the sale of manufactured goods to a range of customers. The Group's revenue is predominantly derived from the single performance obligation to transfer products under arrangements in which the transfer of risks and rewards of ownership and the fulfilment of the Group's performance obligation occur at the same time.

As part of IFRS 15 implementation process the Group assessed its performance obligations underlying the revenue recognition, estimation of variable considerations including rebates, methods for estimating warranties, and customized products. The Group did not generate revenues before 1 January 2018 therefore implementation of the standard did not have impact on the prior reporting periods.

Other amendments which are effective from 1 January 2018 that do not have a material impact on the consolidated financial statements:

- IAS 40 Transfers of Investment Property;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 first time adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)

2.20.2 Impact of standards issued but not yet applied by the Group

(i) IFRS 16 Leases

The effective date of the application of IFRS 16 is 1 January 2019. The standard has been endorsed by the EU on 31 October 2017. The standard will be adopted as at the effective date.

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17. On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
b) Recognise depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss.
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts. Therefore the provision for onerous lease contracts which was required under IAS 17 of NOK 94,324 thousand will be derecognized (Note 23)

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

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.

Assessment of effect of IFRS 16 is as follows:

Estimated impact on consolidated statement of financial position

(in NOK '000s)	**1 January 2019**
Right of use of asset	365,938
Lease liability	(365,938)

Estimated impact on consolidated statement of comprehensive income

(in NOK '000s)	
Estimated decrease of operating expenses	(41,083)
Estimated increase in EBITDA*	41,083
Estimated decrease in profit before tax	(8,932)

* Earnings before interest, tax, depreciation and amortization. Computed based on the following items from consolidated statement of other comprehensive income for the year ended 31 December 2018: “Operating result” less “Depreciation and amortization”

(ii) Other amendments which are effective for the financial periods starting from and after 1 January 2019 and which will not have a material impact on the financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) effective 1 January 2019; and
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (issued on 12 October 2017) effective 1 January 2019.

The standards will be adopted as at the effective dates.

2.21 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.

Provision relating to relocation of manufacturing
There is an ongoing process of relocating the manufacturing operations from Kråkerøy, Norway, and Vissenbjerg, Denmark, to Poland. The relocation plan was approved by the Board of Directors in Quarter 4 of 2018 and is expected to be finalized in Quarter 1 of 2020. Consequently the provision of NOK 6,475 thousand have been recognized. In estimating the provision, the directors have made assumptions regarding the estimated costs based on currently available information. Due to the associated uncertainty, it is possible that estimates may need to be revised during the next year.

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 2018**	**31 December 2017**
Loan receivable	12,150	-
Senior secured bonds	(250,000)	-

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	15	(15)
Senior secured bonds	(318)	318

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 24.
Foreign subsidiaries generate revenues predominantly in the local currency, and the cost base is also in the local currency. The parent company and the subsidiary Scan AS 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.

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 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 2018. The amounts in the table are undiscounted contractual cash flows.

(in NOK '000s)	Within 1 year	2 years	3 years	4 years	More than 4 years	Total
Finance lease obligations	-	-	-	-	7,929	7,929
Senior secured bonds	24,123	20,675	20,675	251,723	-	317,196
CPECs	2,301	1,246	1,246	1,246	177,529	183,568
Derivative financial instruments	3,513	1,263	-	-	-	4,776
Trade and other payables	155,491	-	-	-	-	155,491
	185,428	**23,184**	**21,921**	**252,969**	**185,458**	**668,960**

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 31 December 2017. The amounts in the table are undiscounted contractual cash flows.

(in NOK '000s)	Within 1 year	2 years	3 years	4 years	More than 4 years	Total
Other payables	461	-	-	-	-	461
	461	**-**	**-**	**-**	**-**	**461**

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 2018	31 December 2017
Other receivables	15,348	-
Trade and other receivables (excluding prepayments)	75,698	-
Cash and cash equivalents	117,811	8
Maximum exposure to credit risk	**208,857**	**8**

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.

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	A-
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	N/A	N/A
Bank of America	A-2	A-
Scotia 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 is not subject to any externally imposed capital requirements.

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 Italy, Spain, Poland 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 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 its own factory.

The Group has none 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.

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 (2017: Nil):

(in NOK '000s)	Level 1	Level 2	Level 3	Total
31 December 2018				
Senior secured bonds	-	243,750	-	**243,750**
Derivative financial instruments	-	4,776	-	**4,776**
31 December 2017	-	-	-	**-**

The carrying value of trade and other receivables, cash and cash equivalents, trade and other payables are deemed to approximate their fair values. Management has estimated NOK 276,000 thousand as fair value of CPECs as of 31 December 2018. Market approach was used as valuation methodology.

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

Fair value hierarchy for senior secured bonds is classified as Level 2 and is determined based on the bid/ask spread of broker quotes as of the balance sheet date.

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)	31 December 2018	31 December 2017
Sale of goods	786,188	-
Discount allowed	(4,182)	-
Total revenue	**782,006**	**-**

The revenue recognized represents the revenue earned by the subsidiary Jotul AS since acquisition date. The revenue for the full year for Jotul AS is NOK 912,278 thousand.

6. OTHER OPERATING INCOME

(in NOK '000s)	31 December 2018	31 December 2017
Gain on disposal of property, plant and equipment	1,363	-
Other operating income	1,480	-
Total other operating income	**2,843**	**-**

7. EMPLOYEE BENEFITS EXPENSE

(in NOK '000s)	31 December 2018	31 December 2017
Salaries and wages	(186,984)	-
Social security contribution	(28,790)	-
Pension fund contribution	(9,428)	-
Other employee benefits	(9,600)	-
Total employee benefits expense	**(234,802)**	**-**

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

(in NOK '000s)	31 December 2018	31 December 2017
CEO remuneration:		
Salary	(2,530)	-
Pension fund contribution	(94)	-
Other remuneration	(2,034)	-
Fees to board members	(395)	-

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

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

8. OTHER OPERATING EXPENSE

(in NOK '000s)	31 December 2018	31 December 2017
Shipping and distribution cost	(32,591)	-
Rental of buildings and machinery	(29,965)	-
Selling and marketing costs	(43,040)	-
Production and maintenance costs	(28,244)	-
Acquisition-related cost of Jotul AS Group	(20,895)	-
Cost relating to relocation of manufacturing (see Note 23)	(14,631)	-
Management fees	(4,203)	
Other administration and operating expenses	(72,631)	(226)
Total other operating expense	**(246,200)**	**(226)**

Included in other operating expense is NOK 1,861 thousand (2017: NOK 0) for audit fees, NOK 703 thousand (2017: NOK 0) for non-audit fees and NOK 140 thousand (NOK 25 thousand) for tax advisory fees.

9. FINANCE INCOME

(in NOK '000s)	31 December 2018	31 December 2017
Fair value adjustment on senior secured bonds	6,250	-
Interest income on loan receivable	313	-
Bank interest and other interest income	182	-
Total finance income	**6,745**	**-**

10. FINANCE EXPENSE

(in NOK '000s)	31 December 2018	31 December 2017
Interest on CPECs	(1,055)	-
Bond issue costs	(11,862)	-
Interest on senior secured bonds	(17,534)	-
Fair value adjustment on derivatives	(4,776)	-
Net foreign currency loss	(1,793)	-
Other finance expense	(3,904)	-
Total finance expense	**(40,924)**	**-**

11. INCOME TAX

The components of income tax are as follows:

(in NOK '000s)	31 December 2018	31 December 2017
Current income tax expense in respect of the current year	(2,894)	-
Deferred tax expense	(1,000)	-
Total income tax expense	**(3,894)**	**-**

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

(in NOK '000s)	31 December 2018	31 December 2017
Loss before tax	(43,286)	(226)
Applicable tax rate in Luxembourg	26.01%	27.08%
Calculated income tax benefit	**11,259**	**61**
Foreign tax rate different from 26.01% (2017: 27.08%)	(2,169)	-
Tax effect on non-taxable income	93	-
Tax attributable to prior years	(1,845)	-
Tax effect on non-deductible expenses	(2,751)	-
Deferred tax assets not recognised	(8,853)	(61)
Other	372	-
Total income tax expense	**(3,894)**	**-**

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 2018:

(in NOK '000s)	**Assets**	**Liabilities**	**Net**
Tangible and intangible fixed assets	-	(55,942)	(55,942)
Inventory, trade and other receivables, trade and other payables	-	(2,979)	(2,979)
Senior secured bonds	-	(1,626)	(1,626)
Tax losses carried forward	46,162	-	46,162
Other items	13,308	-	13,308
Deferred tax assets/(liabilities)	**59,470**	**(60,547)**	**(1,077)**

Reflected in the consolidated statement of financial position as follows:

Deferred tax asset	**1,300**
Deferred tax liability	**(2,377)**

The movement in net deferred tax liability for the year ended 31 December 2018 is as follows:

(in NOK '000s)	**31 December 2018**
Net deferred tax assets as of beginning of the year	-
Net deferred tax assets arising on acquisition of subsidiaries through business combination	-
Translation difference	(77)
Deferred tax expense recognised in the statement of comprehensive income	(1,000)
Net deferred tax liability as at end of the year	**(1,077)**

Deferred tax assets not recognised by the Group are NOK 123,423 thousand and NOK 151 thousand as of 31 December 2018 and 31 December 2017, respectively. Unrecognised tax losses have 17 years of expiration period in Luxembourg and no expiration date in other jurisdictions.

12. ACQUISITION OF SUBSIDIARY

On 28 February 2018, Jotul Holdings SA acquired 100% of the shares in Jotul AS from Kamin Interessenter AB, thereby obtaining control of Jotul AS. Jotul AS is a Norwegian limited company that manufactures cast iron stoves and fireplaces. According to the share purchase agreement, the price to be paid for shares is agreed to NOK 1, because the enterprise value was lower than the debt at closing date. At acquisition date Jotul Holdings SA entered into a debt transfer agreement, where the Company acquired all the loans from Nordea bank and

Kamin Interessenter AB for NOK 332,565 thousand. With the acquisition, they aim to increase performance and eliminate inefficiencies in the operations of Jotul AS and to increase growth.

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

	(in NOK '000s)
Property, plant and equipment	147,679
Intangible assets	124,720
Other receivables	15,855
Derivative assets	57
Inventory	165,554
Trade and other receivables	124,289
Cash and cash equivalents	6,488
Finance lease obligations	(1,777)
Provisions	(106,081)
Bank borrowings and shareholder loans	(338,402)
Trade and other payables	(135,638)
Income tax payable	(2,744)
Total identifiable net assets	**-**
Total consideration transferred for shares	**-**
Net cash outflow arising on business combination:	
Consideration for acquisition of shares	-
Acquisition of loans from Nordea bank and Kamin Interessenter AB	332,565
Less cash and cash equivalents acquired	(6,488)
Net cash outflow on business combination	**326,077**

Acquisition-related cost (included in other operating expenses) amounts to NOK 20,895 thousand (see Note 8).

The fair value of the financial assets includes trade and other receivables with a fair value of NOK 124,289 thousand. The best estimate at acquisition date of the contractual cash flows not to be collected are NOK 2,487 thousand.

Jotul AS contributed NOK 782,006 thousand of revenue and NOK 1,342 thousand to the Group’s net loss for the period between the date of acquisition and the reporting date.

If the acquisition of Jotul AS had been completed on the first day of the financial year, Group revenue for the year would have been NOK 912,278 thousand and Group loss would have been NOK 43,636 thousand.

13. PROPERTY, PLANT AND EQUIPMENT

(in NOK '000s)	Land and buildings	Plant and machinery	Furniture and fittings	Total
Cost				
Balance at 1 January 2018	-	-	-	-
Acquisitions through business combinations	1,763	100,486	45,430	147,679
Additions	109	12,917	13,093	26,119
Disposals	-	(21,321)	(5,957)	(27,278)
Effect of foreign currency exchange differences	553	7,226	2,562	10,341
Balance at 31 December 2018	**2,425**	**99,308**	**55,128**	**156,861**
				-
Accumulated depreciation				-
Balance at 1 January 2018	-	-	-	-
Depreciation expense	(276)	(17,427)	(13,614)	(31,317)
Disposals	-	18,144	4,600	22,744
Effect of foreign currency exchange differences	(415)	(6,324)	(1,962)	(8,701)
Balance at 31 December 2018	**(691)**	**(5,607)**	**(10,976)**	**(17,274)**
Carrying value as at 31 December 2018	**1,734**	**93,701**	**44,152**	**139,587**
Carrying value as at 31 December 2017	-	-	-	-

14. INTANGIBLE ASSETS

(in NOK '000s)	Trademarks	Customer relationships	Other intangible assets	Total
Cost				
Balance at 1 January 2018	-	-	-	-
Acquisitions through business combinations	60,000	52,000	12,720	124,720
Additions	-	-	4,760	4,760
Effect of foreign currency exchange differences	-	-	4,027	4,027
Balance at 31 December 2018	**60,000**	**52,000**	**21,507**	**133,507**
				-
Accumulated amortisation				
Balance at 1 January 2018	-	-	-	-
Amortisation expense	-	(5,417)	(6,000)	(11,417)
Effect of foreign currency exchange differences	-	-	(1,964)	(1,964)
Balance at 31 December 2018	**-**	**(5,417)**	**(7,964)**	**(13,381)**
Carrying value as at 31 December 2018	**60,000**	**46,583**	**13,543**	**120,126**
Carrying value as at 31 December 2017	-	-	-	-

Trademarks with indefinite useful lives at 31 December 2018 amounting to NOK 60,000 thousand are not amortised. The judgement is based on the market and trading conditions applicable to the Group and management's expectations and strategy for the use of the trademarks.

The Group's total research and development costs expensed during the year amounts to NOK 15,782 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 2018	31 December 2017
Loan receivable	12,150	-
Deposits for property leases	3,198	-
Total other receivables	**15,348**	**-**
Current	900	-
Non-current	14,448	-
Total other receivables	**15,348**	**-**

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.

As at 31 December 2018, the principal outstanding is NOK 12,150,000 and accrued interest is NOK 0. Interest income on the loan amounts to NOK 313 thousand and is included in finance income (see Note 9).

16. INVENTORIES

(in NOK '000s)	31 December 2018	31 December 2017
Raw materials	59,255	-
Work in progress	16,806	-
Finished goods	94,202	-
Spare parts and other inventories	8,749	-
Total inventories	**179,012**	**-**

The carrying amount of inventories recorded at the net realisable value is NOK 8,400 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 impairment amounts to NOK 1,400 thousand. The impairment to 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 2018	31 December 2017
Trade receivables	78,192	-
Allowance for doubtful debts	(2,494)	-
	75,698	-
Prepayments	15,213	5
Total trade and other receivables	**90,911**	**5**

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. Impairment loss recognised on trade receivables amounts to NOK 577 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	53,749	-	53,749
0-60 days overdue	19,687	(391)	19,296
61-180 days overdue	1,265	(23)	1,242
181-365 days overdue	1,207	(565)	642
More than 1 year overdue	1,737	(968)	769
Total			**75,698**

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 117,811 thousand (2017: NOK 8 thousand) of which NOK 5,107 thousand (2017: NOK 0) is restricted as it relates to tax withheld from employees according to Norwegian law.

Certain companies within the Group, including Jotul AS, 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 75 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 28 February 2021.

As at the statement of financial position date, the Group has a liquidity reserve of NOK 60 million in unused bank overdraft facilities. Facility used totaled NOK 15 million as at year end and is net of against the bank balance. Total available drawing rights are NOK 75 million and cover both guarantees and withdrawals.

19. EQUITY

As at 31 December 2018, the authorized and issued share capital consist of 600,000 shares fully paid at a par value of NOK 1 each.

As at 1 January 2018, the share capital amounted to NOK 119,288 (EUR 12,500) and was divided into 12,500 shares fully paid up with a nominal value of EUR 1 each.

On 23 February 2018, the Company changed its functional currency from EUR to NOK. Following the change of currency, the Company converted its share capital of 12,500 shares of EUR 1 each into 120,853 shares at NOK 1 each.

On 18 December 2018, the sole shareholder of the Company resolved to increase the share capital of the Company by NOK 479,147, raising it to a total of NOK 600,000 by way of the issue of 479,147 new shares of NOK 1 each.

20. SENIOR SECURED BONDS

	(in NOK '000s)
Opening balance at 1 January 2018	-
Issuance of bonds during the year	250,000
Fair value adjustment (Note 9)	(6,250)
Accrued interest on bonds	3,448
Closing balance at 31 December 2018	**247,198**
Current	3,448
Non-current	243,750
Total	**247,198**

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. Bond issue cost of NOK 11.86 million is included in finance expense in profit and loss (see Note 10).

The Company has a possibility to issue subsequent bonds in an aggregate amount of NOK 150 million up to a maximum total nominal amount of NOK 400 million under the terms and conditions of the listed bond. Please refer to Note 28 for subsequent events.

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 28.

21. CONVERTIBLE PREFERRED EQUITY CERTIFICATES ("CPECS")

(in NOK '000s)	31 December 2018	31 December 2017
Accrued interest on CPECs, current	1,055	-
Principal amount of CPECs, non-current	177,321	-
Total CPECs	**178,376**	**-**

On 26 February 2018, the Company issued convertible preferred equity certificates ("CPECs"), each having a par value of NOK 1. The CPECs bear interest of 0.7025% and mature on the 30th anniversary after issuance date. The CPECs were fully subscribed by the ultimate shareholders of the Company for a total subscription price of NOK 177,321 thousand.

The Group classifies CPECs as subsequently measured at amortised cost.

The conversion of CPECs into shares of the Company can be done 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. TRADE AND OTHER PAYABLES

(in NOK '000s)	31 December 2018	31 December 2017
Trade payables	83,282	-
Employee related payables	35,901	
Social security, VAT payable	15,396	-
Accrued expenses	20,062	-
Other payables	850	-
Total trade and other payables	**155,491**	**461**

23. PROVISIONS

(in NOK '000s)	31 December 2018	31 December 2017
Provision for onerous lease contracts	95,446	-
Provision relating to relocation of manufacturing	6,475	-
Provision for defined benefit pension plans	1,855	-
Warranty provision	1,350	-
Other provisions	2,145	-
Total provisions	**107,271**	**-**
Short-term provisions	13,962	-
Long-term provisions	93,309	-
Total provisions	**107,271**	**-**

The movement during the year is as follows:

(in NOK '000s)	31 December 2017	Acquired through business combination	Additions	Provision used during the year	Effects of foreign exchange and other movements	31 December 2018
Provision for onerous lease contracts	-	101,061	-	(5,615)	-	95,446
Provision for relocation of manufacturing	-	-	6,475	-	-	6,475
Provision for defined benefit pension plans	-	1,714	141	-	-	1,855
Warranty provision	-	1,350	-	-	-	1,350
Other provisions	-	1,956	171	(39)	57	2,145
Total	**-**	**106,081**	**6,787**	**(5,654)**	**57**	**107,271**

Prior to the date of acquisition by Jotul Holdings SA, Jotul AS has entered into non-cancelable lease agreements related to the production, warehouse and office premises in Fredrikstad running until 2032. The terms of the lease contracts are off-market. Provision for onerous lease contracts represents present value of future payments related to unfavourable part of the contracts.

There is an ongoing process of relocating the manufacturing operations from Kråkerøy and Vissenbjerg to Poland. The relocation plan was approved by the Board of Directors in Quarter 4 of 2018 and is expected to be finalized in Quarter 1 of 2020. Provisions for identified liabilities related to the process have been provided and accounted for as of 31 December 2018.

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

24. 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.

(in NOK '000s)	Current	Non-current	31 December 2018	31 December 2017
Currency forward	3,513	1,263	4,776	-
Total derivatives	**3,513**	**1,263**	**4,776**	**-**

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(in NOK '000s)	31 December 2017	Financing cash flows	Non-cash transactions - fair value adjustment	Non-cash transactions - bond issue cost	31 December 2018
Senior secured bonds	-	238,302	(6,250)	11,698	**243,750**
CPECs	-	177,321	-	-	**138,156**

26. SEGMENT REPORTING

Norway, 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.

The Group's reportable segments are as follows for the year ended 31 December 2018:

(in NOK '000s)	Norway	Denmark	North America	France	Other	Elimi-nations	Total
External sales	287,053	80,733	173,780	161,472	78,968	-	782,006
Intersegment sales	125,331	30,193	1,867	6,857	2,186	(166,434)	-
Total revenue	412,384	110,926	175,647	168,329	81,154	(166,434)	**782,006**
Segment results	15,300	(17,777)	8,669	8,803	(1,535)	-	**13,460**
Unallocated corporate expenses including:							
Acquisition-related cost of Jotul AS Group (Note 8)							(20,895)
Corporate administrative expenses							(1,672)
Operating result							**(9,107)**
Finance income							6,745
Finance expense							(40,924)
Loss before income tax							**(43,286)**
Income tax							(3,894)
Net loss for the year							**(47,180)**
Other information:							
Additions to property, plant and equipment and intangible assets	12,372	5,157	11,565	534	1,251	-	30,879
Depreciation and amortization expense	(24,310)	(8,901)	(5,743)	(1,601)	(2,179)	-	(42,374)

Segment assets

(in NOK '000s)	31 December 2018
Norway	334,392
Denmark	67,390
North America	96,268
France	75,029
Other	62,218
Total segment assets	**635,297**
Unallocated:	
Corporate assets	27,498
Deferred tax assets	1,300
Total assets	**664,095**

Segment liabilities

(in NOK '000s)	31 December 2018
Norway	118,028
Denmark	68,636
North America	29,339
France	37,572
Other	20,865
Total segment liabilities	**274,440**
Unallocated:	
Corporate liabilities	1,327
Deferred tax liabilities	2,377
Senior secured bonds	243,750
Convertible preferred equity certificates ("CPECs")	177,321
Interest accrued on bonds and CPECs	4,503
Total liabilities	**703,718**

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 2018 (none for 2017):

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets
Nordic countries	**275,682**	**105,968**	**89,994**
- Norway	234,477	90,315	73,437
- Sweden	33,334	-	3,583
- Denmark	2,796	15,653	12,974
- Finland	5,075	-	-
Latin Europe	**194,424**	**1,581**	**10,360**
- France	158,721	1,247	8,568
- Italy	23,387	305	1,792
- Other Latin Europe	12,316	29	-
Central Europe	**49,626**	**-**	**2,687**
- Germany	29,610	-	2,687
- Other Central Europe	20,016	-	-
Eastern Europe	**41,801**	**8,702**	**-**
- Poland	17,890	8,702	-
- Other Eastern Europe	23,911	-	-
United States of America	**173,780**	**23,205**	**8,958**
United Kingdom	**26,970**	**131**	**1,855**
Rest of the world	**19,723**	**-**	**6,272**
Total	**782,006**	**139,587**	**120,126**

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 2018.

27. 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 Open Gate Capital, LCC. 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)	Transaction values for the period from 1 January to 31 December 2018	Balance outstanding as at 31 December 2018
OpenGate Capital Management, LLC	(20,921)	(246)
OpenGate Capital Partners I, LP	(7,235)	(49,121)
OpenGate Capital Partners I-A, LP	(529)	(89,513)
OGCP I Employee Co-Invest LP	(3)	(577)

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 NOK '000s)	Transaction values for the period from 1 January to 31 December 2017	Balance outstanding as at 31 December 2017
Trade and other payables		
OpenGate Capital Management, LLC	-	(243)

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

28. COMMITMENTS

Non-cancellable leases

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. Future minimum lease payments under leases are as follows:

(in NOK '000s)	31 December 2018	31 December 2017
Within one year	43,260	-
After one year but not more than five years	118,092	-
More than five years	423,564	-
Total minimum lease payments	**584,916**	**-**

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 (publ), 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.

29. SUBSEQUENT EVENTS

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 as of 31 December 2018 which was issued in February 2018 (see Note 20). The bonds were listed at Nasdaq Stockholm in May 2019.

30. APPROVAL BY THE BOARD OF DIRECTORS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 25 July 2019.