INTERIM FINANCIAL REPORT

JOTUL HOLDINGS S.A | Half-year ended 30 June 2021 (unaudited)

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Interim Management Report of the Board of Directors

Business

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

The first half-year in brief

In the first half of 2021, the Jotul Group reached a consolidated loss of MNOK 54.1 (H1 2020: loss of MNOK 68.5). The operating loss totaled MNOK 1.2 in H1 2021 (H1 2020: loss of MNOK 60.1). The 2021 total comprehensive loss for the half-year was MNOK 56.2 (H1 2020: loss of MNOK 52.3).

Sales for the period increased by 58% (MNOK 570.3 in H1 2021 vs. MNOK 360.4 in H1 2020), mainly driven by strong market growth/recovery, alongside smoother and more matured manufacturing operations, a reasonable cold winter and high electricity prices. Additionally, whereas in H1 2020 we experienced significant market and operational disruptions due to the Covid-19 pandemic impact, the confinement measures implemented by the authorities in our core markets induced end-user focus on home improvement projects and a strong market rebound at the end of 2020 and into 2021. With the above factors mentioned, the order intake in the period is significantly up, with approximately 69%, overperforming in all key markets, most notably in the USA, in France and in Norway.

In light of the post-Covid recovery of global trade, Jotul, like the overall industry, is experiencing supply chain difficulties, in particular with securing steady supplies of raw materials, components and transport. The disbalance between offer and demand resulted in higher prices, in particular on scrap iron and other metals, alongside longer lead-time and higher prices on components. Coping with these new challenges requires much more frequent and accurate planning and puts additional pressure on the liquidity during the low season.

The Group's gross margin improved year-on-year, mainly due to the strong demand from the markets driving the growth on sales, and a more mature organization and improved performance at the factory in Poland, despite several instances of Covid cases in the factories earlier this year negatively impacting productivity. The Group has also introduced several price increases to cover increased raw material and transport costs.

EBITDA (Earnings before interests, taxes, depreciations and amortizations: Operating result less Depreciations) was MNOK 35.8 in the first six months of 2021 (H1 2020: MNOK -23.6). This contains effect of non-recurring items of MNOK 20.2 (H1 2020: MNOK 27.1). Adjusted EBITDA (net of non-recurring items) was MNOK 56.1 in H1 2021 (H1 2020: MNOK 3.5).

In the first half of 2021 non-recurring cost are to a significant extent related to the transfer of manufacturing operations from Italy to the factory in Poland.

The Group's capital investments in the first half of 2021 amounted to MNOK 16.7 compared to MNOK 30.3 in the first half of 2020. Higher capital expenditure in 2020 related to investments in the new factory in Poland.

Jotul AS acquired AICO S.p.A. (Italy) on 1 June 2021, and this entity had its 1-month effect on group financials in the first half of 2021. In June Aico contributed with MNOK 10.9 to net revenue and MNOK -2.0 to net loss.

In the first six months of 2021, the Group had an average of 702 full-time equivalent employees (H1 2020: an average of 489 full-time employees). The increase is driven by the significant ramp-up in production at the facility in Poland, and the partial close-down and furloughs in the same period of last year, alongside the addition of AICO in June 2021.

Going Concern

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

- The Group plans to re-finance the Senior secured bonds ahead of their maturity in January 2022 and believe that the timing for a re-financing is favourable provided the liquidity in the bond market and favourable customer demand for Jotul products in the markets in which the Group operates.
- The sales in the first half of 2021 exceeded the last year by 58%, and orders received compared to last year is up with 69%. The strong demand is seen across the Group in all main markets.
- Towards end of Q4 2020 the production in the new manufacturing facility in Poland, which started operations in early 2020, stabilized and therewith the Group is observing a significantly improved manufacturing footprint in 2021. Moreover, the transfer of AICO production to Poland is further optimizing the utilization of the factory.
- the Group shows negative net assets of MNOK 267 as of 30 June 2021, however, if we disregard a balance of CPECs and loans issued by the Company and subscribed by the shareholders, the external liabilities exceed assets by MNOK 36.3. Management forecasted positive results by the end of 2021 that will help to reduce this negative position of the Group.
- the Group has access to undrawn facilities.

- Shareholders of the Company demonstrated their support to the Group by capital contribution of MNOK 40 in June 2020.
- On 1 June 2021, the Group has been granted a new loan from its shareholder for an amount of EUR 5,000,000. The loan bears an interest of 8.5% per annum and is repayable on 1 June 2023. The loan was granted to support both the liquidity needs of the Jotul business and the streamlining and growth of the newly acquired AICO S.p.A. business.

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

The coronavirus continues to impact the performance and health of the Group. Management indicates that it is currently not possible for them to accurately estimate the impact of the coronavirus on the financial performance of the Group.

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

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

Market

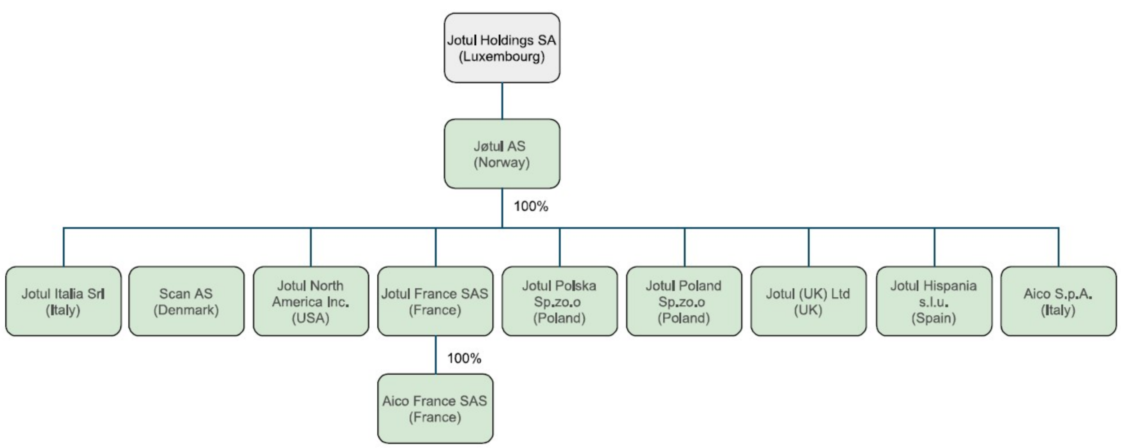
The Group's largest markets are the Nordic countries, France and USA. The company supplies fireplaces for wood, gas and pellets. The market is multi-local, and the competitors are largely local participants in national markets. This is driven by historical positions and a fragmented regulatory picture,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

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

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

Group structure

The company structure of the Group as of 30 June 2021, including all branches and ownership percentages. Aico S.p.A. (Italy) was acquired on 1 June 2021.



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 is monitoring the exposure and working on a group-wide policy to implement effective and timely foreign exchange ("FX") exposure coverage instruments. Effective January 2020, production activities from Norway and Denmark were transferred to Poland, resulting in a decrease in currency exposure due to higher cost in PLN which is closer correlated to EUR. No other currency exposure is considered material enough to be covered by the Group's FX hedging scheme. The Group does not apply hedge accounting. The distribution of revenues in several markets provides opportunities for continued growth, and simultaneously spreads the market risk and reduces the dependence on individual markets and individual customers.

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

Sustainable development

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

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

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

Customer preferences to a large extent concern product design, so Jotul Group R&D efforts have to be managed according to both hard authority regulations and soft consumer preferences. Full-year R&D spending in first half of 2021 was MNOK 15.5 of which MNOK 6.5 was booked as capital expenditures (first half of 2020: R&D spending was of MNOK 12.1 of which MNOK 4.6 was booked as capital expenditure).

Manufacturing principles

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

Code of conduct and ethical guidelines

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

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

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

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

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

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

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

The female staff constituted 24% of the total workforce.

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

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

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

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

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

Listed debt instrument

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

In May 2020, Terms and Conditions of the bonds were amended and granted the Company right to defer interest payments and issue PIK Bonds. A of 30 June 2021, total PIK bonds amounted to MNOK 35.3.

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 establishing of the new manufacturing and assembly plant in Poland, and the closure of the Danish manufacturing site and the assembly lines of Jøtul AS.

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

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

In 2018, Stove Investment, the parent company of Jotul, acquired AICO S.p.A, an Italian manufacturer of pellet stoves. The strategy was to subsequently consolidate AICO into Jotul and expand the product offering of the group by entering the growing European pellet stove market. The actual legal integration of AICO into Jotul Group occurred on June 1st, 2021, when Jotul acquired Aico from Stove Investment. It has to be noted that the transfer of manufacturing operations from Italy to the Jotul factory in Poland was already initiated prior to the acquisition of AICO.

In parallel with ongoing research and product development at AICO, Jotul is also currently developing and launching Jotul-branded pellet stoves in new markets.

The pellet market segment is not very significant in France and Italy, and is also expected to pick-up and grow in other European markets.

Internal controls over financial reporting

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

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

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

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

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

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

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

The budget process starts in the month of September, where all components are to prepare a forecast for the present year. This forecast forms the incoming balance of the budget. Each local budget is prepared based on local assumptions on sales and cost development. Subsequently this is revised, and amended if necessary, by Group finance team, consolidated in Frango, and presented to the ultimate shareholder.

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

Other remarks

Jotul Holdings SA did not acquire any of its own shares during the first six months of 2021.

Corporate governance statement

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

<u>Shareholder</u>

As of 30 June 2021, share capital of Jotul Group is set at NOK 4,060,001 and is divided into 4,060,001 shares fully paid up with a nominal value of NOK 1.00 each. The Group has a sole shareholder, being Stove Investment Holdings S.à r.l.

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

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

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

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

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

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

Board and management

Board of directors

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

On 30 June 2021, the Board of directors had 4 members of which 2 class A directors and 2 class B directors.:

Class A directors	Class B directors
Nils Agnar Brunborg	Lyudmyla Buzyanovska
Adrian Postolache	Karel Andrew Wouters

As of 7 June 2021, Adrian Postolache became an A director and replaced Jonas Bloom.

The Board may only validly deliberate and act if a majority of its members is present or represented. Board Resolutions shall be validly adopted by a majority of the votes of the directors present or represented, provided that if the General Meeting has appointed one or several class A directors and one or several class B directors, at least one class A director and one class B director vote in favour of the resolution.

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

The Board of Directors met several times in 2021 with an average attendance rate of 100 per cent and adopted some decisions by circular resolution.

Audit committee

On 6 May 2019 the senior secured bonds issued by the Company were admitted to trading on Nasdaq Stockholm's corporate bond list. Following the admission, the Company became a public interest entity and following the shareholder’s resolution of 12 September 2019, the Company created an audit committee which now consists of 3.

As of 30 June 2021, the audit committee have the following members:

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

Mandate of the current members expires on 12 September 2025.

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

External auditor

In accordance with the Luxembourg law on commercial companies, the Company’s annual and consolidated accounts are certified by an external auditor, appointed at the Annual General Meeting of Shareholders. The currently appointed auditor is Deloitte Audit, société à responsabilité limitée (“Deloitte”), however the Group is working on re-tendering the audit services.

CEO

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

Responsibility statement

We, the undersigned directors of the Company, confirm, to the best of our knowledge, that the condensed consolidated financial statements of Jotul Group presented in this Interim Financial Report 2021 and prepared in conformity with International Accounting Standard 34, *Interim Financial Reporting* as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss of Jotul Group and the undertakings included within the consolidation taken as a whole; and the interim management report includes a fair review of the development and performance of the business and position of Jotul Group and undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Condensed consolidated financial statements of Jotul Group presented in this Interim Financial Report have not been subject to an audit nor reviewed by the auditor.

Luxembourg, 30 August 2021

Adrian Postolache
CFO and Class A Director

Lyudmyla Buzyanovska
Class B Director

Condensed consolidated statement of comprehensive income

(in NOK '000s)	**Notes**	**30 June 2021 (unaudited)**	**30 June 2020 (unaudited)**
Revenue	3	570,279	360,427
Other operating income		1,705	4,374
Total operating income		**571,984**	**364,801**
Raw materials and consumables		(266,751)	(97,290)
Changes in inventories of finished goods and work in progress		12,021	(50,752)
Employee benefits expense		(142,155)	(115,411)
Depreciation and amortisation		(37,021)	(36,521)
Impairment losses on financial assets		-	(541)
Other operating expense		(139,261)	(124,394)
Total operating expenses		**(573,167)**	**(424,909)**
Operating result		**(1,183)**	**(60,108)**
Finance income		102,526	56,442
Finance expense		(159,883)	(53,518)
Net finance cost		**(57,357)**	**2,923**
Loss before income tax		**(58,540)**	**(57,185)**
Income tax		4,408	(11,352)
Net loss for the year		**(54,132)**	**(68,536)**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations		(2,090)	16,208
Other comprehensive income/(loss) for the year net of tax		**(2,090)**	**16,208**
Total comprehensive loss for the year		**(56,222)**	**(52,328)**
Operating result		(1,183)	(60,108)
Depreciation and amortization		37,021	36,521
EBITDA		**35,838**	**(23,587)**
Operating result		(1,183)	(60,108)
Depreciation and amortization		37,021	36,521
Non-recurring items		20,243	27,097
Adjusted EBITDA		**56,081**	**3,510**

Condensed consolidated statement of financial position

(in NOK '000s)	Notes	30 June 2021 (unaudited)	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	4	138,938	127,292
Intangible assets		140,978	143,426
Right-of-use assets		283,619	281,086
Other receivables		11,683	11,260
Deferred tax asset		1,624	1,439
Total non-current assets		**576,842**	**564,503**
Current assets			
Inventories	5	289,913	201,268
Derivative financial instrument		111	311
Trade and other receivables		188,228	121,734
Other receivables		293	471
Current income tax receivable		421	2,138
Cash and cash equivalents		4,510	70,295
Total current assets		**483,476**	**396,217**
Total assets		**1,060,318**	**960,720**

Condensed consolidated statement of financial position (continued)

(in NOK '000s)	Notes	30 June 2021 (unaudited)	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	6	4,060	4,060
Share premium	6	36,540	36,540
Foreign currency translation reserve		7,776	9,866
Retained earnings		(315,701)	(261,569)
Total equity		**(267,325)**	**(211,103)**
Non-current liabilities			
Senior secured bonds	7	-	333,759
Convertible preferred equity certificates ("CPECs")		177,321	177,321
Bank borrowings	8	78,661	27,644
Lease liabilities		331,866	331,469
Government grant		3,652	3,954
Deferred tax liability	7	2,688	10,309
Long-term provisions	9	16,137	4,805
Total non-current liabilities		**610,325**	**889,261**
Current liabilities			
Senior secured bonds	7	380,490	5,891
Convertible preferred equity certificates ("CPECs")		2,670	1,234
Lease liabilities		47,014	59,735
Derivative financial instruments		10	358
Government grant		1,122	1,493
Trade and other payables		278,591	211,243
Short-term provisions	9	-	287
Current income tax payable		7,421	2,321
Total current liabilities		**717,318**	**282,562**
Total equity and liabilities		**1,060,318**	**960,720**

Condensed consolidated statement of changes in equity

(in NOK '000s)	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2021	**4,060**	**36,540**	**9,866**	**(261,569)**	**(211,103)**
Loss for the period	-	-	-	(54,132)	(54,132)
Other comprehensive income for the period	-	-	(2,090)	-	(2,090)
Total comprehensive loss for the period	**-**	**-**	**(2,090)**	**(54,132)**	**(56,222)**
Balance as at 30 June 2021 (unaudited)	**4,060**	**36,540**	**7,776**	**(315,701)**	**(267,325)**

(in NOK '000s)	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2020	**600**	**-**	**8,609**	**(134,573)**	**(125,364)**
Loss for the period	-	-	-	(68,536)	(68,536)
Other comprehensive income for the period	-	-	16,208	-	16,208
Total comprehensive loss for the period	**-**	**-**	**16,208**	**(68,536)**	**(52,328)**
Transactions with owners in their capacity as owners:					
Contributions to equity	3,460	36,540	-	-	40,000
	3,460	36,540	-	-	40,000
Balance as at 30 June 2020 (unaudited)	**4,060**	**36,540**	**24,817**	**(203,109)**	**(137,692)**

Condensed consolidated statement of cash flows

(in NOK '000s)	30 June 2021 (unaudited)	30 June 2020 (unaudited) (restated)*
Cash flows from operating activities		
Net loss for the period	(54,132)	(68,536)
Adjustments for:		
Income tax recognised in profit or loss	(4,408)	11,352
Depreciation and amortization	37,021	36,521
Net finance expense/(income)	57,357	(2,923)
Changes in operating working capital	(97,860)	(4,604)
Cash generated from operating activities	(62,022)	(28,191)
Interest paid	(20,140)	(17,704)
Interest received	63	330
Income tax paid	(3,328)	(10,923)
Income tax refund received	1,652	-
Net cash flows used in operating activities	**(83,775)**	**(56,488)**
Cash flows from investing activities		
Acquisition through business combination, net of cash acquired	-	-
Purchase of property, plant and equipment	(3,911)	(25,995)
Purchase of intangible assets	(12,758)	(4,322)
Other cash flows from investing activity	-	(2,748)
Net cash flows used in investing activities	**(16,669)**	**(33,065)**
Cash flows from financing activities		
Proceeds from borrowings	50,976	34,430
Proceeds from capital increase	-	40,000
Payment of principal portion of lease liability	(16,317)	(17,298)
Net cash flows from financing activities	**34,659**	**57,132**
Net increase/(decrease) in cash and cash equivalents	**(65,785)**	**(32,421)**
Cash and cash equivalents at the beginning of the period	70,295	117,811
Cash and cash equivalents at the end of the period	**4,510**	**24,260**

*Refer to Note 2 for more details

Notes to the condensed 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 this interim condensed consolidated financial report as the “Group”.

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

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

This interim condensed consolidated financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting as adopted and endorsed by the European Union.

The interim condensed consolidated financial report is prepared on the going concern and historical cost basis, except for certain financial instruments which are measured at fair value.

This interim condensed consolidated financial report presents the condensed consolidated statement of cash flows using the indirect method.

The interim condensed consolidated financial report is presented in Norwegian Krone (“NOK”). All information presented in NOK has been rounded to the nearest thousand unless stated otherwise.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by Jotul Holdings SA during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year except for accounting policy relating to cost capitalized for moulds described further in this note.

Going concern

The Group has prepared the financial statements for the period ended 30 June 2021 on a going concern basis, which assumes continuity of current business activities and the realization of assets and settlement of liabilities in ordinary course of business.

The senior secured bond is going to maturity in January 2022 and the Group needs to refinance it as possesses insufficient available financial resources to repay it. As of 30 June 2021, the nominal value amounts to NOK 340 million plus PIK bonds of NOK 35.3 million (Note 7). In conjunction with the refinancing process the Group will also negotiate the renewal of the Recurring Credit Facility ("RCF") of NOK 75 million with Nordea Bank. This RCF was originally maturing on May 31st 2021, however the bank approved its extension with five months. Simultaneously, the Group has initiated the process for the bond refinancing and is aiming to conclude that before the RCF expiry, assuming that the favourable momentum continues. The RCF renewal and the bond refinancing will be part of a wider discussion that will be conducted in parallel.

The COVID-19 pandemic, which impacted most economies starting from March 2020, has been a challenge for the Group. Management expects that the pandemic will still impact the business related to supply-chain and logistics in the months coming, however, with the accelerated roll-out of the vaccination programs, both in Europe and North America, management does not anticipate further set-backs seen in Q4 2020 with retail-shops being closed.

The available liquidity of the Group was NOK 58.5 million as per end of June 2021 which included available cash and cash equivalents of NOK 4.5 million and the undrawn revolving credit facility of NOK 54 million.

As of 30 June 2021, the Group shows negative net assets of NOK 267 million. However, if the balance of loan payable to the shareholder and the CPECs issued by the Company and subscribed by the shareholders is disregarded, the external liabilities exceed assets by NOK 36.3 million. Management forecasted positive results for second half of 2021 that will help to reduce the negative position of the Group. Since net assets of the Company fall below half of the corporate capital, the Board of directors followed the requirement of article 480-2 of the law of 10 August 1915 and convene a general meeting of the shareholder on 10 August 2020. During the meeting, the Board of directors presented to the shareholder a special report (the "Report") justifying the financial position and recommendations for continuous activity. The sole shareholder approved the content and recommendations of the Report and resolved to continue activities of the Company.

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

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

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

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

New and amended standards adopted by the Group

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

The amendments which are effective from 1 January 2021 that do not have material impact on the interim condensed consolidated financial statements:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)

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

These amendments and standards are not expected to have any impact on the financial statements:

- IFRS 17 Insurance Contracts (issued on 18 May 2017) effective 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (issued on Classification of Liabilities as Current or Non-current (issued on 23 January 2020) effective 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) effective 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) effective 1 January 2023
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021(issued on 31 March 2021) effective 1 April 2021
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) effective 1 January 2023

The standards will be adopted at the effective dates.

Change in accounting policies

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

Impact on consolidated statement of cash flows:

(in NOK '000s)	Period from 1 January 2020 to 30 June 2020	Restatement	Period from 1 January 2020 to 30 June 2020 (restated)
Cash flows from investing activities			
Purchase of property, plant and equipment	(30,317)	4,322	(25,995)
Purchase of intangible assets	-	(4,322)	(4,322)

3. 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)	30 June 2021	30 June 2020
Sale of goods	571,967	362,611
Discount allowed	(1,688)	(2,184)
Total revenue	**570,279**	**360,427**

The Group's business is exposed to seasonality with a high season which lasts from August to November.

4. PROPERTY, PLANT AND EQUIPMENT

During the period, total additions to property, plant and equipment amounted to NOK 3,911 thousand of which NOK 3,211 thousand related to acquisition of machinery for a new production facility in Poland.

5. INVENTORY

As of 30 June 2021, total inventory amounted to NOK 289,913 thousand (31 December 2020: NOK 201,268 thousand). The increased inventory is driven by increased material prices and the consolidation of Aico from June 1st 2021.

Total inventory write-off amounts to NOK 1,360 thousand during the period ended 30 June 2021 (30 June 2020: NOK 404 thousand). The write-off of inventories is included in operating expenses and is mainly due to scrapping of obsolete parts.

6. SHARE CAPITAL AND SHARE PREMIUM

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

As of 30 June 2021, capital contributed from the sole shareholder in a form of equity consisted of share capital of NOK 4,060 thousand (31 December 2020: NOK 4,060 thousand) and share premium of NOK 36,540 thousand (31 December 2020: 36,540 thousand).

7. SENIOR SECURED BONDS

	(in NOK '000s)
Opening balance at 1 January 2021	339,650
Fair value adjustment	33,948
Interest accrued during the period and converted to bonds	8,508
Interest accrued during the period	4,813
Interest paid during the year	(6,429)
Closing balance at 30 June 2021	**380,490**
Current	380,490
Non-current	-
Total	**380,490**

As of 30 June 2021, nominal value of the outstanding bonds amounted to NOK 375,277 thousand (31 December 2020: NOK 366,769 thousand) and their fair value totalled NOK 376,215 thousand (31 December 2020: NOK 333,759 thousand).

Following the non-payment of interest, the Company issued bonds with ISIN NO0010881733 in an aggregate amount equivalent to the amount of interest due to the holders of Bonds on such date. The Company instructed the paying agent to convert the issued bonds to PIK Bonds (as defined in the Terms and Conditions of the Bonds), at a premium of 2.50% per annum and with the same ISIN as the Bonds.

The conversions were as follows:
- converted interest of NOK 9,605 thousand on 22 May 2020;
- converted interest of NOK 8,741 thousand on 31 July 2020;
- converted interest of NOK 8,423 thousand on 30 October 2020;
- converted interest of NOK 8,508 thousand on 28 January 2021.

Deferred tax asset relating to senior secured bonds amounted to NOK 234 thousand as of 30 June 2021 (31 December 2020: deferred tax liability of NOK 8,078 thousand).

8. BORROWINGS

On 1 June 2021, the Group has been granted a new loan from its shareholder for an amount of EUR 5,000,000. The loan bears an interest of 8.5% per annum and is repayable on 1 June 2023.

As of 30 June 2021, the outstanding balance of this loan amounted to NOK 50,975 thousand and interest accrued of NOK 344 thousand.

9. PROVISIONS

Increase in provisions relates mainly to the provisions of Aico S.p.A. acquired on 1 June 2021. The provisions mainly relate to the restructuring program that AICO S.p.A. has implemented in 2020.

10. 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 period ended 30 June 2021:

(in NOK '000s)	Norway	Poland	North America	France	Other	Elimina-tions	Total
External sales	231,682	67,715	92,690	151,424	26,768	-	570,279
Intersegment sales	125,713	145,072	49	119	19,962	(290,915)	-
Total revenue	357,395	212,787	92,739	151,543	46,730	(290,915)	570,279
Segment results	20,520	(32,427)	4,022	7,858	(264)	-	**(291)**

Unallocated corporate expenses included:	
Corporate administrative expenses	(892)
Operating result	**(1,183)**
Finance income	102,526
Finance expense	(159,883)
Loss before income tax	**(58,540)**
Income tax	4,408
Net loss for the year	**(54,132)**

The Group's reportable segments are as follows for the period ended 30 June 2020:

(in NOK '000s)	Norway	Poland	North America	France	Other	Elimina-tions	Total
External sales	159,082	14,107	78,887	91,343	17,008	-	360,427
Intersegment sales	79,749	39,751	45	3,292	18,850	(141,687)	-
Total revenue	238,831	53,858	78,932	94,635	35,858	(141,687)	360,427
Segment results	(14,286)	(35,704)	(3,424)	(4,612)	(668)	-	**(58,694)**

Unallocated corporate expenses included:	
Corporate administrative expenses	(1,414)
Operating result	**(60,108)**
Finance income	56,442
Finance expense	(53,518)
Loss before income tax	**(57,184)**
Income tax	(11,352)
Net loss for the year	**(68,536)**

Segment assets

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

(in NOK '000s)	30 June 2021	31 December 2020
Norway	429,642	435,406
Poland	284,417	278,655
North America	88,898	73,762
France	116,572	133,635
Other	137,122	35,476
Total segment assets	**1,056,651**	**956,934**
Unallocated:		
Corporate assets	2,043	2,347
Deferred tax assets	1,624	1,439
Total assets	**1,060,318**	**960,720**

Segment liabilities

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

(in NOK '000s)	30 June 2021	31 December 2020
Norway	345,483	341,975
Poland	111,474	146,705
North America	52,621	36,726
France	90,004	100,057
Other	113,572	15,304
Total segment liabilities	**713,154**	**640,767**
Unallocated:		
Corporate liabilities	51,320	2,542
Deferred tax liabilities	2,688	10,309
Senior secured bonds	376,215	333,759
Convertible preferred equity certificates ("CPECs")	177,321	177,321
Interest accrued on bonds and CPECs	6,945	7,125
Total liabilities	**1,327,643**	**1,171,823**

11. RELATED PARTY BALANCES AND TRANSACTIONS

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

(in NOK '000s)	Purchases for the period from 1 January to 30 June 2021	Sales for the period from 1 January to 30 June 2021	Balance payable outstanding as at 30 June 2021	Balance receivable outstanding as at 30 June 2021
OpenGate Capital Management, LLC	(3,000)	-	(1,500)	-
OpenGate Capital Partners I, LP	-	-	(88,375)	-
OpenGate Capital Partners I-A, LP	-	-	(89,603)	-
OGCP I Employee Co-Invest LP	-	-	(557)	-
Aico S.p.A.	(51,363)	83,057	-	-

(in NOK '000s)	Purchases for the period from 1 January to 30 June 2020	Sales for the period from 1 January to 30 June 2020	Balance payable outstanding as at 31 December 2020	Balance receivable outstanding as at 31 December 2020
OpenGate Capital Management, LLC	(3,000)	-	(6,000)	-
OpenGate Capital Partners I, LP	-	-	(88,375)	-
OpenGate Capital Partners I-A, LP	-	-	(89,603)	-
OGCP I Employee Co-Invest LP	-	-	(577)	-
Aico S.p.A.	(402)	24,649	(17,380)	13,380

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

Balances 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 by the Company.

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

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

12. FAIR VALUE MEASUREMENT

Some of the Group’s accounting policies require the measurement of the fair value for both financial and non-financial assets and liabilities. The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

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

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

(in NOK '000s)	Level 1	Level 2	Level 3	Total
30 June 2021				
Financial assets				
Derivative financial instruments	-	111	-	**111**
Financial liabilities				
Senior secured bonds	-	376,215	-	**376,215**
Derivative financial instruments	-	10	-	**10**
31 December 2020				
Financial assets				
Derivative financial instruments	-	311	-	**311**
Financial liabilities				
Senior secured bonds	-	333,759	-	**333,759**
Derivative financial instruments	-	358	-	**358**

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 234,628 thousand as fair value of CPECs as of 30 June 2021. Market approach was used as valuation methodology.

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

The senior secured bonds were listed at Nasdaq Stockholm in May 2019, however, the Group does not consider their market as active due no transactions being transacted on the market. The Group has derived the fair value from bid-ask spread reported by the financial advisor at any given moment, based on over-the-counter transactions. The fair value is therefore classified as Level 2 similarly to the previous year. As of 30 June 2021, the bonds were traded at 100.25% of its nominal value (31 December 2020: 91%). Accrued interest on the bonds amounts to NOK 4,275 thousand (31 December 2020: NOK 5,891 thousand).

During the period ended 30 June 2021, the Group recognized a fair value loss on senior secured bonds of NOK 33,948 thousand which is shown within Finance expense.

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.

13. ACQUISITION OF SUBSIDIARY

As of 1 June 2021, The Group acquired 100% of the shares in Aico S.p.A. from Stove Investment Holdings S.à r.l., thereby obtaining control of Aico S.p.A. Aico S.p.A. operates as a sales entity. According to the share purchase agreement, the price paid for shares was agreed to EUR 1 (equivalent of NOK 10). With the acquisition, they aim to increase the distribution network and increase efficiency of the operations in Italian and European market.

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

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

	(in NOK '000s)
Property, plant and equipment	8,492
Intangible assets	9,238
Inventories	63,502
Trade and other receivables	106,050
Other receivables	627
Current income tax receivable	322
Bank overdrafts	(3,620)
Long-term provisions	(16,472)
Trade and other payables	(164,362)
Total identifiable net assets	**3,777**

Total consideration transferred for shares	**-**
Net cash outflow arising on business combination:	
Consideration for acquisition of shares	-
Less cash and cash equivalents acquired	-
Net cash outflow on business combination	**-**

Aico S.p.A contributed NOK 10,958 thousand of revenue and NOK 2,043 thousand to the Group's net loss for the period between the date of acquisition and the reporting date.

If the acquisition of Aico S.p.A. had been completed on the first day of the financial year, Group revenue for the year would have been NOK 568,426 thousand and Group loss before taxes would have been NOK 40,616 thousand.

14. SUBSEQUENT EVENTS

There were no significant events after the end of reporting period.

For further information, please contact:
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