

Jøtul AS (Jøtul Group)

Interim Financial Report (unaudited) Third quarter ended 30 September 2022



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Jøtul AS
Interim financial report
for the quarter ended 30 September 2022

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Interim Management Report of the Board of Directors

Business

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

On June 1st, 2021, Jøtul acquired AICO S.p.A. (AICO), an Italian company producing and selling the Ravelli pellet stoves portfolio. AICO was previously owned by the same shareholder as Jøtul, and the production of Ravelli stoves was subcontracted to the Jøtul factory in Poland in 2020. The financial statements included in this report consider the integration of AICO as a consolidated component starting from June 2021.

In October 2021, the Jøtul Group successfully refinanced its senior secured bond issued in 2018 with a new senior secured bond maturing in 2024. Unlike the previous bond, which had been issued by Jotul Holdings SA, the new bond was issued by the Norwegian parent company Jøtul AS. As a consequence of the change of issuer, the Group decided to simplify its legal structure, deconsolidate the old parent, Jotul Holdings SA, and establish the new Group consolidation level at Jøtul AS. As the deconsolidation of Jotul Holdings SA took place in Q4 2021, the Group does not have restated consolidated financials for the new consolidation level in first three quarters of 2021. Therefore, for the purpose of comparison, the Q3 numbers of 2021 in this report reflect the consolidation perimeter of Jotul Holdings SA. Note that the two consolidation perimeters are largely comparable, with the exemption of AICO being consolidated first starting in June 2021.

YTD Q3 in brief

YTD Q3 2022, the Jotul Group reached a consolidated profit of MNOK 4.5 (YTD Q3 2021: loss of MNOK 57.5). The operating profit totaled MNOK 95.5 in YTD Q3 2022 (YTD Q3 2021: MNOK 12.9). The 2022 total comprehensive profit for the Q3 2022 was MNOK 29.1 (YTD Q3 2021: loss of MNOK 48.1).

Sales for the period increased by 29.5% (MNOK 1,127.9 in YTD Q3 2022 vs. MNOK 871.0 in YTD Q3 2021), mainly driven by strong demand across all product segments. All key markets

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continue to show consistent growth, particularly the Nordics, Germany and France. Home improvement spending continues to be a key driver, enhanced and accelerated by the sharp increase in electricity and gas prices across all markets, which confirms wood and pellets burning as an important heating alternative and contributes to sustained strong revenues. On top of that, the war in Ukraine and the uncertainties with regards to the future supply of Russian natural gas to Europe, has further strengthened the customer demand for wood and pellet burning stoves. Additionally, certain markets, in particular Germany, have seen strong demand following requirements to phase out older stoves to comply with new standards concerning efficiency and emissions.

With the above factors mentioned, the order intake in the period is significantly up, with approximately 48%, overperforming in all key markets, most notably in France, Norway and Germany. The total order book at the end of September 2022 was MNOK 560 compared to MNOK 235 at the end of September 2021.

Despite the very high demand from the market, it is important to acknowledge that the ability to deliver to such demand is under pressure due to the fact that some suppliers of components are struggling to meet such growth. Jøtul is working on establishing new sourcing and on insourcing some components.

The manufacturing operations in Poland are now considered mature, including the AICO production line ramped-up in Poland during 2021. The management continues working on further efficiency improvements and optimizations of the production and supply chain.

Jøtul Group experienced substantial increase of raw material prices during 2021 and in the first half of 2022. In addition, the cost of energy increased significantly, in particular the electricity in Norway. These major and extraordinary inflationary developments are for the most part compensated with selling prices increases, however there is a partial unfavorable timing effect. Throughout the third quarter of 2022, the Group observed that the prices of certain materials have started to stabilize.

EBITDA (Earnings before interests, taxes, depreciations and amortizations: Operating result less Depreciations) was MNOK 149.8 in the first nine months of 2022 (YTD Q3 2021: MNOK 70.2). This contains effect of non-recurring items of MNOK 21.3 (YTD Q3 2021: MNOK 26.0). Adjusted EBITDA (net of non-recurring items) was MNOK 171.1 in H1 2022 (YTD Q3 2021: MNOK 96.3).

In the Q3 2022 the non-recurring costs relate mainly to a breakdown in Norway, alongside the shareholder's monitoring fees.

The Group's capital investments YTD Q3 2022 amounted to MNOK 31.2 (YTD Q3 2021: MNOK 26.5). These investments are mainly related to product development to ensure that the Group remains at the forefront in terms of innovative products with high efficiency and low emission levels. Additionally, in 2022 the Group started working on the implementation of its next generation ERP platform.

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YTD Q3 2022, cash flow from operating activities was MNOK 46.0 compared to MNOK -91.6 YTD Q3 2021. The net cash flow YTD Q3 2022 was MNOK -30.1 (YTD Q3 2021 MNOK -66.1). Cash and cash equivalents as per Q3 2022 amounted to MNOK 78.1.

As of Q3 2022, the Group had an average of 738 full-time equivalent employees (YTD Q3 2021: an average of 767 full-time employees).

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Condensed consolidated statement of comprehensive income

(in NOK '000s)	30 September 2022 (unaudited)	30 September 2021 (unaudited)
Revenue	1,127,853	871,026
Other operating income	442	2,508
Total operating income	1,128,295	873,534
Raw materials and consumables	(474,366)	(389,448)
Changes in inventories of finished goods and work in progress	(8,389)	11,949
Employee benefits expense	(245,754)	(217,257)
Depreciation and amortisation	(54,279)	(57,316)
Other operating expense	(249,964)	(208,532)
Total operating expenses	(1,032,752)	(860,604)
Operating result	95,543	12,930
Finance income	12	155,922
Finance expense	(76,770)	(227,499)
Net finance cost	(76,758)	(71,577)
Profit / (loss) before income tax	18,785	(58,647)
Income tax	(14,291)	1,112
Net profit / (loss) for the period	4,494	(57,535)
Other comprehensive income / (loss)		
Foreign exchange differences on translation of foreign operations	24,652	9,484
Other comprehensive income / (loss) for the period net of tax	24,652	9,484
Total comprehensive income / (loss) for the period	29,146	(48,051)
Operating result	95,543	12,930
Depreciation and amortization	54,279	57,316
EBITDA	149,822	70,246
Operating result	95,543	12,930
Depreciation and amortization	54,279	57,316
Non-recurring items	21,252	26,021
Adjusted EBITDA	171,074	96,267

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Condensed consolidated statement of financial position

(in NOK '000s)	30 September 2022 (unaudited)	31 December 2021
ASSETS		
Non-current assets		
Property, plant and equipment	115,587	118,043
Intangible assets	125,081	113,877
Right-of-use assets	228,343	239,733
Other receivables	8,216	9,585
Deferred tax asset	1,294	1,269
Total non-current assets	478,521	482,506
Current assets		
Inventories	392,428	352,567
Trade and other receivables	248,854	203,295
Other receivables	2,937	2,962
Current income tax receivable	140	4,433
Cash and cash equivalents	78,126	108,257
Total current assets	722,485	671,514
Total assets	1,201,006	1,154,020

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Condensed consolidated statement of financial position (continued)

(in NOK '000s)	30 September 2022 (unaudited)	31 December 2021
EQUITY AND LIABILITIES		
Equity		
Share capital	139,414	139,414
Share premium	1,026,612	1,026,612
Foreign currency translation reserve	39,805	15,153
Retained earnings	(1,276,188)	(1,280,682)
Total equity	(70,357)	(99,503)
Non-current liabilities		
Senior secured bonds	464,862	461,861
Lease liabilities	272,602	285,088
Borrowings	29,642	27,476
Government grant	2,292	2,547
Deferred tax liability	2,415	1,967
Long-term provisions	7,942	10,394
Total non-current liabilities	779,755	789,334
Current liabilities		
Lease liabilities	49,525	48,721
Loan from shareholder	37,594	30,551
Bank borrowing	305	17,198
Government grant	1,597	1,441
Trade and other payables	382,445	348,289
Short-term provisions	639	4,154
Accrued interest on bonds	9,963	8,713
Current income tax payable	9,540	5,122
Total current liabilities	491,608	464,189
Total equity and liabilities	1,201,006	1,154,020

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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 2022	139,414	1,026,612	15,153	(1,280,682)	(99,503)
Profit for the period	-	-	-	4,494	4,494
Other comprehensive income for the period	-	-	24,652	-	24,652
Total comprehensive income for the period	-	-	24,652	4,494	29,146
Balance as at 30 September 2022 (unaudited)	139,414	1,026,612	39,805	(1,276,188)	(70,357)
(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	-	-	-	(57,535)	(57,535)
Other comprehensive income for the period	-	-	9,484	-	9,484
Total comprehensive loss for the period	-	-	9,484	(57,535)	(48,051)
Balance as at 30 September 2021 (unaudited)	4,060	36,540	19,350	(319,104)	(259,154)

Note> The statement of changes in equity for YTD Q3 2021 refers to the consolidation perimeter of Jotul Holdings SA.

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Condensed consolidated statement of cash flows

(in NOK '000s)	30 September 2022 (unaudited)	30 September 2021 (unaudited)
<i>Cash flows from operating activities</i>		
Net profit / (loss) for the period	4,494	(57,535)
<i>Adjustments for:</i>		
Income tax recognised in profit or loss	14,291	(1,112)
Depreciation and amortization	54,279	57,316
Net finance expense/(income)	76,758	71,577
Changes in operating working capital	(50,151)	(130,531)
Cash generated from operating activities	99,671	(60,285)
Interest paid on senior secured bonds	(28,500)	(12,703)
Interest paid on shareholder loan	-	-
Interest paid on leasing	(9,839)	(11,594)
Other interest paid	(10,816)	(10,024)
Interest received	-	67
Income tax paid	(8,962)	-
Income tax refund received	4,433	2,946
Net cash flows generated by/used in operating activities	45,987	(91,593)
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(11,324)	(6,692)
Purchase of intangible assets	(19,907)	(19,838)
Net cash flows used in investing activities	(31,231)	(26,530)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	(16,893)	76,699
Payment of principal portion of lease liability	(27,994)	(24,717)
Net cash flows from financing activities	(44,887)	51,982
Net increase/(decrease) in cash and cash equivalents	(30,131)	(66,141)
Cash and cash equivalents at the beginning of the period	108,257	70,295
Cash and cash equivalents at the end of the period	78,126	4,154