



FINANCIAL REPORT Q1 2023



Jøtul AS
31 March 2023

Registered Office:

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Norway

Jotul AS
Financial report
for the year from 1 January to 31 March 2023

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Management comments

General information

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.

The group is headquartered in Norway and has subsidiaries in Poland, France, Italy, United States, Denmark, United Kingdom and in Spain. Jøtul AS owns 100% interest in all its subsidiaries, which consist of:

- Jotul Poland Sp.zo.o
- Jotul France SAS
- Jotul North America Inc.
- Jotul Italia Srl
- Scan AS
- AICO S.p.A.
- Jotul (UK) Ltd
- Aico France SAS (fully owned by Jotul France SAS)
- Jotul Hispania s.l.u. (fully owned by Jotul France SAS)

There were no changes in the Group structure in Q1 2023. On May 26th, 2022, Jøtul AS sold the Spanish subsidiary Jotul Hispania s.l.u. to Jotul France SAS. This change does not have an impact on the consolidated financial statements of the group.

All subsidiaries are included in the consolidated financial statements embedded in this report. The financial statements as of 31 March 2023 and 31 March 2022 are unaudited.

This report was approved by the Company's Board of Directors on 30 May 2023.

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Q1 in brief

In Q1 2023, the Jøtul Group reached a consolidated profit of MNOK 65.1 (Q1 2022: loss of MNOK -2.3). The operating result amounted to MNOK 80.8 in Q1 2023 (Q1 2022: MNOK 29.1). The total comprehensive income for Q1 2023 was MNOK 83.4 (Q1 2022: loss of MNOK -5.5).

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK 100.8 in Q1 2023 (Q1 2022: MNOK 47.6). This contains the effect of non-recurring items of MNOK 2.0 in Q1 2023 (Q1 2022: MNOK 4.6). Adjusted EBITDA (net of non-recurring items) was MNOK 102.9 in Q1 2023 (Q1 2022: MNOK 52.2). In 2023 the non-recurring costs relate mainly to the shareholder's monitoring fees.

Sales for the year increased by 19.7% to MNOK 453.8 in Q1 2023 from MNOK 379.2 in Q1 2022. Most of the Group's key markets, except for North America, continue to show strong demand for wood burning stoves. In Europe, home improvement spending continues to be a strong driver, enhanced by the continued high electricity and gas prices, which confirms wood burning as an important heating alternative and contributes to sustained strong revenues. Furthermore, the German market has seen strong demand following requirements to phase out older stoves to comply with new standards concerning efficiency and emissions. On the downside, since Q3 2022 we have been experiencing a notable slowdown on the pellet stoves markets in Italy and France, driven primarily by the scarcity and increased cost of pellets as fuel. Additionally, the North American market is currently experiencing significant slow-down, driven mainly by macroeconomic factors such as lower oil and gas prices and high interest rates.

Considering the factors mentioned above, the total order intake in Q1 2023 was MNOK 431.6 (Q1 2022: MNOK 486.2). The total order book at the end of March 2023 was MNOK 463.3 compared to MNOK 337.9 at the end of March 2022.

The manufacturing operations in Poland improved further in terms of output. In Q1 2023 the total output of complete units from our Polish factory increased by 30% compared to Q1 2022. The manufacturing operations are now considered mature, including the AICO production line ramped-up in Poland during 2021 and early 2022, and we continue working on further efficiency improvements and optimizations.

Jøtul Group experienced substantial increase of raw material prices in 2021 and in 2022. In addition, the cost of energy increased significantly, both in Norway and in Poland. These major and extraordinary inflationary developments were for the most part compensated with selling price increases. Recently the Group observed that the prices of certain materials and of energy have started to stabilize.

The Group's capital investments in Q1 2023 amounted to MNOK 12.5 compared to MNOK 6.0 in Q1 2022. The investments in 2023 are mainly related to product development to ensure that the Group remains at the forefront with regards to efficiency and emission levels for our products, alongside higher spending in connection with the upgrade of the IT infrastructure.

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In Q1 2023, the net cash flow from operating activities was MNOK -35.4 (Q1 2022: MNOK -24.4), while the net cash flow was MNOK -45.5 (Q1 2022: MNOK -29.0). Cash and cash equivalent as per Q1 2023 was MNOK 93.3. The available Revolving Credit Facility (less ancillary facilities of MNOK 22) as per Q1 2023 was MNOK 47.1, resulting in the total available liquidity being MNOK 140.4.

Due to the seasonality effect in this industry, it is reasonable and expected to have a reduction in liquidity during the spring and the summer months. Nevertheless, the Group has a significant increase in inventory in Q1 2023, due mainly to lower sales in the North American market and in the European pellets markets, alongside prior purchasing commitments. The situation is closely monitored, and actions were implemented to limit the inventory build-up and subsequently to reduce inventory levels.

During Q1 2023, the Group had an average of 830 full-time employees (Q1 2022: an average of 741 full-time employees).

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Condensed consolidated statement of comprehensive income

(in NOK '000s)	31 March 2023 (unaudited)	31 March 2022 (unaudited)	31 December 2022 (audited)
Revenue	453,770	379,227	1,614,471
Other operating income	1,381	1,521	10,720
Total operating income	455,151	380,748	1,625,191
Raw materials and consumables	(180,736)	(171,124)	(714,280)
Changes in inventories of finished goods and work in progress	17,692	1,958	30,483
Employee benefits expense	(101,415)	(81,288)	(361,927)
Depreciation, amortization and write-off	(20,068)	(18,566)	(75,448)
Other operating expense	(89,843)	(82,657)	(328,791)
Total operating expenses	(374,370)	(351,677)	(1,449,963)
Operating result	80,781	29,071	175,228
Finance income	12,483	1	5,152
Finance expense	(21,319)	(25,906)	(81,256)
Net finance cost	(8,836)	(25,905)	(76,104)
Profit before income tax	71,944	3,166	99,124
Income tax	(6,879)	(5,513)	76,917
Net profit / (loss) for the period	65,066	(2,347)	176,041
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Re-measurement of post-employment benefit obligations	-	-	1,150
Foreign exchange differences on translation of foreign operations	18,374	(3,131)	2,013
Other comprehensive income / (loss) for the period net of tax	18,374	(3,131)	3,163
Total comprehensive income / (loss) for the period	83,440	(5,478)	179,204

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Condensed consolidated statement of financial position

(in NOK '000s)	31 March 2023 (unaudited)	31 March 2022 (unaudited)	31 December 2022 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	118,357	111,310	107,740
Intangible assets	135,517	116,177	129,393
Right-of-use assets	240,569	240,910	225,008
Other receivables	8,291	9,174	7,725
Deferred tax asset	85,076	1,243	85,847
Total non-current assets	587,810	478,814	555,713
Current assets			
Inventories	536,139	332,905	440,381
Trade and other receivables	204,617	225,080	200,722
Other receivables	2,543	2,952	2,934
Current income tax receivable	-	4,396	398
Cash and cash equivalents	93,272	79,264	131,096
Total current assets	836,571	644,597	775,531
Total assets	1,424,381	1,123,412	1,331,244

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Consolidated statement of financial position (continued)

(in NOK '000s)	31 March 2023 (unaudited)	31 March 2022 (unaudited)	31 December 2022 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	139,414	139,413	139,414
Share premium	1,026,612	1,026,612	1,026,612
Foreign currency translation reserve	35,542	12,021	17,165
Re-measurement of post-employment benefit obligations	1,150	-	1,150
Retained earnings	(1,039,578)	(1,283,030)	(1,104,641)
Total equity	163,140	(104,983)	79,700
Non-current liabilities			
Senior secured bonds	467,833	463,055	466,057
Lease liabilities	286,758	284,933	267,317
Borrowings	33,802	27,332	29,847
Government grant	1,237	1,965	1,809
Deferred tax liability	186	1,909	186
Long-term provisions	7,998	8,005	8,739
Total non-current liabilities	797,826	787,200	773,955
Current liabilities			
Lease liabilities	57,310	50,162	53,994
Loan from shareholder	38,401	29,780	33,568
Bank borrowing	6,920	28,539	-
Government grant	1,906	1,063	1,583
Trade and other payables	334,785	304,568	370,065
Short-term provisions	4,703	4,154	2,176
Accrued interest on bonds	11,636	8,904	11,626
Current income tax payable	9,010	14,025	4,577
Total current liabilities	463,415	441,195	477,589
Total equity and liabilities	1,424,381	1,123,412	1,331,244

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Condensed consolidated statement of changes in equity

(in NOK '000s)	Share capital	Share premium	Foreign currency translation reserve	Re-measurement of post-employment benefit obligations	Retained earnings	Total
Balance as at 1 January 2022	139,414	1,026,612	15,152	-	(1,280,682)	(99,503)
Loss for the period	-	-	-	-	(2,347)	(2,347)
Other comprehensive income for the period	-	-	(3,131)	-	-	(3,131)
Total comprehensive loss	-	-	(3,131)	-	(2,347)	(5,479)
Balance as at 31 March 2022	139,414	1,026,612	12,021	-	(1,283,029)	(104,982)
(in NOK '000s)	Share capital	Share premium	Foreign currency translation reserve		Retained earnings	Total
Balance as at 1 January 2023	139,414	1,026,612	17,165	1,150	(1,104,641)	79,700
Profit for the period	-	-	-	-	65,066	65,066
Other comprehensive income for the period	-	-	18,374	-	-	18,374
Total comprehensive income	-	-	18,374	-	65,066	83,440
Balance as at 31 March 2023	139,414	1,026,612	35,339	1,150	(1,039,575)	163,140

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Condensed consolidated statement of cash flows

(in NOK '000s)	31 March 2023 (unaudited)	31 March 2022 (unaudited)	31 December 2022 (audited)
Cash flows from operating activities			
Net profit / (loss) for the period	65,066	(2,347)	176,041
<i>Adjustments for:</i>			
Income tax recognized in profit or loss	6,879	5,513	(76,917)
Depreciation and impairment	20,068	18,566	75,448
Net finance costs	8,836	25,905	76,104
Changes in operating working capital	(116,937)	(48,372)	(50,516)
Cash generated from / (used in) operating activities	(16,088)	(735)	200,160
Interest paid on senior secured bonds	(12,127)	(9,213)	(40,151)
Interest paid on leasing	(3,507)	(3,499)	(13,792)
Other interest paid	(3,555)	(7,475)	(14,208)
Interest received	354	-	797
Income tax paid	(452)	(3,452)	(8,043)
Net cash flows from operating activities	(35,375)	(24,375)	124,763
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,164)	(1,619)	(13,729)
Purchase of intangible assets	(7,313)	(4,392)	(32,142)
Net cash flows used in investing activities	(12,477)	(6,011)	(45,871)
Cash flows from financing activities			
Proceeds from Bank borrowing	13,453	11,341	(17,198)
Payment of principal portion of lease liability	(11,076)	(9,948)	(38,855)
Net cash flows from financing activities	2,377	1,393	(56,053)
Net increase / (decrease) in cash and cash equivalents	(45,475)	(28,993)	22,839
Cash and cash equivalents at the beginning of the period	131,096	108,257	108,257
Exchange gains on cash and cash equivalents	7,652	-	-
Cash and cash equivalents at the end of the period	93,272	79,264	131,096

Supplementary notes and disclosures

Basis for preparation

The consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the annual report for 2022 (<https://intl.jotul.com/financial-reports>), which was prepared in accordance with the international Financial Reporting Standards (IFRS).

Accounting policies

The accounting policies applied to these interim accounts are consistent with those described in the annual report for 2022. During 2022 and Q1 2023, the Group did not introduce new accounting standards and did not change any of the accounting standards in use.

New and revised standards

Adoption of new and revised standards

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The amendments which are effective from 1 January 2023 that do not have material impact on the interim consolidated financial statements:

- IFRS 17 Insurance Contracts (including amendments) (effective 1 January 2023).
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023).
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).

New standards, amendments and interpretations issued but not yet effective

Amendments which are effective for the financial periods starting from and after 1 January 2024 and which are not expected to have a material impact on the financial statements:

- Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current (effective 1 January 2024).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Lease back (issued on 22 September 2022) (effective 1 January 2024).

The standards will be adopted at the effective dates.

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Segment reporting

Norway, Poland, France, Italy 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.

The Group's reportable segments are as follows for the three months period ended 31 March 2023:

(in NOK '000s)	Norway	Poland	France	Italy	North America	Other	Elim.	Total
External sales	181,740	19,686	134,061	57,812	60,471	-	-	453,770
Intersegment sales	166,865	248,424	453	47,993	23	-	(463,757)	-
Total revenue	348,605	268,110	134,514	105,805	60,493	-	(463,757)	453,770
Segment results	54,165	12,240	17,789	(3,626)	3,616	(3,403)	-	80,781
Unallocated corporate expenses included:								
Operating result								80,781
Finance income								12,483
Finance expense								(21,319)
Loss before income tax								71,946
Income tax								(6,879)
Net profit/(loss) for the period								65,066

Segment assets as at 31 March 2023

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

(in NOK '000s)	31 March 2023
Norway	529,840
Poland	246,562
Italy	373,510
North America	106,837
France	134,669
Other	32,964
Total segment assets	1,424,381

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Segment liabilities as at 31 March 2023

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

(in NOK '000s)	31 March 2023
Norway	827,636
Italy	99,694
Poland	142,313
North America	45,506
France	102,555
Other	43,537
Total segment liabilities	1,261,241

The Group's reportable segments are as follows for the three months period ended 31 March 2022:

(in NOK '000s)	Norway	Poland	France	Italy	North America	Other	Elim.	Total
External sales	145,819	12,231	99,722	56,875	64,580	-	-	379,227
Intersegment sales	86,163	126,766	188	63,899	33	-	(277,049)	-
Total revenue	231,983	138,997	99,909	120,774	64,614	-	(277,049)	379,227
Segment results	12,274	1,877	10,506	(1,841)	7,972	(1,717)	-	29,071
Unallocated corporate expenses included:								
Operating result								29,071
Finance income								1
Finance expense								(25,906)
Profit/(loss) before income tax								3,166
Income tax								(5,513)
Net profit/(loss) for the period								(2,347)

Segment assets as at 31 March 2022

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

(in NOK '000s)	31 March 2022
Norway	448,461
Poland	179,533
Italy	272,951
North America	116,284
France	98,420
Other	7,763
Total segment assets	1,123,412

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Segment liabilities as at 31 March 2022

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

(in NOK '000s)	31 March 2022
Norway	859,797
Italy	119,095
Poland	99,869
North America	36,165
France	82,039
Other	31,432
Total segment liabilities	1,228,395

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 March 2023:

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets	Right-of-use assets
France	126,549	1,324	2,526	17,485
Norway	94,106	33,236	113,150	138,442
United States	59,385	17,745	6,309	10,305
Italy	46,642	6,441	12,412	10,642
Germany	42,466	-	-	-
Sweden	19,164	-	-	-
Czech Republic	17,110	-	-	-
Canada	5,982	-	-	-
Poland	8,029	58,158	23	61,268
Great Britain (UK)	11,807	107	-	372
Spain	-	36	16	1,238
Other countries	22,530	1,310	1,080	816
Total	453,770	118,357	135,517	240,569

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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 March 2022:

(in NOK '000s)	Revenue	Property, plant and equipment	Intangible assets	Right-of-use assets
France	92,686	1,044	2,590	17,988
Norway	86,126	42,945	88,623	160,577
United States	56,598	8,101	4,741	22,193
Italy	44,316	4,488	10,747	7,896
Germany	16,443	-	-	-
Sweden	12,512	-	-	-
Czech Republic	11,175	-	-	-
Canada	9,189	-	-	-
Poland	12,510	58,050	4,166	54,373
Great Britain (UK)	8,874	114	-	566
Spain	6,392	26	18	1,296
Other countries	22,406	832	1,046	1,235
Total	379,227	111,310	116,177	240,910

Major customers

The Group does not have any single customer whose revenue streams exceed 10% of the Group's revenue in 2022 and 2021.

Related party transactions

The Group is ultimately held by (i) OpenGate Capital Partners I, LP, an exempted limited partnership registered in the Cayman Islands, (ii) OpenGate Capital Partners I-A, LP I, an exempted limited partnership registered in the Cayman Islands, and (iii) OGCP I Employee Co-Invest, LP, an exempted limited partnership registered in the Cayman Islands (collectively, the "Funds"). OpenGate Capital Management, LLC, a limited liability company formed under the laws of the State of Delaware, is an investment adviser to private equity funds, including but not limited to the Funds, which is registered with the United States Securities and Exchange Commission and is based in Los Angeles, California and Paris, France.

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(in NOK '000s)	Purchases during 1 January to 31 March 2023	Sales during 1 January to 31 March 2023	Balance payable as at 31 March 2023	Balance receivable as at 31 March 2023
OpenGate Capital Management, LLC	(1,639)	-	-	-
Jotul Holdings SA	(698)	-	(38,401)	-

(in NOK '000s)	Purchases during 1 January to 31 March 2022	Sales during 1 January to 31 March 2022	Balance payable as at 31 March 2022	Balance receivable as at 31 March 2022
OpenGate Capital Management, LLC	(2,170)	-	-	-
Jotul Holdings SA	(624)	-	(29,780)	-

Transactions relating to OpenGate Capital Management, LLC include mainly certain corporate infrastructure monitoring services.

The above-mentioned transactions were conducted on an arm's length basis.

Subsequent events

As of the date of this report, the directors are not aware of any subsequent events that may materially impact these financial statements.