

FINANCIAL REPORT Q1 2022



Jøtul AS (Jøtul Group)
31 March 2022

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Management comments

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 Q1 numbers of last year 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 not being consolidated in Q1 2021.

Q1 in brief

In Q1 2022, the Jøtul Group reached a consolidated loss of MNOK -2.3 (Q1 2021: MNOK -10.1). The operating result amounted to MNOK 29.1 in Q1 2022 (Q1 2021: MNOK 7.3). The total comprehensive loss for Q1 2022 was MNOK -5.5 (Q1 2021: MNOK -9.0).

The high opening orderbook at the beginning of 2022, alongside the continued strong bookings during the first quarter (25.0% higher than Q1 2021), contributed to an increase in revenues of 26.2%. The revenue amounts to MNOK 379.2 in Q1 2022 (Q1 2021: MNOK 301.0).

In line with recent trends in the market and strong demand across all product segments, the order intake was up from MNOK 388.9 in Q1 2021 to MNOK 486.2 in Q1 2022. The total order book at the end of Q1 2022 was MNOK 337.9 compared to MNOK 208.2 at the end of Q1 2021.

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All markets continue to show consistent growth, particularly the Nordics, Germany and France. Home improvement spending continues to be a key driver, in addition to 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. Additionally, the German market specifically has seen strong demand following requirements to phase out older stoves to comply with new standards concerning efficiency and emissions. 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.

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 Q1 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.

We expect that in the coming months the Covid-19 pandemic and the post-pandemic rebound will still impact the business in terms of supply-chain and logistics, and potentially with isolated cases of infections and quarantine related inefficiencies at our facilities. However, with the considerable progress in terms of vaccination roll-out, and with the gradual removal of restrictions both in Europe and North America, we do not anticipate setbacks as those seen in the early phases of the pandemic and to a certain extent during 2021 when it comes to infection outbreaks, or trade interruptions due to lockdowns.

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK 47.6 in Q1 2022 (Q1 2021: MNOK 25.4). This contains effect of non-recurring items of MNOK 4.6 in Q1 2022 (Q1 2021: MNOK 9.7). Adjusted EBITDA (net of non-recurring items) was MNOK 52.2 in Q1 2022 (Q1 2021: MNOK 35.2).

Q1 2022 non-recurring cost of MNOK 4.6 relate mainly to the finalization of the restructuring project in AICO, alongside the shareholder's monitoring fees.

The Group's capital investments in Q1 2022 amounted to MNOK 6.0. 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.

Q1 2022 net cash flow from operating activities was MNOK -24.4 compared to MNOK -6.1 in Q1 2021. The net cash-flow in Q1 2022 was at MNOK -29.0 (Q1 2021 MNOK -22.9). Cash and cash equivalent as per Q1 2022 was MNOK 79.3.

Available Revolving Credit Facility (less ancillary facilities of MNOK 21) as per Q1 2022 was MNOK 25.5 giving total available liquidity of MNOK 104.7.

In Q1 2022, the Group had an average of 742 full-time equivalent employees (Q1 2021: an average of 765 full-time equivalent employees).

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Condensed consolidated statement of comprehensive income

(in NOK '000s)	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Revenue	379,227	300,525
Other operating income	1,521	504
Total operating income	380,748	301,029
Raw materials and consumables	(171,124)	(133,909)
Changes in inventories of finished goods and work in progress	1,958	(863)
Employee benefits expense	(81,288)	(73,512)
Depreciation, amortisation and write-off	(18,566)	(18,157)
Other operating expense	(82,657)	(67,318)
Total operating expenses	(351,677)	(293,759)
Operating result	29,071	7,270
Finance income	1	6,705
Finance expense	(25,906)	(23,850)
Net finance cost	(25,905)	(17,145)
Profit/(loss) before income tax	3,166	(9,875)
Income tax	(5,513)	(236)
Net loss for the period	(2,347)	(10,111)
Other comprehensive income/(loss)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Foreign exchange differences on translation of foreign operations	(3,131)	1,097
Other comprehensive income/(loss) for the period net of tax	(3,131)	1,097
Total comprehensive loss for the period	(5,479)	(9,014)
Operating result	29,071	7,270
Depreciation and amortization	18,566	18,157
EBITDA	47,637	25,526
Non-recurring items	4,556	9,735
Adjusted EBITDA	52,193	35,162

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Condensed consolidated statement of financial position - Assets

(in NOK '000s)	31 March 2022 (unaudited)	31 December 2021 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	111,310	118,043
Intangible assets	116,177	113,877
Right-of-use assets	240,910	239,733
Other receivables	9,174	9,585
Deferred tax asset	1,243	1,269
Total non-current assets	478,814	482,506
Current assets		
Inventories	332,905	352,567
Trade and other receivables	225,080	203,295
Other receivables	2,952	2,962
Current income tax receivable	4,396	4,433
Cash and cash equivalents	79,264	108,257
Total current assets	644,597	671,514
Total assets	1,123,412	1,154,020

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Condensed consolidated statement of financial position - Liabilities

(in NOK '000s)	31 March 2022 (unaudited)	31 December 2021 (audited)
EQUITY AND LIABILITIES		
Equity		
Share capital	139,413	139,414
Share premium	1,026,612	1,026,612
Foreign currency translation reserve	12,021	15,153
Retained earnings	(1,283,030)	(1,280,682)
Total equity	(104,983)	(99,503)
Non-current liabilities		
Senior secured bonds	463,055	461,861
Lease liabilities	284,933	285,088
Borrowings	27,332	27,476
Government grant	1,965	2,547
Deferred tax liability	1,909	1,967
Long-term provisions	8,005	10,394
Total non-current liabilities	787,200	789,334
Current liabilities		
Lease liabilities	50,162	48,721
Loan from shareholder	29,780	30,551
Bank borrowing	28,539	17,198
Government grant	1,063	1,441
Trade and other payables	304,568	348,289
Short-term provisions	4,154	4,154
Accrued interest on bonds	8,904	8,713
Current income tax payable	14,025	5,122
Total current liabilities	441,195	464,189
Total equity and liabilities	1,123,412	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 2021	4,060	36,540	9,866	(261,569)	(211,103)
Loss for the year	-	-	-	(10,111)	(10,111)
Other comprehensive income for the year	-	-	1,097	-	1,097
Total comprehensive loss	-	-	1,097	(10,111)	(9,014)
Balance as at 31 March 2021	4,060	36,540	10,963	(271,680)	(220,117)

(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)
Loss for the year	-	-	-	(2,347)	(2,347)
Other comprehensive income for the year	-	-	(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)

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Condensed consolidated statement of cash flows

(in NOK '000s)	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Cash flows from operating activities		
Net loss for the year	(2,347)	(10,111)
<i>Adjustments for:</i>		
Income tax recognised in profit or loss	5,513	236
Depreciation and impairment	18,566	18,157
Net finance costs	25,905	17,145
Changes in operating working capital	(48,372)	(25,205)
Cash generated from operating activities	(735)	222
Interest paid	(20,187)	(6,332)
Interest received	-	27
Income tax paid	(3,452)	-
Net cash flows from operating activities	(24,375)	(6,083)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,619)	(8,715)
Purchase of intangible assets	(4,392)	-
Net cash flows used in investing activities	(6,011)	(8,715)
Cash flows from financing activities		
Proceeds from Bank borrowing	11,341	
Payment of principal portion of lease liability	(9,948)	(8,156)
Net cash flows from financing activities	1,393	(8,156)
Net increase/(decrease) in cash and cash equivalents	(28,993)	(22,954)
Cash and cash equivalents at the beginning of the year	108,257	70,295
Exchange gains on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the period	79,264	47,341