



FINANCIAL REPORT Q3 2021



JØTUL AS (JØTUL GROUP)
30. SEPTEMBER 2021

Registered Office:
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Norway

Jøtul AS
Financial report
for the period from 1 January to 30 September 2021

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Management comments

Business

The Jøtul Group (representing, as at 30 September 2021, 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 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.

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 these events took place after the end of Q3 2021, and in order to enable the Group to report comparable numbers, this quarterly report continues to reflect the consolidation perimeter of Jotul Holdings SA. For future reporting periods, consolidation will take place on the level of the new bond issuer, Jøtul AS.

Q3 in brief

YTD Q3 2021, the Jøtul Group reached a consolidated profit of MNOK -57.5 (YTD Q3 2020: MNOK -123.1). The operating result totaled MNOK 12.9 in YTD Q3 2021 (YTD Q3 2020: MNOK -72.9). The total comprehensive loss for YTD Q3 2021 was MNOK -48.1 (YTD Q3 2020: MNOK -105.6).

The sharp increase in order intake in Q4 2020, with a higher than usual backlog end of 2020, alongside the strong bookings in the year to date (39% higher than the same period of 2020), contributed to strong revenue growth in the first three quarters of the year. Revenue for the period increased by 49% to MNOK 871.0 YTD Q3 2021 from MNOK 583.7 in YTD Q3 2020.

In line with recent trends in the market and strong demand across all product segments, the order intake was up from MNOK 299 in Q3 2020 to MNOK 332 in Q3 2021. The total order book at the end of Q3 2021 was MNOK 235 compared to MNOK 139 in Q3 2020.

All markets continue to show strong demand, particularly the Nordics, Germany and France. Home improvement spending continues to be a strong driver, in addition to the sharp increase in electricity and gas prices across all markets, which confirms wood burning as an important

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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.

The manufacturing operations in Poland improved sharply in terms of output capacity towards the end of 2020 and continued to improve throughout 2021, after last year's performance and output were significantly impacted by Covid-19 pandemic disruptions. In Q3 2021 the total output of complete units from our Polish factory increased by 76% compared to Q3 2020. The manufacturing operations are now considered mature, including the AICO production line ramped-up in Poland during the past 12 months, and we continue working on further efficiency improvements and optimizations.

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 at our facilities. However, with the considerable progress in terms of vaccination roll-out, both in Europe and North America, we do not anticipate setbacks as those seen in Q4 2020 and to a certain extent in Q1 2021 when it comes to infection outbreaks, or trade interruptions due to lockdowns.

EBITDA (Earnings before interest, taxes, depreciation, and amortizations) was MNOK 70.2 YTD Q3 2021 (YTD Q3 2020: MNOK -10.6). This contains non-recurring items of MNOK 26.0 YTD Q3 2021 (YTD Q3 2020: MNOK 38.1). Adjusted EBITDA (net of non-recurring items) was MNOK 96.3 YTD Q3 2021 (YTD Q3 2020: MNOK 27.5).

YTD Q3 2021 non-recurring costs of MNOK 26.0 relate primarily to Covid-19 delays to the start-up of manufacturing related to AICO, alongside the shareholder's monitoring fees. In the third quarter specifically, the non-recurring costs decreased to MNOK 4.7 (YTD Q3 2020: MNOK 13.5).

The Group's capital investments YTD Q3 2021 amounted to MNOK 26.5 compared with MNOK 42.6 YTD Q3 2020. Last year's higher investments were mainly related to product development to ensure that the Group remains at the forefront as regards upcoming legal requirements relating to efficiency and emission levels.

YTD Q3 2021, cash flow from operating activities was MNOK -91.6 compared to MNOK -52.1 YTD Q3 2020. The net cash flow YTD Q3 2021 was MNOK -66.1 (YTD Q3 2020 MNOK -46.2). Cash and cash equivalents as per Q3 2021 amounted to MNOK 4.2 (prior to the refinancing).

Undrawn amounts under the Group's revolving credit facility (less ancillary facilities of MNOK 21) amounted to MNOK 37.1 as at Q3 2021, resulting in total available liquidity of MNOK 41.2 at the end of Q3 2021.

As of Q3 2021, the Group had 767 full-time equivalent employees (Q3 2020: 552 full-time equivalent employees).

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Condensed consolidated statement of comprehensive income

(in NOK '000s)	30 September 2021 (unaudited)	30 September 2020 (unaudited)
Revenue	871,026	583,762
Other operating income	2,508	7,129
Total operating income	873,534	590,891
Raw materials and consumables	(389,448)	(173,550)
Changes in inventories of finished goods and work in progress	11,949	(68,385)
Employee benefits expense	(217,257)	(175,259)
Depreciation and amortisation	(57,316)	(62,373)
Impairment losses on financial assets	-	(617)
Other operating expense	(208,532)	(183,656)
Total operating expenses	(860,604)	(663,840)
Operating result	12,930	(72,949)
Finance income	18,441	30,472
Finance expense	(90,018)	(75,002)
Net finance cost	(71,577)	(44,530)
Loss before income tax	(58,647)	(117,479)
Income tax	1,112	(5,576)
Net loss for the year	(57,535)	(123,055)
Other comprehensive income/(loss) <i>Items that may be subsequently reclassified to profit or loss</i>		
Foreign exchange differences on translation of foreign operations	9,484	17,431
Other comprehensive income/(loss) for the year net of tax	9,484	17,431
Total comprehensive loss for the year	(48,051)	(105,624)
Operating result	12,930	(72,949)
Depreciation and amortization	57,316	62,373
EBITDA	70,246	(10,576)
Non-recurring items	26,021	38,074
Adjusted EBITDA	96,267	27,498

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Condensed consolidated statement of financial position - Assets

(in NOK '000s)	Notes	30 September 2021 (unaudited)	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment		130,900	127,292
Intangible assets		146,590	143,426
Right-of-use assets		278,042	281,086
Other receivables		11,663	11,260
Deferred tax asset		1,399	1,439
Total non-current assets		568,594	564,503
Current assets			
Inventories		307,765	201,268
Derivative financial instrument		-	311
Trade and other receivables		217,719	121,734
Other receivables		291	471
Current income tax receivable		813	2,138
Cash and cash equivalents		4,154	70,295
Total current assets		530,743	396,217
Total assets		1,099,337	960,720

Condensed consolidated statement of financial position - Liabilities

(in NOK '000s)	30 September 2021 (unaudited)	31 December 2020
EQUITY AND LIABILITIES		
Equity		
Share capital	4,060	4,060
Share premium	36,540	36,540
Foreign currency translation reserve	19,350	9,866
Retained earnings	(319,104)	(261,569)
Subordinated capital	180,895	178,555
Total equity	(78,259)	(32,548)
Non-current liabilities		
Senior secured bonds	-	333,759
Borrowings	105,536	27,644
Lease liabilities	323,721	331,469
Government grant	1,075	3,954
Deferred tax liability	2,753	10,309
Long-term provisions	10,492	4,805
Total non-current liabilities	443,577	711,940
Current liabilities		
Senior secured bonds	379,557	5,891
Lease liabilities	46,703	59,735
Bank overdraft	16,932	-
Derivative financial instruments	-	358
Government grant	3,406	1,493
Trade and other payables	276,565	211,243
Short-term provisions	-	287
Current income tax payable	10,856	2,321
Total current liabilities	734,018	281,328
Total equity and liabilities	1,099,337	960,720

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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 2020	600	-	8,609	(134,573)	(125,364)
Loss for the period	-	-	-	(123,055)	(123,055)
Other comprehensive income for the period	-	-	17,431	-	17,431
Total comprehensive loss	-	-	17,431	(123,055)	(105,624)
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 September 2020 (unaudited)	4,060	36,540	26,040	(257,628)	(190,988)
(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)

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Condensed consolidated statement of cash flows

(in NOK '000s)	30 September 2021 (unaudited)	30 September 2020 (unaudited)
<i>Cash flows from operating activities</i>		
Net loss for the period	(57,535)	(123,055)
<i>Adjustments for:</i>		
Income tax recognised in profit or loss	(1,112)	5,576
Depreciation and amortization	57,316	62,373
Net finance income	71,577	44,530
Changes in operating working capital	(130,531)	(16,155)
Cash generated from operating activities	(60,285)	(26,731)
Interest paid	(34,321)	(30,555)
Interest received	67	334
Income tax received	2,946	4,873
Net cash flows from operating activities	(91,593)	(52,079)
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(6,692)	(42,643)
Purchase of intangible assets	(19,838)	
Other cash flows from investing activity	-	213
Net cash flows used in investing activities	(26,530)	(42,430)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	76,699	35,011
Proceeds from capital increase	-	40,000
Payment of principal portion of lease liability	(24,717)	(26,751)
Net cash flows from financing activities	51,982	48,260
Net increase/(decrease) in cash and cash equivalents	(66,141)	(46,249)
Cash and cash equivalents at the beginning of the period	70,295	56,681
Cash and cash equivalents at the end of the period	4,154	10,432