# Jøtul AS

# Annual report
# and Independent auditor’s report
# for the year ended 31 December 2023

Registered Office:

Langøyveien, 1678 Kråkerøy
3004 Fredrikstad

Jotul AS
Annual report
for the year ended 31 December 2023

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## 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.

The group is headquarters in Norway and has subsidiaries in Poland, France, Italy, United States, Denmark, United Kingdom and in Spain. There were no changes in the Group legal structure in 2023. Jøtul AS owns 100% interest in all its subsidiaries and all such subsidiaries are included in the consolidated financial statements embedded in this report.

## The year in brief – Jøtul Group

The revenue in 2023 reduced with 2.5%, to MNOK 1,574.8 compared to MNOK 1,614.5 in 2022. The sales to most of the Group's key markets have shown very strong development in the first half of the year, on the account of significant opening order book, while in the second half of the year the trend was negative due to weaker order intake. The downturn is driven by lower cost of energy (both electricity and natural gas), higher interest rates, and lower home improvement spending, which negatively impact demand. In certain markets the slowdown in the construction industry, notably related to new houses and recreational homes, has also contributed to this trend. It is also important to note that throughout the second half of the year, Jøtul observed significant volumes of inventory in the industry and at dealers' stores, likely driven by a large build-up and strong order intake orders during the peak of the demand in late 2022, which has a negative impact on the manufacturers' businesses as many of the dealers need to first reduce inventory before reordering. Nevertheless, end-customer demand and footfall at the dealers' stores appears to be good and the latest visibility indicates progress in terms of reduction of excessive inventory levels.

Considering the factors mentioned above, the total order intake has reduced from MNOK 1,868.5 in 2022 to MNOK 1,205.0 in 2023, being a 35.5% reduction. The total order book at the end of December 2023 was MNOK 115.0 compared to MNOK 485.5 at the end of December 2022. It is important to note that, under normal market circumstances, with continuous and balanced order intake throughout the year and normalized lead times, the order book from the end of 2022 is not representative and should be considered as very high.

In 2023, Jotul Group reached a consolidated profit of MNOK 37.7 (2022: MNOK 176.0, including effect of deferred tax asset recognition as described further below). The operating result of the year was MNOK 122.2 (2022: MNOK 175.2). The total comprehensive income was MNOK 57.3 (2022: MNOK 179.2).

EBITDA (Earnings before interests, taxes, depreciation, and amortizations: Operating Result less Depreciations) was MNOK 211.2 in 2023 (2022: MNOK 250.7). This contains the effect of non-recurring items of MNOK 25.2 (2022: MNOK 26.3) which relate mainly to the shareholder's monitoring fees, alongside restructuring related expenses and some one-off strategic consultancy expenses. Adjusted EBITDA (adjusted Earnings before interests, taxes, depreciation and amortization: Operating result less Depreciations and non-recurring items) was MNOK 236.4 in 2023 (2022: MNOK 276.9).

Net finance expenses were MNOK -77.1 in 2023 (2022: MNOK -76.1). The increase of expenses in the year includes a one-off bond remeasurement adjustment of MNOK 13.3 (call option fee of MNOK 9.9 and amortization of the remaining bond establishment costs of MNOK 3.4) related to the early redemption of the bond originally issued in October 2021. Additionally, the interest expenses in 2023 are higher than 2022 due to overall increase in interest rates. In terms of finance income, this is mostly related to positive FX differences, which were more significant in 2023 due to gradual weakening of the Norwegian Krone compared to other currencies.

In December 2022, Jotul Group recognized a deferred tax asset of MNOK 84.7 coming from the cumulated losses carried forward by Jøtul AS over the previous periods. The recognition was possible and justified by the fact that the Norwegian division has turned to profitability in the past couple of years, and it is foreseen that the tax losses will be utilized over the next few years. During 2023, additional deferred tax assets of MNOK 8.0 were recognized, coming from the cumulated losses carried forward by Jotul Poland. After the first loss-making years following the factory start-up in Poland, Jotul Poland has also turned to profitability, and the management assumes that the tax losses will be utilized in the following years before the end of their validity period (i.e., within five years since incurrence).

In 2023 the total output of complete units from the factories reduced by 14.2% compared to the previous year. The reduction, which mostly occurred in the last quarter of the year, follows the initiatives to align the production output to the weaker demand from the market.

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, where the core of the production is located. These major and extraordinary inflationary developments were for the most part offset with selling price increases. In 2023 the Group observed that the prices of certain materials and of energy have mostly stabilized, but at a much higher level than before 2021.

The inventory level has increased, in particular over the past 12 – 18 months, as a result of inflation, currency effect, and increased lead times for the supply of raw materials and components, alongside weakening demand from our customers. While the inventory levels are expected to improve, and the Group has implemented actions in this direction, they will likely stay at higher levels than in the past years.

In August 2023, Jøtul AS made a reclassification adjustment of MNOK 902.8 within equity to offset the negative retained earning with share premium. The adjustment was made for presentation purposes and there are no consequences to the share capital or to the total equity.

The Group's capital investments in 2023 amounted to MNOK 46.9 (2022: 45.9). 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. In addition to product development, other significant capital investments include the upgrade of the ERP platform in Poland and Norway, alongside leasehold improvements in connection with the Jotul Poland factory building expansion.

In 2023, the net cash flow from operating activities was MNOK 35.1 (2022: MNOK 127.1), while the net cash flow was MNOK -70.7 (2022: MNOK 22.8). Cash and cash equivalents as of December 2023 were MNOK 68.7 (December 2022: MNOK 131.1) and the total available liquidity was MNOK 117.7 (December 2022: MNOK 185.1).

The Group's MNOK 475 listed Senior Secured Bond due on October 6th, 2024, were refinanced on January 24, 2024. The new bonds, which were issued on January 15th, 2024, have an amount of MNOK 510 and mature in two and a half years. Simultaneously, the Group has also successfully entered a new Revolving Credit Facility (RCF), with total available credit limit of MNOK 120 (excluding bank guarantees), to be used for working capital purposes as additional resources to regulate the seasonality lows. The new RCF is replacing the previous MNOK 75 facility (including bank guarantees) and more the doubles the liquidity available through such credit facility. Indebtedness covenants apply to both the Bonds and the RCF. In addition, the RCF has a limit on the amount that can be drawn, being maximum 1x of the EBITDA (as defined in the financing agreements).

With the refinancing project completed (including the outcome of the covenant holidays negotiations described in Note 20) and with further upside potential for cash through the reduction of the inventory levels, alongside foreseen improved business outlook starting from the second half of 2024, the management concludes that the Group should be able to finance its business and to continue as a going concern in the foreseeable future.

During the year, Jotul Group had an average of 771 employees (2022: 766). The increase was mainly driven by a ramp up of production in late 2022 following an increase in order backlog. As of December 2023, the Group had 664 employees, 186 employees less than as of December 2022. The reduction was mainly driven by the reduction of production output mostly throughout Q4 2023 following a weaker market.

### The year in brief – Jøtul AS standalone

The revenue in 2023 increased with 10.4%, to MNOK 1,263.5 compared to MNOK 1,144.2 in 2022. 50.6% of all Jøtul AS revenues are with external customers, the remaining 49.4% being sales to subsidiaries. External revenue increased with 0.7% in 2023 vs 2022.

All direct markets of Jotul AS showed weakening demand throughout the year, and, consequently, the sales were lower than expected, despite a strong opening order book. Sales to core markets like Norway, Sweden and Germany have reduced compared to the previous year due to unfavourable macroeconomic conditions and due to a certain level of dealer overstocking. Home improvement spending reduced due to high interest rates and decrease in real estate transactions, while the price of energy, although high, has reduced compared to the price levels from H1 2021 and 2022.

In 2023, Jøtul AS reached an operating result of MNOK 131.3 (2022: MNOK 152.7). The pretax result totaled MNOK 8.6 in 2023 (2022: MNOK 72.0). The company has accumulated losses carried forward from the prior years and expects to recover them in the coming years.

In December 2023, Jøtul AS announced that it is refinancing its senior secured bond issued in October 2021 with the ISIN number NO0011104069. The bond, which had its original maturity date in October 2024, was successfully refinanced on 24 January 2024, and will be listed within 12 months on a regulated exchange. Simultaneously, Jøtul AS entered a new Revolving Credit Facility with a total credit limit of MNOK 120.

Cash and cash equivalent as per 31 December 2023 was MNOK 22.1. Available RCF was MNOK 35.0 giving a total available liquidity of MNOK 57.1.

In 2023, Jotul AS had an average of 168 employees (2022: 158). The increase was driven by a production ramp-up in late 2022 following an increase in order backlog.

Jøtul AS experienced substantial increase of raw material prices in 2021 and in 2022. In addition, the Kråkerøy melting plant also experienced significant increases in the cost of energy during that period. These major and extraordinary inflationary developments were for the most part offset with selling price increases. Throughout 2023, Jøtul AS observed that the prices of certain materials and of energy have mostly stabilized, but at a much higher level than before 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 has successfully refinanced the Senior Secured Bonds in January 2024 for a period of two and a half years. Simultaneously, the Group has successfully entered a new Revolving Credit Facility (RCF), with total available credit limit of MNOK 120 (excluding bank guarantees), to be used for working capital purposes as additional resources to regulate the seasonality lows. The new RCF replaces the previous MNOK 75 (including bank guarantees) facility and more the doubles the liquidity that can be available through such credit facility if certain covenants are met. Subsequently, due to weaker than expected financial results, the covenants were breached as of Q1 2024. The Group engaged in negotiations with the creditors and obtained covenant holidays for all four quarters of 2024. The terms of the agreement secure the liquidity needs of the Group for the rest of the year. Further details about the covenant breach are included in Note 20.
- Although the 2023 revenues are slightly lower than last year due to slow-down in certain markets, the perspectives for the industry remain positive with expectation of growth in the second half of 2024 and beyond. Such perspectives are supported by the continued high price of electricity and natural gas, which reconfirms the importance of wood as an alternative or complementary heating resource. Additionally, some jurisdictions (e.g. Germany) are imposing regulatory measures to discontinue the use of older, more polluting, stoves, which implies an increase in demand for newer, more efficient and cleaner products.
- The inflationary development on the cost side, noted throughout the past two – three years as part of the post-Covid-confinement recovery, followed by the effects of the energy crisis, is expected to be less significant going forward. In 2023 the Group already observed that the prices of certain materials and of energy have mostly stabilized, but at a much higher level than before 2021. Nevertheless, over time, the market proved its ability to offset such cost increases via selling price increases, allowing the Group to defend its margins.
- The factory in Poland is mature and efficient, following a few years of growth and stabilization. It also provides a more agile set-up for adapting manufacturing output to market dynamics.

With the performance of the past years demonstrating that, despite some cyclical ups and downs, the Group's markets are structurally sound and show further opportunity for growth, and considering the foreseen improved business outlook starting from the second half of 2024, alongside the conclusion of the refinancing exercise (including the agreed covenant holidays as described in Note 20), it is the board of directors' expectation that the Group will have adequate resources to continue trading for the foreseeable future.

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. Also, in accordance with the Accounting Act §3-3a, the Board confirms that the financial statements have been prepared under the assumption of going concern.

**Market**

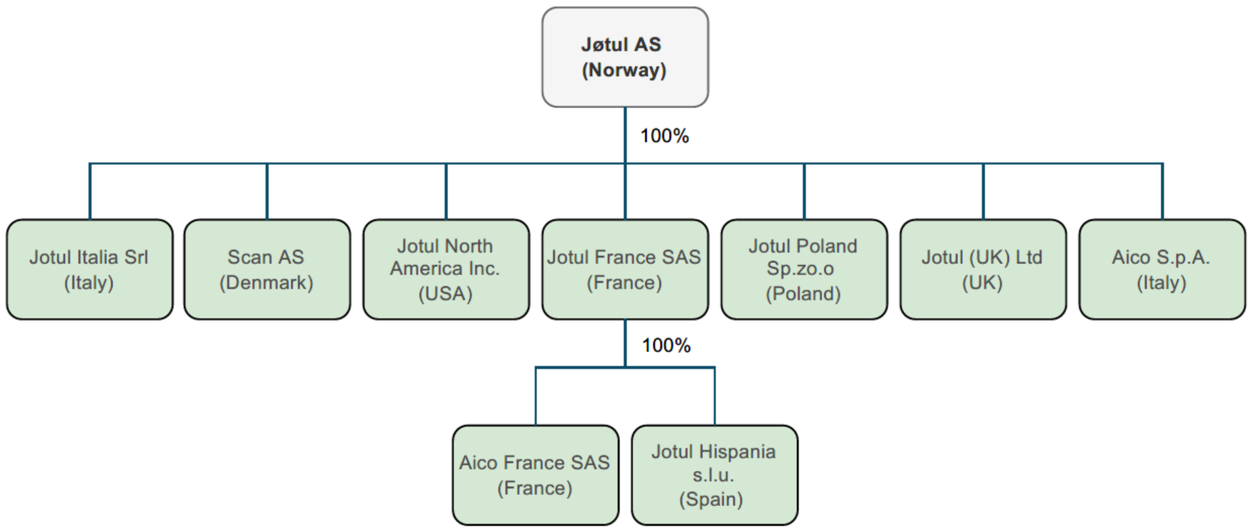
The Group's largest markets are the Nordic countries, France, Italy and USA. The company supplies fireplaces for wood, gas and pellets. The market is multi-local, and the competitors are largely local participants in national markets. This is driven by historical positions and a fragmented regulatory 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 conducts business reviews for all sales regions / markets. Typical KPIs for sales regions 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, which remained unchanged during 2023, is the following:




## Manufacturing principles

Jøtul operates four manufacturing facilities, one cast iron production plant in Fredrikstad, Norway, one production and assembly plant in Wroclaw, Poland, one gas and wood stoves manufacturing site in Portland (ME), the United States, and a smaller manufacturing facility in Motz, France. 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 conducts business reviews for all manufacturing sites. Typical KPIs for factories are efficiency and productivity, operating expenses, inventory levels, production output related to plan/budget, on-time deliveries and several KPIs for ESG. Whenever corrective measures are needed to be performed, these are communicated in the business reviews and reported on routinely.

Additionally, acknowledging the importance of sourcing for a lean production flow, the Group also introduced specific procurement / sourcing business reviews. These reviews are meant at deep diving into ongoing matters related to on-time purchasing, special projects such as insourcing or outsourcing, purchase price developments, quality and supplier performance, etc.

## Risk exposure

The Group's activities entail various types of financial risk associated with foreign currency, interest rates, raw materials prices, credit and liquidity. To reduce its exposure to unfavourable foreign exchange fluctuations, the Group currently relies mainly on the effectiveness of natural hedging driven by the fact that it does not have major discrepancies between the inflows and the outflows of EUR and USD (main foreign currencies), while PLN is relatively closely linked to the development of the EUR currency rates. Exposures to other currencies are deemed less significant. The Group is currently evaluating the re-introduction of foreign exchange forward contracts to cover its exposure to currency rate risk more effectively. Over the past recent years, the Group has net benefited from the FX rates evolution.

Technical risk is primarily associated with the operation of existing equipment and the 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 major 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 in 2019/2020, the Group has purchased several new machines to replace the oldest ones currently in operation and plans to continue investing in upgrading machinery and equipment over the coming years. This further reduces the technical risk.

In the context of the war in the Ukraine, the Group confirms that it has minimal exposure to the Russian, Belarusian or Ukrainian markets, both in terms of supply base and in terms of sales. While some of the Group's suppliers might be sourcing raw materials from these countries, the Group assesses the risk of disruption as low. The Group has discontinued any supply of goods to the Russian and Belarusian markets.

## Climate risks

When it comes to the transition to sustainability risks driven by regulatory requirements and customer behavior, Jøtul is permanently monitoring the latest developments in these areas. The goal is to always have a product portfolio that meets or exceeds the most stringent rules and regulations, and to monitor and adapt to the latest expectations from consumers in terms of product design/functionality, climate footprint, and overall corporate social responsibility. Jøtul spends over MNOK 40 per year on R&D and product development.

Operational risks driven by the adverse effects of climate change (e.g., more frequent occurrence of extreme weather conditions, conflicts, pandemics, etc.) are somewhat difficult to evaluate. Nevertheless, the board considers such risks to be remote, while adequate insurance policies are in place. The main geographical areas where Jøtul does business are considered more resilient in recovering from potential natural disasters, and less prone to disruptions caused by conflict.

Moreover, the nature of Jøtul's business implies less exposure to scarce materials and components, which in its turn implies higher resilience in case of major global supply chain disruptions. Jøtul is actively working on building strategic, long-term relationships with its suppliers, on monitoring supplier financial health, and on having alternative sourcing solutions where suitable.

## Corporate social responsibility and sustainability

### *Code of conduct and ethical guidelines*

The Jøtul 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.

Starting with the edition published in 2021, the Code of Conduct introduced a whistleblowing reporting channel.

Jøtul 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 female staff constituted 24% of the total workforce.

Absence due to sick leave in the business units with the highest number of employees was as follows:

- Jotul Poland 7.83%

- Jøtul AS 7.37%
- Jotul North America 2.30%

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 line with the level required by the applicable laws in respective countries. The Group is an inclusive workplace company, which also includes a commitment to make arrangements for people with disabilities. Incidents like bullying, discrimination of any kind and harassment are not accepted, and the company has a zero tolerance with such cases.

The health and safety of all the people who work for and with Jøtul is a top priority. Incidents are reported daily to the relevant site management. Performance is disclosed during monthly business reviews, which includes accidents, near misses and days lost. When an incident occurs, there is a follow-up process with the quality manager / EH&S, team leaders and staff to evaluate the situation and remediate the root cause. All incidents and accidents occurring in 2023 were assessed as minor and all employees resumed their duties.

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 program and implementing any other measures regarded as necessary in order to prevent the corruption risks identified in the risk analysis.

The compliance to the Group's Code of Conduct is paramount and all employees are obliged to make active efforts to complied with the values defined in the Code, and with all applicable laws and regulations.

*Sustainable development*

The ability to offer high-quality and environmentally friendly products is central in Jøtul Group's product development and manufacturing processes. The cast iron utilized in manufacturing is produced 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 very clean combustion technology. Jøtul ensures that all products are energy labeled in accordance with local energy requirements. The company has R&D departments at the head office and largest manufacturing facility at Kråkerøy, at the operations in Denmark (SCAN), in Jotul North America, and at AICO Italy. 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 imposed on the wood stove manufacturing industry. These include the Conformité Européene (CE) requirements European Norms (EN)13240 for freestanding stoves, and EN13229 for inserts, with which Jøtul complies for the entire product portfolio.

The new pan-European standard EN16510 relating to residential solid fuel burning appliances is effective starting from July 2023. With the introduction of this standard, local demands/regulations, such as the AT regulations in Austria, the NS (dust test) in Norway, etc., will be phased-out/replaced. Some countries will continue to have local initiatives connected to tax incentives for the commercialization of low-polluting products (e.g.: Italy's existing "Aria Pulita" regulations). The EN16510 will undergo a period of harmonization and is expected to reach maturity by July 2025. Jøtul will monitor and adopt the requirements of the standard as they develop and are enacted. Jøtul stoves are also Eco-labeled and they are listed in the mandatory European consumer databank EPREL, alongside the listing in several voluntary data banks like the Belgian, the Swiss, etc.

The United States has its own regulations from the United States Environmental Protection Agency (US-EPA), while Australia and New Zealand have shared regulations, being AS/NZS 4012:2014. For the United Kingdom there will be a separate UK label based on the EN 16510 standard.

Customer preferences to a large extent concern product design, so Jotul Group R&D efforts have to be managed according to both strict regulatory requirements and soft consumer preferences. Jøtul spends over MNOK 40 per year on R&D and product development.

*Pollution and climate footprint*

Unlike other sources of fuel, wood, which constitutes the core of our product portfolio, is an environmentally friendly source of fuel because of its carbon neutral status. Over the duration of its life a tree will absorb CO2 from the atmosphere and then release it if burned or when it decomposes.

The Jøtul Group is actively working on reducing its environmental impact by:

- Producing Eco-design products with clean-burn technology
- Recycling materials (all cast iron production is with recycled iron, and the foundry is run on hydroelectricity)
- Standardizing deliveries and reduce transportation related emissions

- Using recycling materials for packing and requesting suppliers to do the same
- Using electrical vehicles as much as possible
- Using electronical media as much as possible to reduce usage of printed paper
- Continuously informing our dealers and end-customers about correct wood-burning, to ensure knowledge regarding emissions and means of reducing them

The Group is implementing KPIs to measure performance on reaching short and long-term goals. Such KPIs are reported from the relevant functions on a quarterly and annual basis.

The Jøtul products trigger the end customer's mindset in both an emotional and functional way. Concerns related to climate change and pollution may affect the customer's decision to acquire or not a product. With correct information about the company's actions to improve its climate footprint, alongside the education about the wood's carbon neutral status and the circular aspects of our production process, the management believes Jøtul's products will continue to be appreciated as sustainable and effective heating solutions for a long time ahead.

**Transparency Act**

Jøtul is subject to the rules in the Norwegian Act on the transparency of businesses, and work with basic human rights and decent working conditions, also called the Transparency Act. This act aims to ensure companies' respect for basic human rights and decent working conditions and will give the general public access to the information.

The Act requires the company to make a statement of the due diligence assessments carried out regarding this act. This must be made public, and Jøtul will publish this at the webpage location https://jotulgroup.com/transparency-act within the statutory deadline of 30 June 2024.

**Debt instrument**

In October 2021, Jøtul Group issued a senior secured bond loan with an amount of MNOK 475 and three-year maturity. This loan was used to repay the previous bond loan issued at Jøtul Holdings SA (previous parent and consolidation level of the Group), in addition to providing additional financing to the business. The bond carried a floating interest rate of 3M Norwegian InterBank Offered Rate (NIBOR) + 6.95 per cent per annum.

In January 2024, the bond loan was refinanced with a new MNOK 510 bond, having a maturity period of two and a half years and carrying a floating interest rate of 3M NIBOR + 8.00 per cent per annum. Like the previous bond loans, and in accordance with the terms and conditions of the bond agreement, the Group has the obligation to list the instrument within 12 months from issuance date (i.e., by January 15$^{th}$, 2025) on a regulated exchange.

## Future development

The Group has a strong global market position and brand recognition, and an extensive distribution network. Despite that, except for the most recent three years, the financial performance over the past decade has been poor. Over the past years, the main strategic focus was the implementation of efficiency measures and cost optimizations to restore and improve the company's profitability. Most notably in this respect was the establishing in 2019/2020 of the manufacturing and assembly plant in Poland, and the closure of the manufacturing facilities in Denmark and Italy, and of the assembly lines of Jøtul AS. This improved the cost competitiveness following a lower cost structure, and provided improved agility and faster adaptability to higher or weaker market demand. Production efficiency has also gradually improved and, alongside other cost optimization initiatives, will remain part of the day-by-day continuous improvement process. As of now, the manufacturing structure and footprint of the Group is considered mature.

Jotul has ambitions to continue growing and is focusing on increased distribution to further strengthen its global market position. In addition to the continuous focus on design, emissions and efficiency, the Group is also planning to expand and grow its pellet stoves product offering and 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 Jøtul 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® Accounting Standards as adopted by the EU 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 the 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. 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 personnel 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 organized through a centrally managed reporting calendar.

Quarterly reporting to the financial markets is approved by the Board of Directors and published withing two months from the quarter-end.

Liquidity forecasts and debt servicing ability are reviewed by Corporate Finance department and the Group's CFO and reviewed by the Group's 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 financial statements. Subsequently, a monthly business review with the ultimate shareholder is held for the presentation of the management report, which includes financial and operational KPIs.

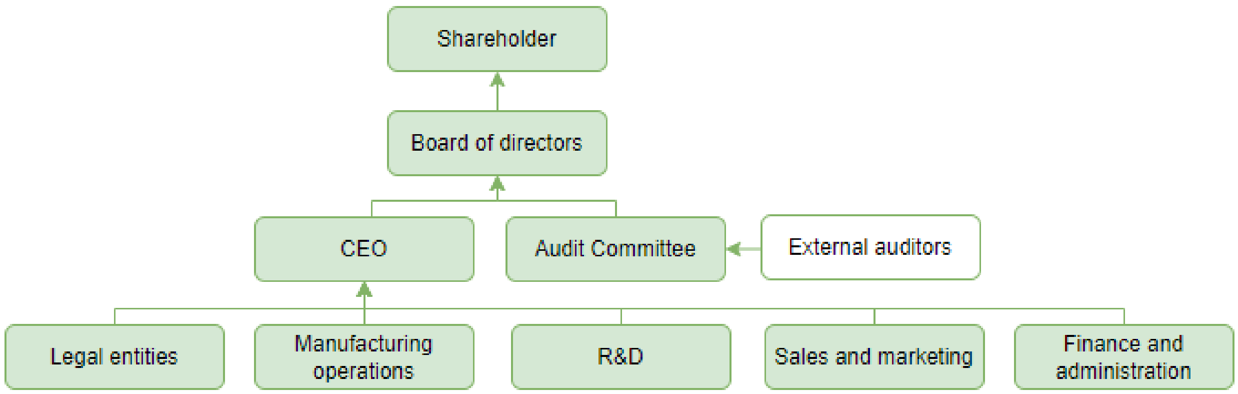
The budget process starts in the month of August, when all components are required to prepare a forecast for the current year. This forecast forms the starting point of the coming year's budget. Each local budget is prepared based on local assumptions on sales and cost development. Subsequently this is reviewed and updated, if necessary, then Group Finance consolidates and presents the overall budget to the executive management and to the shareholders. The budget for the coming year is approved and communicated prior to the beginning of the budget year.

Jøtul Group's practices on the reporting of significant compliance incidents requires each subsidiary to immediately report fraud or any other significant compliance incidents to the Group. Identified control weaknesses that could impact the reliability of financial reporting must be brought to the attention of management.

## Corporate governance

The Jøtul AS Group is subject to the governance requirements from section 3-3b of the Accounting Act. As a Norwegian limited liability company with bonds listed on the Oslo Stock Exchange as of year-end 2023, Jøtul is subject to various regulatory requirements affecting its corporate governance. The board of directors of Jøtul AS is responsible for the Group's corporate governance and management. The following chart provides an overview of the governance structure.

*Governance structure*




*Shareholder*

As of 31 December 2023, the share capital of Jotul AS is set at NOK 139,413,732 and is divided into one share fully paid up. The Group has a sole shareholder, Jotul Holdings Sàrl.

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. General Meetings shall be held at the time and place specified in the notices.

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 is also entitled to approve any allocation of profit proposed by the Board and to decide on the discharge of directors or of the auditor from any duties.

*Board of directors*

On 31 December 2023, the Board of directors had the following seven members:

**Nils Agnar Brunborg** – Chair of the Board
**Lars Tore Heggem** – Director
**René Valentin Christensen** – Director
**Anette Johansen** – Director, Employees' representative
**Bjørn Harald Bjørnli** – Director, Employees' representative
**Øyvind Arne Sandnes** – Director
**Sven Østgulen** – Director

There were no changes to the composition of the Board during 2023 or until the publication of this report.

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.

The Board of Directors met several times in 2023 with an average attendance rate of 100 per cent and adopted some decisions by circular resolution. Members of the board also hold regular meetings with financial directors of Group entities.

The Board of Directors confirms having adequate insurance policies in place to cover their responsibilities of their roles and members of the board. The directors and offices insurance for Jøtul AS and all subsidiaries covers an amount of MNOK 150.

*Audit committee*

The Audit Committee was established on August 25th, 2022. The role of the Audit Committee is to assists the Board of Directors in its responsibility with respect to overseeing the Group's financial reporting, the audit of the stand-alone and consolidated accounts, the independence of the external auditors, the risk management and internal control, and the standards of business conduct and compliance.

The Audit Committee consists of two members, one being independent and both having finance and accounting background. The Board elected Sven Østgulen as Chairman, Øyvind Arne Sandnes being the other member of the Committee.

*External auditor*

Pricewaterhousecoopers AS is the Group's external auditor since October 8th, 2021. In 2023 the external auditor has attended three Audit Committee meetings, shared information about the audit plan and scope and provided the members of the Audit Committee with an opportunity to ask questions.

*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 consolidated financial statements of Jøtul Group presented in this report and prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position, profit or loss of Jøtul Group and the undertakings included within the consolidation taken as a whole; and the management report includes a fair review of the development and performance of the business and position of Jøtul Group and undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Fredrikstad, 24 June 2024

Øyvind Sandnes

**Nils Agnar Brunborg**
CEO, Chair of the Board

**Øyvind Arne Sandnes**
Director

**Lars Tore Heggem**
Director

Anette Johansen

**René Valentin Christensen**
Director

**Anette Johansen**
Director, Employees' representative

Bjørn H Bjørnli

Sven Østgulen

**Bjørn Harald Bjørnli**
Director, Employees' representative

**Sven Østgulen**
Director

To the General Meeting of Jøtul AS

# Independent Auditor's Report

## Opinion

We have audited the financial statements of Jøtul AS, which comprise:

- the financial statements of the parent company Jøtul AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of Jøtul AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 8 October 2021 for the accounting year 2021.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. *Valuation of inventories* has the same characteristics and risks this year as the previous year and consequently has been an area of focus also for the 2023 audit.

PricewaterhouseCoopers AS, Dronning Eufemias gate 71, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of inventories** | |
| The book value of the Group's inventories amounts to NOK 510,697 thousand, and represents approximately 39% of the Group's total assets at the balance sheet date.<br><br>Inventory is valued at the lower of cost and net realisable value, and consists of raw materials, work in progress, finished goods and spare parts and other inventories.<br><br>We focused on valuation of inventories due to the material amounts involved, and because of the level of management judgement required in allocating direct and indirect manufacturing costs, and in estimating the inventory's net realisable value.<br><br>We refer to note 16 of the consolidated financial statements for further details on the inventory's composition and provision for obsolescence, and notes 2.5 and 2.20 regarding the applied principles for valuation of inventory. | We reviewed and evaluated management's principles for valuation of inventory, including determination of estimated provision for obsolescence.<br><br>We gained an understanding of management's processes for calculating manufacturing costs related to work in progress and finished goods, and for estimating the provision for obsolescence.<br><br>To test the recorded acquisition cost of raw materials, we tested a sample of book values against supporting invoices. To test the determined manufacturing costs of work in progress and manufactured finished goods, we considered the method used to calculate the manufacturing costs. This also entailed assessing which costs should be included as direct and indirect costs. Furthermore, we tested the input data in the calculations against incoming invoices and hourly rates used, and performed independent analytical audit procedures over overhead costs.<br><br>We evaluated management's method for identification and calculation of obsolescence. Management's method was based on models where inventory turnover was a key component. We tested the completeness and accuracy of the underlying turnover reports. The models also reflected previous experience with turnover and obsolescence levels. We performed an analysis of the level of obsolescence provision compared to previous years. Furthermore, we challenged management by discussing the total size of the obsolescence provision with them.<br><br>Through our presence at the inventory count, we also checked whether damaged goods were identified, assessed, and valued. We noted no material errors during the course of our procedures.<br><br>We read the relevant notes and found the information and explanations provided consistent and sufficient. |

## Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors’ report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors’ report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors’ report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors’ report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors’ report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors’ report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 24 June 2024
**PricewaterhouseCoopers AS**

Hallvard Helgetun

Hallvard Helgetun
State Authorised Public Accountant

# Consolidated statement of comprehensive income

| (in NOK '000s) | Notes | 2023 | 2022 (*) |
|---|---|---|---|
| Revenue | 5, 6 | 1,574,779 | 1,614,471 |
| Other operating income | 7 | 6,455 | 10,720 |
| **Total operating income** | | **1,581,234** | **1,625,191** |
| Raw materials and consumables | 16 | (737,319) | (714,280) |
| Changes in inventories of finished goods and work in progress | 16 | 91,776 | 30,483 |
| Employee benefits expense | 8 | (412,652) | (361,927) |
| Depreciation, amortization and write-off | 13, 14, 26 | (88,983) | (75,448) |
| Other operating expense | 9 | (311,819) | (328,791) |
| **Total operating expenses** | | **(1,458,997)** | **(1,449,963)** |
| **Operating result** | | **122,237** | **175,228** |
| Finance income | 10 | 45,970 | 16,202 |
| Finance expense | 11 | (123,095) | (92,306) |
| **Net finance cost** | | **(77,125)** | **(76,104)** |
| **Profit / (loss) before income tax** | | **45,112** | **99,124** |
| Income tax | 12 | (7,388) | 76,917 |
| **Net profit / (loss) for the year** | | **37,724** | **176,041** |
| **Other comprehensive income/(loss)** | | | |
| *Items that will not be subsequently reclassified to profit or loss* | | | |
| Re-measurement of post-employment benefit obligations | | (805) | 1,150 |
| *Items that may be subsequently reclassified to profit or loss* | | | |
| Foreign exch. differences on translation of foreign operations | | 20,421 | 2,013 |
| **Other comprehensive income/(loss) for the year net of tax** | | **19,616** | **3,163** |
| **Total comprehensive income / (loss) for the year** | | **57,340** | **179,204** |
| *Total comprehensive income / (loss) for the year attributable to* | | | |
| Owners of the company | | 57,340 | 179,204 |
| Non-controlling interest | | - | - |
| **Total comprehensive income / (loss) for the year** | | **57,340** | **179,204** |

**(*)** Reclassified in the net finance costs to show the foreign exchange gains and losses at gross amounts.

# Consolidated statement of financial position

| (in NOK '000s) | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 116,629 | 107,740 |
| Intangible assets | 14 | 136,969 | 129,393 |
| Right-of-use assets | 26 | 243,290 | 225,008 |
| Other non-current receivables | 15 | 9,354 | 7,725 |
| Deferred tax asset | 12 | 89,789 | 85,847 |
| **Total non-current assets** | | **596,031** | **555,713** |
| **Current assets** | | | |
| Inventories | 16 | 510,697 | 440,381 |
| Trade and other receivables | 17 | 125,692 | 200,722 |
| Other current receivables | 15 | 800 | 2,934 |
| Current income tax receivable | 12 | 3,471 | 398 |
| Cash and cash equivalents | 18 | 68,727 | 131,096 |
| **Total current assets** | | **709,387** | **775,531** |
| **Total assets** | | **1,305,418** | **1,331,244** |

# Consolidated statement of financial position (continued)

| (in NOK '000s) | Notes | 31 December 2023 | 31 December 2022(*) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 19 | 139,414 | 139,414 |
| Share premium | 19 | 123,779 | 1,026,612 |
| Other equity | | 37,931 | 18,315 |
| Retained earnings | | (164,084) | (1,104,641) |
| **Total equity** | | **137,040** | **79,700** |
| **Non-current liabilities** | | | |
| Senior secured bonds | 20 | - | 466,057 |
| Loan from shareholder | 22 | 37,907 | - |
| Lease liabilities | 26 | 268,939 | 267,317 |
| Government guaranteed borrowings | 21 | 15,465 | 21,185 |
| Long-term government grant | 21 | 1,613 | 1,809 |
| Deferred tax liability | 12 | 8,206 | 186 |
| Long-term provisions | 24 | 11,130 | 8,739 |
| **Total non-current liabilities** | | **343,260** | **765,292** |
| **Current liabilities** | | | |
| Senior secured bonds | 20 | 484,672 | - |
| Lease liabilities | 26 | 63,645 | 53,994 |
| Loan from shareholder | 22 | - | 33,568 |
| Government guaranteed borrowings | 21 | 8,662 | 8,662 |
| Short-term government grant | 21 | 861 | 1,583 |
| Trade and other payables | 23 | 250,519 | 370,065 |
| Short-term provisions | 24 | 3,008 | 2,176 |
| Interest payable senior secured bonds | 20 | 13,707 | 11,626 |
| Current income tax payable | 12 | 43 | 4,577 |
| **Total current liabilities** | | **825,119** | **486,251** |
| **Total equity and liabilities** | | **1,305,418** | **1,331,244** |

**(*)** Re-presented to show the current portion of Government guaranteed borrowings.

Jotul AS
Consolidated Financial Statements
for the year ended 31 December 2023

Fredrikstad, 24 June 2024

**Nils Agnar Brunborg**
CEO, Chair of the Board

**Øyvind Arne Sandnes**
Director

**Lars Tore Heggem**
Director

**René Valentin Christensen**
Director

**Anette Johansen**
Director, Employees' representative

**Bjørn Harald Bjørnli**
Director, Employees' representative

**Sven Østgulen**
Director

# Consolidated statement of changes in equity

| (in NOK '000s) | Share capital | Share premium | Other equity | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | **139,414** | **1,026,612** | **15,152** | **(1,280,682)** | **(99,504)** |
| Profit for the year | - | - | - | 176,041 | 176,041 |
| Foreign exch. differences on translation of foreign operations | - | - | 2,013 | - | 2,013 |
| Re-measurement of post-employment benefit obligations | - | - | 1,150 | - | 1,150 |
| Total comprehensive income / (loss) for the year | - | - | 3,163 | 176,041 | 179,204 |
| **Balance as at 31 December 2022** | **139,414** | **1,026,612** | **18,315** | **(1,104,641)** | **79,700** |

| (in NOK '000s) | Share capital | Share premium | Other equity | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2023** | **139,414** | **1,026,612** | **18,315** | **(1,104,641)** | **79,700** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Reclassification from share premium to retained earnings | - | (902,833) | - | 902,833 | - |
| | **-** | **(902,833)** | **-** | **902,833** | **-** |
| Profit for the year | - | - | - | 37,724 | 37,724 |
| Foreign exch. differences on translation of foreign operations | - | - | 20,421 | - | 20,421 |
| Re-measurement of post-employment benefit obligations | - | - | (805) | - | (805) |
| Total comprehensive income / (loss) for the year | - | - | 19,616 | 37,724 | 57,340 |
| **Balance as at 31 December 2023** | **139,414** | **123,779** | **37,931** | **(164,084)** | **137,040** |

# Consolidated statement of cash flows

| (in NOK '000s) | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Net profit/(loss) for the year | | 37,724 | 176,041 |
| *Adjustments for:* | | | |
| Income tax recognized in profit or loss | 12 | 7,388 | (76,917) |
| Depreciation and impairment | 13, 14, 26 | 88,983 | 75,448 |
| Net finance costs | 10,11 | 77,125 | 76,104 |
| Changes in operating working capital | | (95,404) | (48,248) |
| **Cash generated from operating activities** | | **115,816** | **202,428** |
| | | | |
| Interest paid on senior secured bonds | | (50,787) | (40,151) |
| Interest paid on leasing | 26 | (14,729) | (13,725) |
| Other interest paid | | (7,441) | (14,208) |
| Interest received | | 1,830 | 797 |
| Income tax paid | | (9,619) | (8,043) |
| **Net cash flows from operating activities** | | **35,070** | **127,097** |
| | | | |
| ***Cash flows from investing activities*** | | | |
| Purchase of property, plant and equipment | 13 | (17,117) | (13,729) |
| Purchase of intangible assets | 14 | (29,735) | (32,142) |
| **Net cash flows used in investing activities** | | **(46,852)** | **(45,871)** |
| | | | |
| ***Cash flows from financing activities*** | | | |
| Repayment of borrowings | | (8,964) | - |
| Repayment of bank borrowing | | - | (17,198) |
| Payment of principal portion of lease liability | 26 | (49,906) | (41,188) |
| **Net cash flows from financing activities** | | **(58,869)** | **(58,386)** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(70,652)** | **22,839** |
| Cash and cash equivalents at the beginning of the year | | 131,096 | 108,257 |
| Exchange gains on cash and cash equivalents | | 8,283 | - |
| **Cash and cash equivalents at the end of the year** | 18 | **68,727** | **131,096** |

# Notes to the consolidated financial statements

## 1. GENERAL INFORMATION

Jotul AS (hereinafter the "Company") was incorporated in 2006. The Company is registered with the organization number 989 519 247. The corporate headquarters address is Langøyveien, 1678, Kråkerøy, 3004 Fredrikstad, Norway.

The Company and the subsidiaries are referred to in these consolidated financial statements 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, Poland, the United States of America and France, and it sells its products in approximately 45 countries.

The Group's financial year starts on 1 January and ends on 31 December of each year.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS ® Accounting Standards as adopted by the EU and with the requirements listed in the Norwegian Accounting Act.

### 2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

These consolidated financial statements present the consolidated statement of cash flows using the indirect method.

The consolidated financial statements are presented in Norwegian Krone ("NOK").

*Reclassification of foreign exchange gains and losses*

In the 2022 financial statements the net effect of the foreign exchange gains and losses was netted and presented either as gain or as loss, depending on which was higher. In 2023 these values are presented separately and not netted. See notes 10 and 11 for additional details.

*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 has successfully refinanced the Senior secured bonds in January 2024 for a period of two and a half years. Simultaneously, the Group has successfully entered a new Revolving Credit Facility (RCF), with total available credit limit of MNOK 120 (excluding bank guarantees), to be used for working capital purposes as additional resources to regulate the seasonality lows. The new RCF replaces the previous MNOK 75 (including bank guarantees) facility and more the doubles the liquidity that can be available through such credit facility if certain covenants are met. Subsequently, due to weaker than expected financial results, the covenants were breached as of Q1 2024. The Group engaged in negotiations with the creditors and obtained covenant holidays for all four quarters of 2024. The terms of the agreement secure the liquidity needs of the Group for the rest of the year. Further details about the covenant breach are included in Note 20.
- Recovery and positive developments expected in the Group's key markets starting from the second half of 2024.

With the performance of the past years demonstrating that, despite some cyclical ups and downs, the Group's markets are structurally sound and show further opportunity for growth, and considering the foreseen improved business outlook starting from the second half of 2024, alongside the conclusion of the refinancing exercise (including the agreed covenant holidays as described in Note 20), it is the board of directors' expectation that the Group will have adequate resources to continue trading for the foreseeable future.

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. Also, in accordance with the Accounting Act §3-3a, the Board confirms that the financial statements have been prepared under the assumption of going concern.

### 2.2 Foreign currency translation

(a) Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences are recognized as Finance expense or Finance income in the consolidated statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(b) Group companies

The income statement and balance sheet for Group entities with a functional currency that differs from the presentation currency are translated as follows:

i. the balance sheet is translated at the end-rate at the statement of financial position date

ii. the income statement is translated at the average monthly rates (if the average exchange rate does not give a reasonable estimate of the accumulated effect of using the transaction date exchange rate, then the transaction date exchange rate is used)
iii. currency translation differences are recognized in other comprehensive income and as a separate reserve within equity.

During the year ended 31 December 2022 and 2023, the following exchange rates were used:

| | **2023** | | **2022** | |
|---|---|---|---|---|
| **Currency*** | **Closing** | **Average** | **Closing** | **Average** |
| EUR/NOK | 11.2439 | 11.4305 | 10.5522 | 10.1128 |
| USD/NOK | 10.1758 | 10.5658 | 9.9066 | 9.6198 |
| GBP/NOK | 12.9291 | 13.1407 | 11.9556 | 11.8613 |
| SEK/NOK | 1.0134 | 0.9965 | 0.9474 | 0.9514 |
| PLN/NOK | 2.5860 | 2.5049 | 2.2462 | 2.1568 |
| DKK/NOK | 1.5084 | 1.5337 | 1.4190 | 1.3591 |

*United States Dollar (USD), Euro (EUR), Pound Sterling (GBP), Swedish Krona (SEK), Polish złoty (PLN) and Danish Krone (DKK).

### 2.3 Consolidation principles

The consolidated financial statements as at 31 December 2023 and comparable periods include the accounts of the Company and all wholly-owned subsidiaries.

#### 2.3.1 Subsidiaries

Subsidiaries are all entities over which the Group exercises control. Control exists when the company has power, directly or indirectly, over an entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries were owned 100% during 2023 and 2022.

#### 2.3.2 Scope of consolidation

Entities included in the scope of consolidation that are fully consolidated are listed below:

| Subsidiary | Registered office | % ownership | | Functional currency |
|---|---|---|---|---|
| | | 2023 | 2022 | |
| Jotul AS | Kråkerøy, Norway | 100% | 100% | NOK |
| Jotul North America Inc. | Portland, Maine, United States | 100% | 100% | USD |
| Jotul France SAS | Dardilly, France | 100% | 100% | EUR |
| Jotul UK Ltd. | Worcestershire, England | 100% | 100% | GBP |
| Jotul Hispania | Zaragosa, Spain | 100% | 100% | EUR |
| Scan AS | Vissenbjerg, Denmark | 100% | 100% | DKK |
| Jotul Italia S.R.L. | Milano, Italy | 100% | 100% | EUR |
| Jotul Poland Sp. z o.o. | Katy Wroclawskie, Poland | 100% | 100% | PLN |
| Aico France SAS | Bron, France | 100% | 100% | EUR |
| Aico S.p.A. | Milano, Italy | 100% | 100% | EUR |

### 2.4 Intangible assets

Intangible assets include trademarks, customer relationships, research and Development, software.

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and expenditure on internally generated goodwill and brands are expensed as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically feasible, costs can be reliably measured, future economic benefits are feasible, and the Group intends to and has sufficient resources to complete development and made the decision to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. The Group capitalizes development costs at the time when the Product Development Board considers all activities in the product development process successfully accomplished.

Other development expenditure is expensed as incurred. Capitalized development expenditure is measured at cost less accumulated amortization and impairment losses.

### 2.5 Inventory

Inventories are carried at the lower-of-cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) method. For finished goods and work in progress, acquisition cost consists of expenditure for product design, materials used, direct payroll costs, other direct costs and indirect manufacturing costs (based on normal capacity). Net realizable value is the estimated sales price less estimated costs to complete and selling costs.

See also section 2.20 *Use of estimates and judgments* for additional information related to inventory valuation and measurement.

## 2.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed each reporting period for an indication of a potential impairment. If any such indication exists, then the asset's recoverable amount is estimated. Assets with an indefinite useful life (Trademarks) are tested annually for impairment. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the asset's carrying amount exceeds its estimated recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 2.7 Financial assets

The Group currently has financial assets at amortized cost consisting of non-current and current receivables, trade and other receivables, and cash and cash equivalents. Trade receivables are initially recognized in accordance with IFRS 15. All other financial assets are initially recognized at fair value and subsequently recognized at amortized cost.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Currently the group does not have own any derivative contracts.

## 2.8 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand which is available for use by the Group unless otherwise stated.

### 2.9 Impairment of financial assets – trade receivables

In accordance with IFRS 9, the Group applies the simplified approach to measure the expected credit loss (ECL) for all trade receivables. This measurement is based on lifetime expected credit losses for the trade receivables. The ECL assessment is made on a portfolio basis within each geographic region. The probability of default is measured using historical sales data and taking into account the current market conditions and relevant customer knowledge.

### 2.10 Financial liabilities

Financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the financial liabilities are included in the initial recognition of the financial liabilities.

All other borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

### 2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.12 Borrowings

Borrowings include senior secured bonds, shareholder loans and government guaranteed borrowings.  Borrowings are classified as current liabilities if payment is due within one year or less and non-current for balances due later than twelve months after the reporting period end. For additional information related to borrowings see notes 20, 21 and 22.

Government loan at a below-market rate of interest is treated as a government loan and is recognized and measured in accordance with IFRS 9. The benefit of such rate shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceed received. The related benefit is recognized as a compensation in the profit or loss.

## 2.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation, as a result of past events. The amount recognized represents management's best estimate of the expenditures that will be required to settle the obligation as of the reporting date. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation. Provisions are reversed when management deems that it is no longer probable that an outflow of economic resources will be required to settle the obligation.

## 2.14 Revenue

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, Poland, the USA and France, and sells its products in approximately 45 countries. The revenue streams consist solely of the sale of goods to various customers (dealers and/ or distributors) in a range of markets.

The Group has agreements with dealers who market and sell the products. Based on these agreements, the dealers place orders for stoves and accessories and each of these orders represent distinct deliveries which are recognized separately. The Group does not have any incremental cost when entering into a new dealer agreement.

The price charged by the Group for sale of the products to the dealers is based on the Group's guiding price list in the market, less agreed discounts. The transaction price does not include any non-cash consideration.

Variable consideration relates to discounts (performance bonus) on achievement of specified milestones. There are fixed discounts to dealers which are recognized immediately, and there is a variable part represented by growth bonuses, as well as yearly or quarterly bonuses. They are estimated based on actual customer sales volume. The variable consideration earned by a customer is recognized as a reduction of revenues.

The Group has a 5-year warranty for all its stoves, limited to external cast iron parts and sheet steel parts, according to law. For internal parts there is a 2-year warranty according to law. This warranty is not treated as a separate performance obligation and is accounted for in accordance with IAS 37 as a provision. The Group does allow good returns unless they fall under warranty.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at delivery of the goods at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. All sales are made at a point in time.

Delivery of goods is either at time of shipping or time of receipt of the goods, depending on the specific shipping terms. The Group uses either EXW (“Ex Works”) or DDP (“Delivery Duty Paid”) Incoterms delivery conditions.

For EXW orders the transfer of control of the asset is at shipping point. When shipping EXW orders the dealers organize pick-up of the stoves and accessories, and let the Group know when their trucks will arrive at the warehouse to pick up the goods. The Group recognizes the revenue when the truck leaves the warehouse. For DDP control of the goods is transferred upon the delivery to the dealer.

The normal credit term is 30 to 90 days upon delivery. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

### 2.15 Income tax

Income tax expense comprises current income tax payable and deferred tax assets and liabilities. Income tax expense is recognized in profit or loss, except when it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income.

Current income tax payable is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in the countries where the Group’s entities operate and generate taxable income at the reporting date.

Deferred tax is calculated on all temporary differences between the tax bases of assets and liabilities and the Group carrying amounts of assets and liabilities. Deferred tax is determined using the tax rates and tax laws enacted or substantively enacted as at the reporting date.
Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available. See note 2.22 for additional information related to deferred tax asset recognition.

### 2.16 Leases

At the contract inception date, the Group considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that depend on an index or a rate, and amounts expected to be paid by the Group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease term begins at the commencement date and includes any rent-free periods provided to the lessee by the lessor.

The lease payments are discounted using the lessee's incremental borrowing rate (the "IBR") being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk and makes adjustments specific to the lease. Considering that the vast majority of lease payments relate to real estate leases, the lease specific adjustment is determined for these lease contracts. The same lease specific adjustment is applied to other lease contracts which share the same characteristics in terms of risk-free interest rate and credit risk.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. Right-of-use assets include the amount of the lease liability recognized, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term. Right-of-use assets are subject to impairment, as described in note 2.6.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a non-renewable lease term of 12 months or less or where both the lessee and the lessor have a termination right of 12 months or less. Low-value assets comprise IT equipment and office furniture having a value when new below NOK 50 000.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured, and the right-of-use asset is also increased accordingly.

### 2.17 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Government grants relating to costs are deferred as a short-term or long-term government grant in the statement of financial position and recognized in profit or loss as a reduction of related expenses over the period necessary to match them with the costs specifically designated by the government grant for compensation. The expenses that the government grants are compensating are the interest expenses. Further details are available in Note 11.

### 2.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. An operating segment is also a component of the Group whose operating results are reviewed regularly by the entity’s Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance.

Chief Executive Officer and Chief Financial Officer of the Group are identified as its CODM, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments.

The operating segments were identified on the basis of the internal reports used by management to allocate resources to the segments and assess their performance. Operating segments of the Group represent geographical segments which are engaged in operations in individual countries or group of countries.

The management of the Group has identified five reportable segments which represent Norway, North America, Poland, France and Italy. The segment “Other” aggregates operations in Great Britain, Spain, Denmark and smaller markets.

## 2.19 New and revised standards

### 2.19.1 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 consolidated financial statements:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020);
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023).

### 2.19.2 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:

- IAS 1 Presentation of Financial Statements – Amendments regarding the classification of Liabilities as Current or Non-current (issued 23 January 2020, 15 July 2020 and 31 October 2022) effective on 1 January 2024;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) effective on 1 January 2024;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023) effective on 1 January 2024*;
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023) effective on 1 January 2025*.

The standards will be adopted at the effective dates.
**Not yet endorsed by European Financial Reporting Advisory Group*

### 2.20 Use of estimates and judgements

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions related to sources of estimation uncertainty are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and significant judgements in applying accounting policies that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

*Deferred tax assets*

The Group records deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. The Group reviews the deferred tax assets in the different jurisdictions in which it operates periodically to assess the possibility of realizing such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies (please refer to note 12).

*Impairment of trademarks*

Trademarks held by the Group represent intangible assets with indefinite useful lives and as such are subject to annual impairment test. The impairment testing requires application of certain assumptions related to estimation uncertainty and significant judgements as described in Note 14.

*Inventories*

When inventory is not used or sold for a long period of time and is not expected to be used or sold in the future, an inventory provision is recognized to ensure the inventory is valued at the lower of cost or recoverable value. The Group differentiates between obsolescence and excess, where obsolescence is caused by the commercial discontinuation or inability to continue selling/using a product, while excess is caused by holding inventories in excess of what is needed for production or commercial purposes during a reasonable period of time.

The inventory that is assessed as obsolete is written-down or written-off from the books. A write-down occurs if the recoverable value of the inventory falls below the cost registered in the accounting system, while a write-off requires 100% reduction of the accounting value and implies that none of the value of the inventory is deemed recoverable. Scrapping of obsolete inventory is conducted regularly.

For the purpose of excess inventory reserves calculation, the process implies an assessment of the recoverability risks by looking at the consumption/usage of inventory during the past 12, 24 and 36 months. Different provisioning rates are used for these categories, with inventories not moving at all in the past 36 months being provided in full, while other slow movers being provided either at 50% or 25% of their carrying value. See note 16 for additional information on inventories.

Further details about inventories are disclosed in Note 16.

## 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as market risk (interest rate risk, currency risk) liquidity risk and credit risk.

The Group's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. Management regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. Financial risk management is carried out by various operating units under policies approved by the Board of Directors.

### 3.1 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### 3.1.1 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's main interest rate risk arises from financial instruments with variable interest rates, which expose the Group to cash flow interest rate risk.

The following financial instruments are exposed to interest rate risk:

| | Nominal amount | |
|---|---|---|
| **(in NOK '000s)** | **31 December 2023** | **31 December 2022** |
| Other receivable* | 7,875 | 8,550 |
| Senior secured bonds | 484,672 | 475,000 |

* For more details, please refer to note 15.

*Sensitivity analysis*

The following table demonstrates the sensitivity to a reasonably possible change in 3-month NIBOR interest rates, with all other variables held constant, on the Group's profit before tax (through the impact on floating rate borrowings):

**31 December 2023**

| | Effect on profit before tax | |
|---|---|---|
| **(in NOK '000s)** | **10% increase** | **10% decrease** |
| Other receivable | 26 | (26) |
| Senior secured bonds | 1,590 | (1,581) |

**31 December 2022**

| | Effect on profit before tax | |
|---|---|---|
| **(in NOK '000s)** | **10% increase** | **10% decrease** |
| Other receivable | 28 | (28) |
| Senior secured bonds | 1,558 | (1,548) |

### 3.1.2 Currency risk

The Group has international operations and is potentially exposed to foreign exchange (FX) risk in several currencies. Foreign currency risk arises only on financial instruments that are denominated in a currency other than the functional currency of the entity. See note 2.3.2 for an overview of the Group's international subsidiaries and the subsidiary's functional currency. Consolidation translation-related risk is not taken into account for the purposes of this disclosure.

The Board has established guidelines that require Group management to manage currency risk associated with the companies' functional currencies. Currency risk is particularly relevant for the entities Jøtul AS (Norway) and Jotul Poland. The Jotul Poland operations have both PLN and EUR as key currencies for generating revenue and for incurring costs. The parent company, Jøtul AS, has receivables and payables outstanding in foreign currencies, and these are subject to fluctuations in exchange rates. Generally, and due mainly to the Norwegian and Polish operations, the Group has higher exposure to costs incurred in PLN, whereas the revenues incurred in this currency are less significant. Thus, the risks related to adverse fluctuations in the FX rates for

PLN are assessed as higher than those related to other currencies. For EUR specifically the exposures are better balanced between inflows and outflows.

Except for the Polish operations, the other foreign subsidiaries generate revenues and have their cost base largely in the local currency. For those subsidiaries, FX risks were assessed as immaterial in 2022 and in 2023.

The senior secured bonds of the Group are denominated in NOK and are not exposed to foreign currency exchange risk. The shareholder loan received by Jøtul AS and the bank borrowings of Jotul France and AICO France are denominated in EUR and are exposed to foreign currency exchange risk.

### 3.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash balances and banking facilities, facilities granted by the shareholders, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Please refer to Note 20 which specifies maturity of Senior secured bonds as well as Note 2.1 which provides more details about their refinancing.

Cash flow forecasts are prepared in the various operational entities in the Group and aggregated by the Group's finance manager. The finance manager together with the Group CFO monitor the rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to cover operational obligations, and simultaneously maintain sufficient flexibility through access to unused drawing rights available in the Group's multi-currency cash pool facility at all times, such that the Group will not exceed its drawing rights/limits or covenants related to the Group's borrowings. Such forecasts consider the Group's planned borrowings and compliance with terms and covenants. Surplus cash in the Group companies, other than what is considered necessary working capital, is transferred to the Group's treasury function. The Group's treasury function utilizes surplus cash for the repayment of the multi-currency overdraft liability.

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 31 December 2023. The amounts in the table are undiscounted contractual cash flows and contain also future interest payments that are not included in the statement of financial position as of 31 December 2023.

| (in NOK '000s) | Within 1 year | 2 years | 3 years | 4 years | More than 4 years | Total |
|---|---|---|---|---|---|---|
| Lease liabilities | 63,645 | 58,041 | 54,155 | 47,287 | 158,235 | 381,363 |
| Loan from shareholder | - | 42,004 | - | - | - | 42,004 |
| Senior secured bonds | 502,600 | - | - | - | - | 502,600 |
| Borrowings | 9,456 | 9,456 | 9,456 | - | - | 28,368 |
| Trade payables | 121,028 | - | - | - | - | 121,028 |
| | **696,729** | **109,501** | **63,611** | **47,287** | **158,235** | **1,075,363** |

Further details about the senior secured bonds are included in Note 20.

The table below details the Group's contractual financial obligations classified in accordance with the maturity structure as at 31 December 2022. The amounts in the table are undiscounted contractual cash flows and contain also future interest payments that are not included in the statement of financial position as of 31 December 2022.

| (in NOK '000s) | Within 1 year | 2 years | 3 years | 4 years | More than 4 years | Total |
|---|---|---|---|---|---|---|
| Lease liabilities | 53,994 | 53,484 | 48,044 | 44,783 | 177,460 | 377,765 |
| Loan from shareholder | 33,568 | | | | | 33,568 |
| Senior secured bonds | 49,480 | 525,465 | | | | 574,945 |
| Borrowings | 8,701 | 8,701 | 8,701 | 8,701 | | 34,804 |
| Trade payables | 230,306 | - | - | - | - | 230,306 |
| | **376,049** | **587,650** | **56,745** | **53,484** | **177,460** | **1,251,388** |

### 3.3 Credit risk

Credit risk is the risk that any counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk is considered on Group level. Credit risk arises in transactions involving loans receivable, cash and cash equivalents, deposits in banks and credit institutions in addition to transactions with wholesalers and consumers, including trade receivables. Routines have been implemented to ascertain that sales are only made to distributors and importers that have satisfactory creditworthiness. Counterparties to derivative contracts and financial investments are limited to credit institutions with high credit rating.
If independent credit ratings are available for wholesale customers, these are used in determining credit limits. If no independent credit rating is available, an assessment is made based on the customer's financial position, history and potentially other factors. Individual limits for risk exposure are set based on internal and external assessments of creditworthiness.

The Group's routines for use of credit limits, and the compliance with the routines, are reviewed on a regular basis.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December is:

| **(in NOK '000s)** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Other receivables | 10,154 | 10,659 |
| Trade and other receivables (excluding prepayments) **(*)** | 86,252 | 174,604 |
| Cash and cash equivalents | 68,727 | 131,096 |
| **Maximum exposure to credit risk** | **165,133** | **316,359** |

There are no significant concentrations of credit risk, whether through exposure to individual customers and regions.

*Other receivables*

Other receivables consist of non-current deposit receivable and loan receivable that are neither overdue nor impaired. Management considers there is a low risk of non-recoverability due to the good credit history of the borrower, existence of sufficient funds to settle the outstanding amount, based on data that is determined to be predictive of the risk of loss and applying experienced credit judgement.

*Trade and other receivables*

Exposure to credit risk for trade and other receivables is disclosed in note 17.
The Group uses factoring. Under the factoring arrangements, the Group transfers relevant trade receivables to a factor including substantially all the risks and rewards attached to those trade receivables. The transferred trade receivables are fully derecognized when transferred to the factor. As of 31 December 2023, the Group has factoring facilities of MEUR 16, out of which a portion of MEUR 6.9 was used, representing 43% of the available facilities.

The factor has a possibility to transfer back the transferred receivables only in these cases:
- the receivable becomes disputed receivable;
- the receivable is unpaid and (i) the Group does not file a valid claim under the credit insurance policy or (ii) any third party takes action with a view to exercising any right or claim in respect of this receivable.

During 2023, total receivables transferred to factor amount to NOK 1,057,258 thousand (2022: NOK 1,056,992 thousand).

*Cash and cash equivalents*

Credit risk with respect to cash and cash equivalent is limited because the counterparties are reputable banks with good credit ratings as shown in the following table:

| | Rating agency: Standard & Poor's | |
|---|---|---|
| | **Short term** | **Long term** |
| Nordea Bank | A-1+ | AA- |
| National Westminster Bank (Natwest) | A-2 | BBB+ |
| Unicredit Banca | A-2 | BBB |
| Caixa Bank | A-2 | A- |
| Bank Inter | A-2 | A- |
| Bank BNP Paribas | A-1 | A+ |
| PKO Bank Polski * | P-1 | A2 |
| Banque Rhône-Alpes | A-1 | A |
| Bank of America | A-2 | A- |
| Scotia Bank | A-1 | A- |
| Danske Bank | A-1 | A+ |

* Standard & Poor's rating not available. Moody's rating used instead.

### 3.4 Capital management

The Group's objectives and guidelines for the management of capital is established through the Group's financial policy. The Group's financial policy is reviewed every year and adopted by the Board. Management's objectives when managing the capital of the Group are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders of the Group and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital for the Group.

The main objectives of the Group's financial policy is to, at all times, ensure that the Group has sufficient liquidity to maintain normal operations, carry out capital additions and use of capital in a manner that reduces risk and costs, and to use all surplus liquidity to repay current bank borrowings. All decisions related to loan financing in the Group's subsidiaries are made by Group management, i.e. no subsidiaries are mandated to enter into borrowing agreements, establish cash overdraft facilities, provide guarantees or enter into leasing contracts. The Group's multi-currency cash pool is a suitable tool for structuring the Group's bank transactions and to optimize net finance items, including currency gains and losses. All subsidiaries are included in the multi-currency cash pool and have no significant bank arrangements in addition to this.

The capital structure of the Group consists of borrowings offset by cash and cash equivalents balances and equity of the Group. Capital management uses a net debt metric which is strictly connected to the applicable indebtedness covenants. Such covenants are established in connection with the applicable financing agreements and are calculated as fraction of net debt excluding IFRS16 leases impact to EBITDA (which is measured as the EBITDA before the IFRS 16 impact, being the lower EBITDA which included rental/lease expenses prior to these being reclassified to depreciation and interest following the IFRS 16 implementation). In 2023 there is also a requirement related to the revolving credit facility to not draw more than 2x EBITDA (before the IFRS 16 impact) on the facility line, while in 2024 the restriction will be capped at 1x of EBITDA (before the IFRS 16 impact).

Indebtedness covenants were measured half-yearly in 2023 and will be measured quarterly in 2024. There are no other internal targets regarding capital management other than continuously deleveraging and always complying with the applicable net debt to EBITDA covenant.

All covenants were met in 2023 and reported in accordance with the relevant agreements. Further information about the covenants is disclosed in Note 20.

### 3.5 Operational and market price risks

The Group has operations in Norway, Denmark, Poland, France, England, Spain, Italy and the USA, consisting of manufacturing and sales in Norway, Poland, France and the USA, and only sales in the other mentioned countries.
Group management's assessment is that the operational risk is limited. However, certain raw materials are critical. The Group has in this area ensured that it has several alternative suppliers.

In Norway, the power supply to the foundry is important, and the Group has secured supplies through a spare high voltage transformer and a separate agreement with power suppliers for maintenance of the high voltage installation. Casts are a critical factor at the foundry in Norway, and these are safeguarded in a warehouse that has customary fire protection. The cast designs are also stored electronically and may be recreated in an automated cutting machine.

The undisturbed continuity of the foundry machinery is critical, and a sufficient inventory of critical spare parts held both locally and with suppliers secures continuous operations. The Group's casts fit standardized foundry machines in Europe so that hire production can be established within a reasonable time, if need be.

The production in Poland takes place with machines that are available in the market and which can be replaced within a reasonable time. Hire production with external suppliers is also possible for parts for the products, which then can be assembled in the Group's own factory.

The Group does not own vehicles for transportation of goods; it sources such services. Several suppliers are used, and the Group does not consider transport availability as a risk in the current situation. Access to workforce, both trained and untrained is sufficiently available in the countries in which the Group operates. Technical data, drawings, procedures etc. are stored electronically with reliable external back-up systems.

The Group has minimal exposure to the Russian, Belarusian or Ukrainian markets, both in terms of supply base and in terms of sales. No direct sourcing, nor sales to Russia and Belarus are currently occurring. The Group is currently exporting to Ukraine, however the share of sales to that market represented less than 0.1% of the Group's revenue in 2023. While some suppliers might be sourcing raw materials from Russia, Belarus or Ukraine, the Group assesses the risk of disruption as negligible.

Electricity represents a significant cost for the Group, in particular at the foundry in Kråkerøy. Until 2021, Norway has experienced very low electricity costs compared to the rest of Europe, therefore increases observed in the second half of 2021 and throughout 2022 were perceived as very significant. The Group has increased the selling prices to absorb these extreme electricity price developments. Similarly, the increase observed during the same period in the cost of natural gas, which is an important cost element in the Polish factory, has been passed through as increases to selling prices. In 2023 the Group observed that the cost of energy has mostly stabilized, but at a much higher level than before the second half of 2021. In order to minimize the risks of fluctuating energy costs, Jøtul AS has entered a three-years fixed price electricity purchase contract for its Norwegian foundry, contract which is valid starting from 1 January 2024. This contract covers approximately 70% of the estimated consumption with the flexibility of reselling the excess, if any, at market prices. Throughout 2023, the electricity consumption of the foundry was also mostly covered by a fixed price contract and that contract matured in December 2023.

### 3.6 Climate risks

When it comes to risks related to the transition to sustainability driven by regulatory requirements and customer behavior, Jøtul is permanently monitoring the latest developments in these areas and acting upon these. The goal is to always have a product portfolio that meets or exceeds the most stringent rules and regulations, and to monitor and adapt to the latest expectations from consumers in terms of product design/functionality, climate footprint, and overall corporate social responsibility. Jøtul spends over MNOK 40 per year on R&D and product development, and a large share of this spending is related to developing products burn more efficiently, have lower emissions, and a more favorable overall climate impact. In fact, compliance with the most stringent regulations in terms of emissions and efficiency is at the forefront of every new product development.

Other than being committed to its continuous product innovation, Jøtul is also focused on the climate footprint of its operations. The most energy intense production facility, being the Norwegian foundry, is operating largely on renewable electricity.

Operational risks driven by the adverse effects of climate change (e.g., more frequent occurrence of extreme weather conditions, conflicts, pandemics, etc.) are somewhat difficult to evaluate. Nevertheless, the board considers such risks to be remote, while adequate insurance policies are in place. The main geographical areas where Jøtul has its core operations, or where it does business, are considered less threatened by climate risks and more resilient in recovering from potential natural disasters, while at the same time being less prone to disruptions caused by potential climate change driven conflict.

Moreover, the nature of Jøtul's business implies less exposure to scarce materials and components which may become more difficult to source in case of further adverse climate developments. Jøtul is actively working on building strategic and long-term relationships with its suppliers, on monitoring supplier financial health, on near-sourcing, and on having alternative sourcing solutions where suitable.

Per the management's evaluation, Jøtul is not significantly impacted by climate change regulations, and is not facing a near-term situation related to stranded assets or a decrease in market sales of its products. The management also evaluates that there are currently no climate change driven recoverability risks related to its inventories, its tangible, intangible, or other assets, and as such provisions related to this are not required.

## 4. ACQUISITION OF SUBSIDIARY

There were no acquisitions completed during 2023 and 2022.

## 5. 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, pellet-burning stoves 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 recognized at a point in time.

Additional information about revenue recognition, including applicable commercial terms, discounting policies, warranty, etc., is available in Note 2.14.

The decrease in revenue in 2023 compared to 2022 is mainly driven by the slowdown in the key markets, caused by lower cost of energy, which is a major decision factor for investing in a new stove, alongside lower home improvement spending due to higher interest rates, slowdown in the construction industry, and, last but not least, a certain level of overstocking in the industry (at the dealer's stores) due to significant ramp-up and orders anticipated in 2022.

## 6. 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. 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 year ended 31 December 2023:

| (in NOK '000s) | Norway | Poland | France | Italy | North America | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| External sales | 639,087 | 69,494 | 500,102 | 173,010 | 193,086 | - | - | 1,574,779 |
| Intersegment sales | 600,282 | 818,596 | 518 | 129,651 | 257 | - | (1,549,305) | - |
| **Total revenue** | **1,239,369** | **888,090** | **500,621** | **302,661** | **193,343** | **-** | **(1,549,305)** | **1,574,779** |
| Segment results | 126,928 | 28,606 | 11,873 | (61,630) | 9,275 | 7,185 | - | 122,237 |
| **Unallocated corporate expenses included:** | | | | | | | | |
| **Operating result** | | | | | | | | **122,237** |
| Finance income | | | | | | | | 45,970 |
| Finance expense | | | | | | | | (123,095) |
| **Profit before income tax** | | | | | | | | **45,112** |
| Income tax | | | | | | | | (7,388) |
| **Net profit for the year** | | | | | | | | **37,724** |

| (in NOK '000s) | Norway | Poland | France | Italy | North America | Other | Total |
|---|---|---|---|---|---|---|---|
| **Other information:** | | | | | | | |
| Additions to non-current assets* | 29,111 | 5,977 | 149 | 7,871 | 3,392 | 353 | 46,852 |
| Depreciation and amortization expense | (40,812) | (21,896) | (6,061) | (10,166) | (8,101) | (1,948) | (88,983) |

*other than financial assets and deferred tax

*Segment assets*

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

| (in NOK '000s) | 31 December 2023 |
|---|---|
| Norway | 457,674 |
| Poland | 412,738 |
| Italy | 179,715 |
| North America | 111,710 |
| France | 84,576 |
| Other | 13,006 |
| Unallocated | 46,000 |
| **Total segment assets as of 31/12/2023** | **1,305,418** |

*Segment liabilities*

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

| (in NOK '000s) | 31 December 2023 |
|---|---|
| Norway | 846,012 |
| Poland | 131,390 |
| France | 68,713 |
| Italy | 57,205 |
| North America | 19,017 |
| Other | 46,040 |
| **Total segment liabilities as of 31/12/2023** | **1,168,379** |

The Group's reportable segments are as follows for the year ended 31 December 2022:

| (in NOK '000s) | Norway | Poland | France | Italy | North America | Other | Elim. | Total |
|---|---|---|---|---|---|---|---|---|
| External sales | 631,481 | 73,019 | 405,350 | 229,908 | 274,684 | 29 | - | 1,614,471 |
| Intersegment sales | 458,417 | 665,609 | 1,157 | 229,975 | 196 | - | (1,355,354) | - |
| **Total revenue** | **1,089,898** | **738,628** | **406,507** | **459,883** | **274,880** | **29** | **(1,355,354)** | **1,614,471** |
| Segment results | 156,177 | 31,753 | 12,527 | (43,082) | 14,459 | 3,394 | - | 175,228 |
| | | | | | | | | |
| **Operating result** | | | | | | | | **175,228** |
| **Finance income** | | | | | | | | 16,202 |
| Finance expense | | | | | | | | (92,306) |
| **Loss before income tax** | | | | | | | | **99,124** |
| Income tax | | | | | | | | 76,917 |
| **Net loss for the year** | | | | | | | | **176,041** |

| (in NOK '000s) | Norway | Poland | France | Italy | North America | Other | Total |
|---|---|---|---|---|---|---|---|
| **Other information:** | | | | | | | |
| Additions to non-current assets* | 30,814 | 2,129 | 1,032 | 6,255 | 5,618 | 23 | 45,871 |
| Depreciation and amortization expense | (36,457) | (15,865) | (5,263) | (9,457) | (6,911) | (1,495) | (75,448) |

*other than financial assets and deferred tax

*Segment assets*

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

| (in NOK '000s) | 31 December 2022 |
|---|---|
| Norway | 431,155 |
| Poland | 336,669 |
| Italy | 242,605 |
| North America | 125,770 |
| France | 102,832 |
| Other | 6,365 |
| **Total segment assets** | **1,245,397** |
| **Unallocated:** | |
| Corporate assets | |
| Deferred tax assets | 85,847 |
| **Total assets as of 31/12/2022** | **1,331,244** |

*Segment liabilities*

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

| (in NOK '000s) | 31 December 2022 |
|---|---|
| Norway | 782,894 |
| Italy | 146,668 |
| Poland | 148,156 |
| North America | 60,946 |
| France | 104,506 |
| Other | 8,560 |
| **Total segment liabilities** | **1,251,730** |
| **Unallocated:** | |
| Corporate liabilities | - |
| Deferred tax liabilities | (186) |
| **Total liabilities as of 31/12/2022** | **1,251,544** |

*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 December 2023:

| (in NOK '000s) | Revenue | Property, plant and equipment | Intangible assets | Right-of-use assets |
|---|---|---|---|---|
| France | 471,818 | 1,192 | 1,947 | 15,333 |
| Norway | 337,535 | 36,207 | 113,114 | 128,175 |
| United States | 187,347 | 11,627 | 7,624 | 13,820 |
| Italy | 137,517 | 6,905 | 13,389 | 8,032 |
| Germany | 128,173 | - | - | - |
| Sweden | 80,385 | - | - | - |
| Czech Republic | 41,443 | - | - | - |
| Canada | 22,504 | - | - | - |
| Poland | 29,232 | 59,564 | 1 | 75,487 |
| Great Britain (UK) | 41,875 | 90 | - | 69 |
| Spain | 26,985 | 30 | 11 | 1,116 |
| Other countries | 69,964 | 1,014 | 883 | 1,257 |
| **Total** | **1,574,779** | **116,629** | **136,969** | **243,290** |

Other countries consist of smaller segments, such as Japan, New Zeeland, Denmark and other smaller markets.

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 December 2022:

| (in NOK '000s) | Revenue | Property, plant and equipment | Intangible assets | Right-of-use assets |
|---|---|---|---|---|
| France | 374,758 | 1,317 | 2,433 | 16,989 |
| Norway | 351,452 | 33,612 | 109,089 | 127,693 |
| United States | 265,210 | 10,597 | 5,949 | 13,570 |
| Italy | 176,238 | 6,472 | 10,814 | 9,768 |
| Germany | 118,994 | - | - | - |
| Sweden | 65,587 | - | - | - |
| Czech Republic | 51,668 | - | - | - |
| Canada | 34,611 | - | - | - |
| Poland | 49,096 | 54,901 | 28 | 54,469 |
| Great Britain (UK) | 36,077 | 104 | - | 439 |
| Spain | 30,167 | 37 | 16 | 1,201 |
| Other countries | 60,615 | 699 | 1,065 | 880 |
| **Total** | **1,614,471** | **107,740** | **129,393** | **225,008** |

*Major customers*

The Group does not have any single customer whose revenue streams exceed 10% of the Group's revenue in 2023 and 2022.

## 7. OTHER OPERATING INCOME

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 377 | - |
| Other operating income | 6,078 | 10,720 |
| **Total other operating income** | **6,455** | **10,720** |

Other operating income contains mainly the effect of the write-off of old liabilities related to goods received not invoiced, in addition to R&D and electricity refunds and other smaller elements.

## 8. EMPLOYEE BENEFITS EXPENSE

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Salaries and wages | (305,191) | (273,408) |
| Social security contribution | (62,119) | (53,941) |
| Pension fund contribution | (12,885) | (16,699) |
| Other employee benefits | (32,457) | (17,879) |
| **Total employee benefits expense** | **(412,652)** | **(361,927)** |

During 2023, Jotul Group had an average of 771 employees (2022: 766). The increase was mainly driven by a ramp up of production in late 2022 following an increase in demand and order backlog. As of December 2023, the Group had 664 employees, 186 employees less than as of December 2022. The reduction was mainly driven by the reduction of production output, mostly throughout Q4 2023, following a weaker market.

The increase in employment expenses in 2023 is driven by the above-mentioned production ramp-up which commenced in the second half of 2022 and which was required by the increase in demand and significant order intake (also impacting high production output throughout the first half of 2023.

In Norway, the Group is required by law (Act relating to mandatory service pensions) to have a pension plan. Jøtul AS meets the requirements of the law.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Payments made to state managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. See note 24 for information related to the defined benefit pension provision.

Included in employment benefits expense is remuneration of key management personnel as listed below for the year ended 31 December 2023:

| **(in NOK '000s)** | | | **Salary (1)** | **Variable pay (2)** | **Additional remuneration (3)** | **Total** | **Net pension expenses** |
|---|---|---|---|---|---|---|---|
| Nils Agnar Brunborg | CEO | 01.01-31.12 | 3,705 | 1,650 | 228 | 5,583 | 348 |
| Adrian Postolache | CFO | 01.01-31.12 | 1,655 | 540 | 120 | 2,315 | - |
| **Total** | | | **5,360** | **2,190** | **348** | **7,898** | **348** |

(1) Incl. holiday allowance
(2) Bonus
(3) Other fixed pay such as fixed car allowance

The CEO has a notice period of six months in addition to rights to compensation for six months and a bonus agreement which is limited to a maximum of 50% of the base salary.
The CFO has a notice period of three months and also has a bonus agreement which is limited to a maximum of 40% of the base salary.

No loans or credits have been given to leading employees or key management personnel in 2023.

Included in employment benefits expense is remuneration of key management personnel as listed below for the year ended 31 December 2022:

| **(in NOK '000s)** | | | **Salary (1)** | **Variable pay (2)** | **Additional remuneration (3)** | **Total** | **Net pension expenses** |
|---|---|---|---|---|---|---|---|
| Nils Agnar Brunborg | CEO | 01.01-31.12 | 3,458 | 413 | 204 | 4,075 | 321 |
| Adrian Postolache | CFO | 01.01-31.12 | 1,475 | 160 | 120 | 1,755 | - |
| **Total** | | | **4,933** | **573** | **324** | **5,830** | **321** |

(1) Incl. holiday allowance
(2) Bonus
(3) Other fixed pay such as fixed car allowance

No loans or credits have been given to leading employees or key management personnel in 2022.

## 9. OTHER OPERATING EXPENSE

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Shipping and distribution cost | (64,732) | (67,281) |
| Production and maintenance costs | (50,190) | (43,647) |
| Selling and marketing costs | (49,324) | (57,907) |
| Other consultancy fees | (25,516) | (31,246) |
| Insurance | (25,615) | (17,461) |
| Facility costs | (18,197) | (20,678) |
| Travel expenses | (16,008) | (14,370) |
| Third party logistics | (14,933) | (14,517) |
| Short term rental expenses | (9,511) | (10,438) |
| Management fees | (8,519) | (6,098) |
| Audit fees | (3,299) | (2,469) |
| Loss on bad debts | (2,408) | (1,268) |
| Tax advisory and other non-audit fees | (85) | (58) |
| Other administration and operating expenses | (23,482) | (41,352) |
| **Total other operating expense** | **(311,819)** | **(328,791)** |

Included in other operating expense is NOK 3,299 thousand (2022: NOK 2,469 thousand) for audit fees and NOK nil (2022: NOK nil) for non-audit fees. During 2023, NOK 85 thousand (2022: NOK 58 thousand) was charged for tax advisory fees.

## 10. FINANCE INCOME

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Interest income | 1,830 | 797 |
| Foreign currency gain | 44,078 | 15,388 |
| Bank interest and other interest income | 62 | 17 |
| Total finance income | **45,970** | **16,202** |

## 11. FINANCE EXPENSE

| (in NOK '000s) | 2023 | 2022 (*) |
|---|---|---|
| Interest expense on leases | (14,729) | (13,726) |
| Interest on borrowings | (8,649) | (11,088) |
| Interest on shareholder loan | (2,611) | (230) |
| Interest on bond | (52,867) | (43,065) |
| Foreign currency loss | (17,825) | (11,050) |
| Early redemption bond fees | (9,900) | - |
| Remeasurement at amortized cost | (8,715) | (4,196) |
| Compensation of interest on borrowing by government grant | 1,297 | 1,459 |
| Other finance expense | (9,096) | (10,410) |
| **Total finance expense** | **(123,095)** | **(92,306)** |

Other finance expenses consist of banking fees and other finance costs.

## 12. INCOME TAX

The components of income tax are as follows:

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Current income tax (expense)/benefit in respect of the current year | (4,870) | (10,146) |
| Deferred tax (expense)/benefit | (2,518) | 87,063 |
| **Total income tax expense** | **(7,388)** | **76,917** |

In 2023, the Group recognized a deferred tax asset of NOK 8,001 thousand coming from the cumulated losses carried forward by Jotul Poland. After the first loss-making years following the factory start-up, Jotul Poland has turned to profitability, and the management assumes that the tax losses will be utilized in the following years before the end of their validity period. In Poland, tax losses can be used within 5 years: in a profitable year, a business can deduct from its taxable profit (limited by the total available taxable profit of the year) up to 50% of the loss carried forward from each of the previous 5 years. I.e., if 50% of the loss from the oldest year is deducted, then up to 50% of the loss from the next oldest year can be deducted, and so on. In the next year with taxable profit the procedure can continue with recovering the oldest un-deducted losses and then recovering the losses from the newer years following the same rule that only 50% of the losses of one fiscal year can be deducted within one profitable year. The current tax rate in Poland is 19%.

The income tax expense for the year can be reconciled to the accounting profit as follows:

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Profit before tax | 45,112 | 99,124 |
| Applicable tax rate | 22.00% | 22.00% |
| **Calculated income tax benefit/(expense)** | **(9,925)** | **(21,807)** |
| Foreign tax rate different from 22 % | 2,229 | 254 |
| Tax effect on non-taxable income | (12,609) | 212 |
| Tax attributable to prior years | 64 | 210 |
| Tax effect on non-deductible expenses | 7,419 | 3,346 |
| Deferred tax assets not recognized | 1,763 | 8,655 |
| Deferred tax assets recognized on cumulated losses | 6,871 | 84,179 |
| Other | (3,201) | 1,868 |
| **Income tax expense** | **(7,388)** | **76,917** |

| (in NOK '000s) | 2023 | 2022 |
|---|---|---|
| Income tax receivable | 3,471 | 398 |
| Income tax payable | (43) | (4,577) |

Deferred tax is presented net when the Group has a legal right to offset deferred tax assets against deferred tax liabilities in the statement of financial position and if the deferred tax relates to the same tax authority.

The origin of deferred tax assets and liabilities is as follows as of 31 December 2023:

| (in NOK '000s) | Assets | Liabilities | Net |
|---|---|---|---|
| Tangible and intangible fixed assets | 1,323 | (1,567) | (244) |
| Inventory, trade and other receivables, trade and other payables | 3,502 | (7,948) | (4,446) |
| Tax losses carried forward | 83,443 | - | 83,443 |
| Other items | 2,830 | - | 2,830 |
| **Deferred tax assets/(liabilities)** | **91,098** | **(9,515)** | **81,583** |

| | |
|---|---|
| Reflected in the consolidated statement of financial position as follows: | |
| **Deferred tax asset** | **89,789** |
| **Deferred tax liability** | **(8,206)** |

The origin of deferred tax assets and liabilities is as follows as of 31 December 2022:

| **(in NOK '000s)** | **Assets** | **Liabilities** | **Net** |
|---|---|---|---|
| Tangible and intangible fixed assets | 380 | (2,279) | (1,899) |
| Inventory, trade and other receivables, trade and other payables | 3,560 | (175) | 3,385 |
| Tax losses carried forward | 84,179 | - | 84,179 |
| Other items | - | (4) | (4) |
| **Deferred tax assets/(liabilities)** | 88,119 | (2,458) | 85,661 |

| | |
|---|---|
| Reflected in the consolidated statement of financial position as follows: | |
| **Deferred tax asset** | **85,847** |
| **Deferred tax liability** | **(186)** |

Deferred tax assets not recognized by the Group are NOK 107,144 thousand and NOK 108,310 thousand as of 31 December 2023 and 31 December 2022, respectively. Unrecognized deferred tax assets relate to losses incurred in Denmark and Italy. There is no expiry date for utilizing prior tax losses in Denmark, Italy and Norway.

Deferred tax assets not recognized by the Group is as follows as of 31 December 2023 (in NOK '000s):

| | **Loss carry forward** | **Local tax rate** | **Tax asset not recognized** |
|---|---|---|---|
| Scan A/S (Denmark) | 20,001 | 22% | 4,400 |
| Aico S.p.A. (Italy) | 428,100 | 24% | 102,744 |
| **Total** | | | **107,144** |

The management assesses the likelihood of recovering deferred tax assets for each legal entity and each jurisdiction case by case. The evaluation is based on a proven track record in terms of delivering taxable profits, alongside profitability projections for the coming years. Before recognizing the asset, the management also evaluates all the specific conditions for utilizing deferred tax assets in each jurisdiction.

## 13. PROPERTY, PLANT AND EQUIPMENT

| (in NOK '000s) | Land and buildings | Machinery | Fixtures | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at 1 January 2022** | **4,375** | **113,141** | **20,297** | **137,813** |
| Additions | 163 | 12,449 | 1,117 | 13,729 |
| Disposals | - | (18,498) | (14,067) | (32,565) |
| Transfers | 218 | 1,797 | (66) | 1,949 |
| Effect of foreign currency exchange differences | 832 | 10,106 | 3,020 | 13,958 |
| **Balance at 31 December 2022** | **5,588** | **118,995** | **10,301** | **134,884** |
| Additions | 4,577 | 8,425 | 3,811 | 16,813 |
| Disposals | - | (23,428) | (1,172) | (24,600) |
| Transfers | 191 | (225) | 34 | - |
| Effect of foreign currency exchange differences | 285 | 23,094 | 2,791 | 26,169 |
| **Balance at 31 December 2023** | **10,641** | **126,861** | **15,765** | **153,267** |
| | | | | |
| **Accumulated depreciation** | | | | |
| **Balance at 1 January 2022** | **(1,684)** | **(17,076)** | **(1,010)** | **(19,770)** |
| Depreciation expense | (434) | (14,642) | (2,453) | (17,529) |
| Disposals | - | 18,409 | 7,242 | 25,651 |
| Transfers | (137) | (1,625) | (3,214) | (4,976) |
| Effect of foreign currency exchange differences | (681) | (7,106) | (2,733) | (10,520) |
| **Balance at 31 December 2022** | **(2,936)** | **(22,040)** | **(2,168)** | **(27,144)** |
| Depreciation expense | (457) | (16,380) | (2,952) | (19,789) |
| Disposals | - | 22,443 | 1,172 | 23,615 |
| Transfers | (156) | 59 | (59) | (156) |
| Effect of foreign currency exchange differences | (188) | (11,256) | (1,720) | (13,164) |
| **Balance at 31 December 2023** | **(3,739)** | **(27,171)** | **(5,727)** | **(36,638)** |
| | | | | |
| **Carrying value as at 31 December 2023** | **6,901** | **99,690** | **10,038** | **116,629** |
| **Carrying value as at 31 December 2022** | **2,650** | **96,957** | **8,133** | **107,740** |

Depreciation is recognized on a straight-line basis over the expected useful lives of the PP&E asset as follows:

| | |
|---|---|
| Land: | nil |
| Buildings | 25-40 years |
| Machinery | 10-15 years |
| Fixtures | 3-8 years |

## 14. INTANGIBLE ASSETS

| (in NOK '000s) | Trademarks | Customer relationships | Software | Research and development costs | Total |
|---|---|---|---|---|---|
| **Gross book value** | | | | | |
| **Balance at 1 January 2022** | **46,000** | **1,792** | **28,329** | **312,856** | **388,978** |
| Additions | - | - | 8,423 | 23,719 | **32,142** |
| Disposals | - | - | (2,679) | (9,979) | **(12,658)** |
| Reclassification | - | - | 84 | (4,619) | **(4,535)** |
| Effect of foreign currency exchange differences | - | 101 | 41 | 2,131 | **2,273** |
| **Balance at 31 December 2022** | **46,000** | **1,893** | **34,198** | **324,108** | **406,200** |
| Additions | - | - | 4,089 | 25,306 | 29,394 |
| Disposals | - | - | (247) | (58,625) | (58,872) |
| Reclassification | - | - | 291 | (97) | 194 |
| Effect of foreign currency exchange differences | - | 124 | 73 | 7,749 | 7,946 |
| **Balance at 31 December 2023** | **46,000** | **2,017** | **38,404** | **298,441** | **384,862** |
| **Accumulated amortization** | | | | | |
| **Balance at 1 January 2022** | **-** | **(560)** | **(17,170)** | **(257,370)** | **(275,100)** |
| Amortization expense | - | (227) | (3,933) | (16,349) | (20,509) |
| Disposals | - | - | 2,679 | 9,741 | 12,420 |
| Reclassification | - | - | (44) | 1,877 | 1,832 |
| Effect of foreign currency exchange differences | - | (41) | (37) | 4,628 | 4,550 |
| **Balance at 31 December 2022** | **-** | **(828)** | **(18,505)** | **(257,473)** | **(276,806)** |
| Amortization expense | - | (256) | (5,643) | (17,556) | (23,456) |
| Disposals | - | - | 246 | 58,625 | 58,871 |
| Reclassification | - | - | (278) | - | (278) |
| Effect of foreign currency exchange differences | - | (50) | (94) | (6,080) | (6,224) |
| **Balance at 31 December 2023** | **-** | **(1,134)** | **(24,274)** | **(222,485)** | **(247,893)** |
| **Carrying value as at 31 December 2023** | **46,000** | **883** | **14,130** | **75,956** | **136,969** |
| **Carrying value as at 31 December 2022** | **46,000** | **1,065** | **15,694** | **66,635** | **129,393** |

Intangible assets with definite useful lives are amortized on a straight-line basis over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested annually for impairment. If the carrying amount exceeds the recoverable amount, an impairment loss will be recognized. If an intangible asset with an indefinite life has changed to a definite life the change is made on a prospective basis. The expected useful lives are as follows:

| | |
|---|---|
| Trade names | Indefinite useful life |
| Customer relationships | 8 years |
| Software | 3-5 years |
| Research and development costs | 3-10 years |

Trademarks with indefinite useful lives at 31 December 2023 amounting to NOK 46,000 thousand are not amortized (2022: NOK 46,000 thousand). The Group tests whether trademarks have suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount of the trademarks was determined using the value in use approach. The calculations use revenue projections where 2024 revenue is based on budgeted figures, adjusted downwards with a risk factor of 5%, and revenues of the following years are assumed at a rather prudent constant level every year (i.e., zero growth rate). The discount rate assumption used was 14%.

The below table shows effect of reasonably possible changes in assumption on recoverable amount.

| **(in NOK '000s)** | **Recoverable amount** | **Change** |
|---|---:|---:|
| Current assumptions | 99,566 | 0 |
| Decrease in discount rate by 2% | 116,160 | 16,594 |
| Increase in discount rate by 2% | 87,120 | (12,446) |
| Decrease in 2024 revenues by 10% | 89,609 | (9,957) |
| Increase in 2024 revenues by 10% | 109,522 | 9,957 |
| Decrease in perpetual revenue growth rate by 2% | 87,120 | (12,446) |
| Increase in perpetual revenue growth rate by 2% | 116,160 | 16,594 |

The carrying value of trademarks held by the Group as of 31 December 2023 refers entirely to the Jøtul brand. As Jøtul has a history of 170 years and the management has no plans to abandon the trademarks in the near future, the useful lives for the trademarks are assumed to be indefinite.

The Group’s total research and development costs capitalized during the year amounts to NOK 25,002 thousand. Capitalized product development costs include wages and salaries, bought-in services, materials and a share of the Group’s fixed overhead costs. Development of intangible assets includes internal projects managed by internal resources. In addition to the capitalizable research and development costs, the Group also incurred during the year uncapitalizable research and development expenses of NOK 31,805 thousand.

## 15. OTHER RECEIVABLES

| (in NOK '000s) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Loan receivable | 7,875 | 8,550 |
| Deposits for property leases | 1,410 | 1,906 |
| Other | 869 | 203 |
| **Total other receivables** | **10,154** | **10,659** |
| | | |
| Current | 800 | 2,934 |
| Non-current | 9,354 | 7,725 |
| **Total other receivables** | **10,154** | **10,659** |

Loan receivables consist of an interest-bearing loan between Jotul AS and Festningsveien 2 AS for an initial nominal amount of NOK 13,500,000. Festningsveien 2 AS is a lessor of the Group. The loan is unsecured and was provided on 1 July 2017 to provide Festningsveien 2 AS with funding to build a new warehouse and manufacturing facility for the Group's plant in Kråkerøy. The loan bears interest rate at an average of 3 months NIBOR (Norwegian Inter Bank Offered Rate) plus a margin of 2%, payable quarterly in arrears. The loan is repayable in installments of NOK 225,000 per quarter starting from 1 July 2017 and expected to be fully repaid on 1 July 2032.

As at 31 December 2023, the principal outstanding is NOK 7,875 thousand (2022: NOK 8,550 thousand) and accrued interest is NOK nil (2022: NOK Nil). Interest income on the loan amounts to NOK 1,830 thousand (2022: NOK 797 thousand) and is included in finance income (see Note 10).

The credit risk of the non-current receivable from Festningsveien 2 AS has been assessed as low. Payments are made regularly on this receivable in accordance with contract terms. Given the current evaluation of a low credit risk, management has set the loss allowance for this receivable at nil.

The Group has an enforceable right to offset the loan with lease payables due to Festningsveien 2 AS. As at 31 December 2023, this has not been used and it is shown gross in the balance sheet.

## 16. INVENTORIES

| (in NOK '000) | 31 December 2023 Gross value | 31 December 2023 Valuation allowance | 31 December 2023 Net value | 31 December 2022 Gross value | 31 December 2022 Valuation allowance | 31 December 2022 Net value |
|---|---|---|---|---|---|---|
| Raw materials | 179,075 | (8,923) | 170,152 | 138,942 | (10,368) | 128,574 |
| Work in progress | 28,883 | - | 28,883 | 36,038 | - | 36,038 |
| Finished goods | 262,031 | (9,263) | 252,768 | 186,409 | (6,271) | 180,138 |
| Spare parts and other | 64,269 | (5,375) | 58,894 | 98,526 | (2,895) | 95,631 |
| **Total inventories** | **534,258** | **(23,561)** | **510,697** | **459,915** | **(19,534)** | **440,381** |

The carrying amount of those inventories that were recorded at the net realizable value is NOK 24,659 thousand (2022: NOK 23,145 thousand).

Due to commercial and warranty reasons, it is Jøtul Group's policy to maintain parts/components for a long period of time, and this implicitly results in certain categories of inventory turning slower. Moreover, due to seasonality effects, it is common for goods to be 12 months older before a new high season starts. To evaluate and provide for excess / slow-moving inventory, the policy requires to review and categorize the inventory based on how fast it moves (i.e. how fast it is sold or consumed). The following categories and provisioning rules are used:

Category 1 Inventory with no consumption/usage during the past 36 months should be provided in full (100%).

Category 2 Inventory with no consumption/usage during the past 24 months, excluding inventory already captured in Category 1, should be provided for at 50% of the book value.

Category 3 For all other inventory (i.e., that had consumption/usage in the past 24 months) a comparison should be conducted between the quantity on hand and the quantity consumed in the last 12 months. The quantity in excess of the last 12 months of consumption should be provided for at 25% of the book value.

Additionally, the Group evaluates inventory for obsolescence. Obsolete inventory can occur when a product is discontinued either due to internal decision or due to market drivers (e.g., inability to continue selling an existing product, significant decrease in value, etc.). The inventory that has not been sold and is not expected to be sold should be considered obsolete and must be written down or written off from the Company's books.

Changes in inventories of finished goods and work in progress in the Consolidated statement of comprehensive income contains the inventory write-off expenses and the changes in the balance related to finished goods and work in progress. Total inventory write-off amounts to NOK 15,540 thousand (2022: NOK 11,684 thousand). The write-off of inventories is mainly due to scrapping of obsolete and damaged parts.

## 17. TRADE AND OTHER RECEIVABLES

| (in NOK '000s) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade receivables | 93,918 | 180,409 |
| Allowance for doubtful debts | (7,665) | (5,805) |
| | **86,253** | **174,604** |
| Prepayments | 30,357 | 10,033 |
| VAT receivables | 9,082 | 16,085 |
| **Total trade and other receivables** | **125,692** | **200,722** |

The Group's credit terms vary from market to market. For the Nordic market, credit terms are normally 30 days, whilst terms in Latin Europe are normally 45-90 days. For customers in the USA and Italy participating in "early purchase" campaigns, credit terms may be significantly longer.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When a receivable amount is considered lost, the balance written off is also recognized as a reduction to the allowance account. Any subsequent receipts related to balances previously written off are recognized as reversal of impairment losses on financial assets in the profit and loss. Please refer to Note 9 for disclosure of the losses on bad debts.

The VAT receivable of NOK 746 thousand (2022: NOK 16,085 thousand) represents mainly the excess of VAT deductible versus the VAT collected. The Polish manufacturing division in particular incurs more purchases that carry VAT (i.e., domestic), while the largest portion of the sales are exports and thus exempt from VAT. This generates an ongoing claim/reimbursement process.

The aging of the trade receivables is as follows as at 31 December 2023:

| (in NOK '000s) | Gross amount | Allowance | Carrying value |
|---|---|---|---|
| Not due | 69,423 | - | 69,423 |
| 0-60 days overdue | 14,382 | (2,000) | 12,382 |
| 61-180 days overdue | 1,326 | - | 1,326 |
| 181-365 days overdue | 1,189 | (670) | 519 |
| More than 1 year overdue | 7,590 | (4,995) | 2,595 |
| **Total** | **93,910** | **(7,665)** | **86,245** |

The aging of the trade receivable is as follows as of 31 December 2022:

| (in NOK '000s) | Gross amount | Allowance | Carrying value |
|---|---|---|---|
| Not due | 144,572 | - | 144,572 |
| 0-60 days overdue | 23,734 | (1,357) | 22,377 |
| 61-180 days overdue | 3,594 | (366) | 3,228 |
| 181-365 days overdue | 742 | (230) | 512 |
| More than 1 year overdue | 7,767 | (3,852) | 3,915 |
| **Total** | **180,409** | **(5,805)** | **174,604** |

## 18. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash at bank and cash in hand amounting to NOK 68,727 thousand (2022: NOK 131,096 thousand) of which NOK 4,867 (2022: NOK 4,729) is restricted as it relates to tax withheld from employees according to Norwegian law.

On 20 October 2021, Jøtul AS, as borrower, entered into a revolving working capital facility agreement with Nordea Bank AB (publ), filial i Norge. The commitment under this revolving credit facility amounts to NOK 75 million (including ancillary facility). The revolving credit facility has been provided for general corporate purposes (and any refinancing, amendments or replacements thereof) and had its original maturity date on 1 June 2024. As at the statement of financial position date, the Group has a liquidity reserve of NOK 49 million in unused bank overdraft facilities (excluding ancillary facility). Facility used as at year end was nil (2022: NOK nil).

On 19 January 2024, Jøtul AS, as borrower, entered into a working capital facility agreement with Pareto Bank ASA. The commitment under this agreement is NOK 120 million (excluding bank guarantees to the Norwegian and Polish landlords). This new agreement replaces the revolving working capital facility with Nordea Bank AB (publ), filial i Norge, as was established in parallel with the refinancing of the senior secured bonds.

Transaction costs incurred in 2023 for the credit facility amount to NOK 483 thousand.

## 19. EQUITY

As of 31 December 2023, capital contributed from the sole shareholder (Jotul Holdings S.a r.l.) in a form of equity consisted of share capital of NOK 139,414 thousand (31 December 2022: NOK 139,414 thousand).

In 2023 Jøtul AS made a reclassification adjustment of NOK 902,833 thousand within total equity to offset the negative retained earning with share premium. The adjustment was made for presentation purposes and there are no consequences to the share capital or to the total equity. As at 31 December 2023, the share premium amounted to NOK 123,779 thousand (31 December 2022: 1,026,612).

As at 31 December 2022, the authorized and issued share capital consists of 1 share fully paid at a par value of NOK 139,414 thousand.

## 20. SENIOR SECURED BONDS

*Existing bonds*

On October 2021, Jøtul AS issued senior secured floating rate bonds up to NOK 750 million. The 2021 bonds bear an interest rate of 6.95% + 3-month NIBOR and have a maturity of three years. The initial aggregate principal amount is NOK 475 million with a possibility to issue subsequent bonds in an aggregate amount of NOK 275 million. The bonds are accounted for at amortized cost. The following key covenants apply:

- Maintenance test performed semi-annually, on 31 December and on 30 June. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact, being the lower EBITDA which included rental/lease expenses prior to these being reclassified to depreciation and interest following the IFRS 16 implementation) ratio must be ≤ 5.50x with annual step-down of 0.50x. For year-end 2023 the ratio should therefore be ≤ 4.50x.
- Incurrence test performed when and if applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 4.00x with annual step-down of 0.25x. For year-end 2023 the ratio should therefore be ≤ 3.50x.
- Distribution test, as applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 3.00x. Restrictions on distribution were implemented to permit only the distribution of the shareholder loan, subject to meeting the distribution covenant, and the annual monitoring fees.

The movement during the year is as follows:

| | **(in NOK '000s)** |
|---|---:|
| Opening balance at 1 January 2023 | **477,684** |
| Interest accrued on bonds during the year | 52,867 |
| Interest paid during the year | (50,787) |
| Early redemption bond fees | 9,900 |
| Remeasurement at amortized cost | 8,715 |
| Closing balance at 31 December 2023 | **498,379** |
| Current | 498,379 |
| Non-current | - |
| **Total** | **498,379** |

*Issue of new bonds in 2024*

The Group's MNOK 475 listed bonds were refinanced on January 24, 2024. The 2024 bonds, which were issued on January 15th, 2024, amount to NOK 510 million and mature in two and a half years. The proceeds from the new issue were mainly used to redeem the NOK 475 million bonds issued in 2021, including call option fees, to settle accrued interest and to finance transaction costs. The bonds bear an interest rate of 8.00% + 3-month NIBOR. There is a requirement to list the 2024 bonds on a regulated exchange by January 15th, 2025. The following key covenants apply on the new bonds:

- Maintenance test performed at each quarter-end. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact, being the lower EBITDA which included rental/lease expenses prior to these being reclassified to depreciation and interest following the IFRS 16 implementation) ratio must be ≤ 5.50x on 31 March 2024, 30 June 2024 and 30 September 2024, and ≤ 5.50x on 31 December 2024, with annual step-down of 0.50x.
- Incurrence test performed when and if applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 3.00x.
- Distribution test, as applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 2.00x.

Due to continuous unfavourable development of trading throughout Q1 2024, the Group observed that the last twelve months (LTM) development of the EBITDA used for covenant measurement (EBITDA before the IFRS16 impact) deteriorated beyond management expectations resulting in a covenant breach as per the definitions and terms of the financing agreements. More specifically, the Net Interest Bearing Debt (excluding the IFRS 16 leases impact) to LTM EBITDA (before IFRS 16 impact) did not meet the <5.5x covenant required by the Bonds agreement as of Q1 2024 quarter-end. Simultaneously, the drawn RCF to LTM EBITDA (before IFRS 16 impact) <1x covenant was also breached. Upon becoming aware of the breach, the Group initiated negotiations with the creditors and obtained covenant holidays from both the bondholders and the bank for all four quarters of 2024. In addition to the covenant holidays, the following key terms were agreed:

- Delayed publication of the audited annual report and unaudited Q1 interim report – these would be published as soon as possible when an agreement with the creditors was achieved
- Cash injection of MNOK 42.5 from the shareholder in the form of equity or subordinated loans
- Pause in the payment of any management fees for 2024 until compliance is restored
- A consent fee of 2.5% of the outstanding debt is payable when an agreement is reached
- A minimum liquidity test is introduced starting from 30 September 2024, with minimum liquidity of NOK 30 to be maintained

The terms were agreed and favorably voted by 50%+ of the bondholders on 20 June 2024.

In addition to the above terms, the Group has also obtained approval from the bank to maintain the RCF limit at the already drawn amount of MNOK 80.0 until the end of November 2024, by which date the projected cash flows should allow for a full repayment of the balance.

## 21. BORROWINGS AND GOVERNMENT GRANT

In April 2020, Jotul France and Aico France withdrew new borrowings with state guarantee provided by Banque Rhône-Alpes. Loans with state guarantee were implemented by French government to support businesses during the COVID-19 pandemic. The loans bear an interest of 0.5% p.a. and are repayable after 12 months with a delay option of up to 5 years. The Group plans to repay the loan in installments up to 2026, the first installment being in April 2023.

The loan was provided at a reduced interest rate. The difference between the market rate of interest for an equivalent loan at the inception date and the rate provided at favorable conditions has been recognized as a government grant in accordance with IAS 20. At the inception date, the grant was valued at NOK 7,021 thousand and it is being amortized on the same basis as the interest expense. As of 31 December 2023, the carrying amount of the government grant is NOK 2,473 thousand (2022: NOK 3,392 thousand) of which NOK 861 thousand (2022: NOK 1,583 thousand) shall be amortized within next 12 months.

The borrowing is measured at amortized cost with carrying amount of NOK 24,127 thousand as of 31 December 2023 (2022: NOK 29,847 thousand). The effective interest rate was estimated at 6.67%.

There are no underlying conditions that the Group has to fulfill in connection with the borrowings. There is no pledge or security provided by the Group.

## 22. SHAREHOLDER LOAN

The loan agreement was entered into on 27 April 2018 in connection with the debt transfer agreement dated 28 February 2018 entered into between Jotul Holdings Sarl and Jotul AS. The loan initial amount was NOK 612 million. The discounted values at which the debt was acquired amounted to NOK 333 million. The loan normally bears an interest rate of NIBOR plus a spread in accordance with the arm's length principle. However, the rate was not defined in the agreement and a fixed rate of 9% has been used.

As at 31 December 2021, the loan has been redeemed (please refer to note 20). During the year, Jotul Holdings Sarl also granted a loan of Euro 2.5 million to Jotul AS that has been repaid at the same time. Another loan of Euro 5 million was granted. As at 31 December 2021, this loan amounted to a net balance of NOK 30 million due to the excess on the Bond redemption of NOK 22 million (please refer to note 20) in the accounts of Jotul AS.

As at 31 December 2023, the remaining balance of shareholder loans is as follows:

| (in NOK '000s) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Principal amount | 30,042 | 26,119 |
| Accrued interest | 5,896 | 4,662 |
| Effect of foreign currency exchange differences | 1,969 | 2,787 |
| Closing balance | **37,907** | **33,568** |
| | | |
| Current | - | 33,568 |
| Non-current | 37,907 | - |
| **Total** | **37,907** | **33,568** |

Following the renewal of the loan agreement, the loan has been reclassified as non-current liabilities.

## 23. TRADE AND OTHER PAYABLES

| (in NOK '000s) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade payables | 121,028 | 230,306 |
| Employee related payables | 41,683 | 32,278 |
| Social security, VAT payable | 28,228 | 39,930 |
| Accrued expenses | 41,932 | 49,956 |
| Other payables | 17,648 | 17,595 |
| **Total trade and other payables** | **250,519** | **370,065** |

## 24. PROVISIONS

| (in NOK '000s) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Provision for defined benefit pension plans | 6,834 | 5,255 |
| Warranty provision | 2,968 | 2,809 |
| Other provisions | 4,336 | 2,851 |
| **Total provisions** | **14,138** | **10,915** |
| | | |
| Short-term provisions | 3,008 | 2,176 |
| Long-term provisions | 11,130 | 8,739 |
| **Total provisions** | **14,138** | **10,915** |

The movement in provisions during the year is as follows:

| (in NOK '000s) | 31 December 2022 | Additions | Provision used during the year | Others | Conversion difference | 31 December 2023 |
|---|---|---|---|---|---|---|
| Provision for defined benefit pension plans | 5,255 | 1,429 | (983) | (118) | 1,251 | 6,833 |
| Warranty provision | 2,809 | - | (9) | - | 168 | 2,968 |
| Other provisions | 2,851 | 1,030 | - | 227 | 229 | 4,337 |
| **Total** | **10,915** | **2,459** | **(992)** | **109** | **1,648** | **14,138** |

The Group operates or participates in a number of defined benefit and defined contribution plans throughout Europe. The main defined benefit pension plans relate to accruals of pension bonus payable to employees upon retirement in France and in Italy following the acquisition of Aico Italy (see note 8).

These plans have been set up and operated in accordance with national laws and regulations.

## 25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| (in NOK '000s) | Senior secured bonds | Loan from shareholder | Borrowings | Bank borrowing |
|---|---|---|---|---|
| **Balance at 1 January 2022** | 470,574 | **30,551** | 27,476 | 17,198 |
| *Cash flows:* | | | | |
| Principal | - | - | - | (17,198) |
| Interest | (40,151) | - | - | - |
| *Non-cash flows:* | | | | |
| Accrued interest throughout the year | 43,065 | 230 | - | - |
| Remeasurement at amortized cost | 4,195 | - | 281 | - |
| Currency translation adjustment | - | 2,788 | 2,090 | - |
| **Balance at 31 December 2022** | **477,683** | **33,568** | **29,847** | **-** |
| | | | | |
| Current | 11,626 | 33,568 | 8,662 | - |
| Non-current | 466,057 | - | 21,185 | - |
| **Total** | **477,683** | **33,568** | **29,847** | - |

| (in NOK '000s) | Senior secured bonds | Loan from shareholder | Borrowings | Bank borrowing |
|---|---|---|---|---|
| **Balance at 1 January 2023** | **477,683** | **33,568** | **29,847** | - |
| *Cash flows:* | | | | |
| Principal | - | - | (8,964) | - |
| Interest | (50,787) | | - | - |
| *Non-cash flows:* | | | | |
| Early redemption bond fees | 9,900 | - | - | - |
| Accrued interest throughout the year | 52,867 | 2,611 | - | - |
| Remeasurement at amortized cost | 8,715 | - | - | - |
| Currency translation adjustment | - | 1,728 | 3,244 | - |
| **Balance at 31 December 2023** | **498,379** | **37,907** | **24,127** | **-** |
| | | | | |
| Current | 498,379 | - | 8,662 | - |
| Non-current | - | 37,907 | 15,465 | - |
| **Total** | **498,379** | **37,907** | **24,127** | - |

## 26. LEASES

The following schedule presents the movements of the Right-of-use assets during 2023:

| (in NOK '000s) | Land and buildings | Plant and machinery | Furniture and fittings | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at 1 January 2022** | **219,457** | **19,335** | **940** | **239,733** |
| Additions | 1,219 | 8,546 | 466 | **10,231** |
| Depreciation expenses | (30,054) | (6,573) | (448) | **(37,075)** |
| Adjustments | 9,355 | 502 | - | **9,857** |
| Terminations | (16) | (597) | - | **(613)** |
| Effect of foreign currency exchange differences | 2,474 | 432 | (31) | **2,875** |
| **Balance at 31 December 2022** | **202,435** | **21,646** | **927** | **225,008** |
| Additions | 16,552 | 12,349 | - | **28,901** |
| Depreciation expenses | (36,952) | (7,584) | (586) | **(45,122)** |
| Adjustments | 22,528 | 3,153 | - | **25,681** |
| Terminations | (3,281) | (755) | 127 | **(3,909)** |
| Effect of foreign currency exchange differences | 11,767 | 882 | 82 | **12,731** |
| **Balance at 31 December 2023** | **213,049** | **29,691** | **550** | **243,290** |

During 2023, the related lease liabilities developed as follows:

| (in NOK '000s) | Land and buildings | Plant and machinery | Furniture and fittings | Total |
|---|---|---|---|---|
| **Balance at 1 January 2022** | 316,497 | 16,478 | 833 | **333,808** |
| Additions | 1,219 | 9,521 | 466 | **11,206** |
| Accretion of interest | 13,061 | 621 | 44 | **13,726** |
| Lease payments principal | (33,487) | (7,144) | (557) | **(41,188)** |
| Lease payment interest | (13,061) | (621) | (44) | **(13,726)** |
| Adjustments | 9,281 | 499 | - | **9,780** |
| Terminations | (17) | (485) | - | **(502)** |
| Others | - | - | 2,031 | **2,031** |
| Effect of foreign currency exchange differences | 7,985 | (217) | (1,591) | **6,177** |
| **Balance at 31 December 2022** | **301,478** | **18,651** | **1,182** | **321,311** |
| Additions | 16,470 | 11,143 | - | **27,614** |
| Accretion of interest | 13,406 | 1,287 | 35 | **14,729** |
| Lease payments principal | (41,027) | (8,286) | (592) | **(49,906)** |
| Lease payment interest | (13,406) | (1,287) | (35) | **(14,729)** |
| Adjustments | 22,528 | 3,051 | - | **25,578** |
| Terminations | - | (122) | - | **(122)** |
| Effect of foreign currency exchange differences | 7,864 | 157 | 88 | **8,109** |
| **Balance at 31 December 2023** | **307,313** | **24,594** | **678** | **332,585** |

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to NOK 27,614 thousand (2022: NOK 11,206 thousand). The majority of the additions in 2023 are driven by the renewal of the leased vehicles fleet and forklifts.

The maturity analysis of lease liabilities is presented in note 3.2.

Future lease payments as of 31 December 2023 and 31 December 2022 are disclosed in Note 3.2.

| (in NOK '000s) | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Land and buildings | (36,952) | (30,054) |
| Plant and machinery | (7,584) | (6,573) |
| Furniture and fittings | (586) | (448) |
| **Total depreciation charge of right-of-use assets** | **(45,122)** | **(37,075)** |

Average remaining duration of lease contracts as of 31 December 2023:

| | |
|---|---|
| Land and buildings | 8 years |
| Plant and machinery | 2 years |
| Furniture and fittings | 2.5 years |

Total interest expense relating to leases amounts to NOK 14,729 thousand (2022: NOK 13,726 thousand) and is presented in Finance expense. Please refer to Note 11.

Total cash outflow relating to leasing during 2023 amounted to NOK 64,634 thousand (2022: NOK 54,914 thousand). This includes both principal and interest payments.

Short term leases mainly consist of short-term lease of certain forklifts and other smaller equipment items leased mainly in the warehouse in Poland, but also in the other production and logistics locations. Such assets are leased on short-term and on a need be basis.

## 27. RELATED PARTY BALANCES AND 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.

Compensation to key management personnel is included in Note 8.

| (in NOK '000s) | Purchases for the period from 1 January to 31 December 2023 | Sales for the period from 1 January to 31 December 2023 | Balance payable outstanding as at 31 December 2023 | Balance receivable outstanding as at 31 December 2023 |
|---|---|---|---|---|
| OpenGate Capital Management, LLC | (8,519) | - | - | - |
| Jotul Holdings SA | (2,937) | - | (37,907) | - |

| (in NOK '000s) | Purchases for the period from 1 January to 31 December 2022 | Sales for the period from 1 January to 31 December 2022 | Balance payable outstanding as at 31 December 2022 | Balance receivable outstanding as at 31 December 2022 |
|---|---|---|---|---|
| OpenGate Capital Management, LLC | (6,000) | - | - | - |
| Jotul Holdings SA | (2,830) | - | (33,568) | - |

Transactions relating to OpenGate Capital Management, LLC include certain corporate infrastructure monitoring services and certain transaction advisory services, including with respect to the acquisition of the subsidiary.

Additionally, Jøtul has an intercompany loan liability with Jotul Holdings SARL, with a total balance of NOK 37,907 thousand, including accrued interest of NOK 5,896 thousand, as of December 2023, and NOK 33,568 thousand, including accrued interest of 4,662 thousand, as of December 2022.

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

## 28. COMMITMENTS

*Guarantees, pledges and other collateral*

All of the shares of Jøtul AS, as bond issuer, and of Jotul France S.A.S, Jotul North America Inc. and Jotul Poland sp. z o.o, as guarantors, alongside all movable assets of Jotul Poland sp. z o.o, and all present and (if applicable) future receivables with respect to any material intra-group loans with the issuer as creditor and the other group companies as debtors, have been pledged to jointly secure the senior secured bonds and the super senior RCF, in accordance with the terms of the intercreditor agreement. Nordic Trustee AS is acting as security agent and holds all security on behalf of the bank and on behalf of the bondholders. The super senior RCF was entered into on 20 October 2021 and the terms and conditions for the bonds were entered into on 1 October 2021.
From 24 January 2024, Nordea Bank AB was replaced by Pareto Bank as RCF provider.

Jøtul AS provided a bank guarantee of NOK 13,850 thousand to the property lessor Festningsveien 2 AS and EUR 1,125 thousand, equivalent of NOK 12,646 (2022: EUR 808 thousand, equivalent of NOK 8,075 thousand) to the property lessor Prologis Poland LXXXIII Sp.z.o.o.

## 29. SUBSEQUENT EVENTS

The Group's MNOK 475 listed bond was refinanced on January 24, 2024. The new bond, which was issued on January 15th, 2024, has an amount of MNOK 510 and matures in two and a half years. Simultaneously, the Group has also successfully entered a new RCF, with a total available credit limit of MNOK 120 (excluding bank guarantees), to be used for working capital purposes as additional resources to regulate the seasonality lows. This new RCF replaces the previous MNOK 75 (including bank guarantees) facility and more the doubles the liquidity available through such credit facility, subject of meeting certain covenants.

Due to covenant breach for Q1 2024 and expected covenant breach for the remaining quarters of the year, the Group conducted negotiations with the creditors and obtained covenant reporting holidays for all the reference periods of 2024. Also, until compliance is restored, the RCF facility is limited to MNOK 80. The negotiations were conducted throughout Q2 2024 and the creditors' approval was concluded successfully on June 20th, 2024. Further details are available in Note 20, Note 2.1 and Note 3.4.

## 30. APPROVAL BY THE BOARD OF DIRECTORS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 24 June 2024.

# JØTUL AS | ANNUAL REPORT 2023

# Content

## JØTUL AS

# Jøtul AS

All amounts in 1000 NOK

| | Note | 2023 | 2022 |
|---|---|---|---|
| Revenue | 1 | 639 087 | 634 552 |
| Revenue from group companies | 1 | 624 387 | 509 599 |
| Other operating income | 1,2 | 4 705 | 4 705 |
| **Total operating income** | | **1 268 178** | **1 148 856** |
| | | | |
| Cost of Goods Sold | 3 | 848 342 | 697 829 |
| Change in inventory | 3 | -18 830 | -1 660 |
| Payroll expenses | 4,5 | 119 633 | 115 259 |
| Depreciation | 2 | 20 747 | 18 957 |
| Other operating expenses | 2,4,6 | 167 022 | 165 774 |
| **Total operating expenses** | | **1 136 913** | **996 158** |
| | | | |
| **Operating profit** | | **131 265** | **152 698** |
| | | | |
| Income from subsidiaries | | 6 778 | 6 877 |
| Interest received from group companies | | 489 | 11 955 |
| Other financial income | 7 | 1 452 | 18 636 |
| **Total financial income** | | **8 719** | **37 468** |
| Write-Down financial fixed assets | 8 | 33 494 | 56 207 |
| Interest paid to group companies | 9 | 2 611 | 194 |
| Other financial expenses | 10 | 95 294 | 61 808 |
| **Total financial expenses** | | **131 400** | **118 209** |
| **Net financial items** | | **-122 680** | **-80 742** |
| | | | |
| **Result before tax** | | **8 585** | **71 956** |
| | | | |
| Income tax expense | 11 | 8 376 | -83 883 |
| | | | |
| **Result after taxes** | | **209** | **155 839** |
| | | | |
| **Net profit for the year** | | **209** | **155 839** |
| | | | |
| Allocated to other equity | 12 | 209 | 155 839 |
| **Total amount allocated** | | **209** | **155 839** |

# Jøtul AS

All amounts in 1000 NOK

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| **Intangible fixed assets** | | | |
| Research and development | 2 | 52 985 | 47 469 |
| Other intangible assets | 2 | 14 129 | 15 620 |
| Trademarks | 2 | 46 000 | 46 000 |
| Deferred tax assets | 11 | 75 590 | 84 179 |
| **Total intangible fixed assets** | | **188 704** | **193 268** |
| | | | |
| **Tangible fixed assets** | | | |
| Land, buildings and other property | 2 | 1 082 | 1 247 |
| Machinery and plant | 2 | 31 538 | 29 678 |
| Fixtures and fittings, tools etc | 2 | 3 586 | 2 687 |
| **Total tangible fixed assets** | | **36 207** | **33 612** |
| | | | |
| **Financial fixed assets** | | | |
| Investments in subsidiaries | 8 | 376 580 | 337 580 |
| Other receivables financial assets | 13 | 7 875 | 8 550 |
| **Total financial fixed assets** | | **384 455** | **346 130** |
| **Total fixed assets** | | **609 366** | **573 010** |
| | | | |
| **Current assets** | | | |
| **Inventory** | 3 | **93 186** | **58 586** |
| | | | |
| **Receivables** | | | |
| Accounts receivable | | 20 340 | 53 770 |
| Accounts receivable with group companies | 14 | 40 399 | 101 959 |
| Other receivables with group companies | 14 | 182 167 | 178 834 |
| Other receivables | | 19 528 | 6 043 |
| **Total receivables** | | **262 434** | **340 605** |
| | | | |
| **Cash and cash equivalents** | 15 | **22 122** | **39 812** |
| | | | |
| **Total current assets** | | **377 742** | **439 003** |
| | | | |
| **Total assets** | | **987 108** | **1 012 013** |

# Jøtul AS

All amounts in 1000 NOK

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity** | | | |
| **Contributed equity** | | | |
| Share capital | 12,16 | 139 414 | 139 414 |
| Share premium reserve | | 123 779 | 1 026 612 |
| **Total contributed equity** | | **263 193** | **1 166 026** |
| | | | |
| **Retained earnings** | | | |
| Other contributed equity | 12 | 209 | -902 833 |
| **Total retained earnings** | | **209** | **-902 833** |
| | | | |
| **Total equity** | | **263 402** | **263 193** |
| | | | |
| **Liabilities** | | | |
| **Allowances for liabilities** | | | |
| Other provisions | 2 | 9 410 | 14 115 |
| **Total provisions** | | **9 410** | **14 115** |
| | | | |
| **Non-current liabilities** | | | |
| Subordinated debt | 9 | 32 011 | 33 568 |
| Bonds | 18, 19 | | 466 639 |
| **Total non-current liabilities** | | **32 011** | **500 207** |
| | | | |
| **Current liabilities** | | | |
| Bonds | 18, 19 | 484 672 | |
| Accounts payable | | 44 655 | 52 368 |
| Accounts payable with group companies | | 74 179 | 93 510 |
| Public duties payable | 15 | 14 941 | 18 503 |
| Other short term liabilities | 18, 9 | 63 838 | 70 117 |
| **Total current liabilities** | | **682 285** | **234 498** |
| | | | |
| **Total liabilities** | | **723 706** | **748 820** |
| | | | |
| **Total equity and liabilities** | | **987 108** | **1 012 013** |

Fredrikstad, 24.06.2024
Jøtul AS

Nils Agnar Brunborg
Chairman of Board / CEO

Øyvind Arne Sandnes
Member of Board

Lars Tore Heggem
Member of Board

Rene Valentin Christensen
Member of Board

Sven Østgulen
Member of Board

Bjørn Harald Bjørnli
Member of Board

Anette Johansen
Member of Board

# Cash Flow Statement

# Jøtul AS

All amounts in 1000 NOK

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Result before tax | | 8 585 | 71 956 |
| Income taxes paid | 11 | 213 | -296 |
| Loss/gain on sale of assets | 2 | 0 | -8 192 |
| Depreciation/amortisation | 2 | 20 747 | 18 957 |
| Impairment of shares in subsidiaries | 8 | 33 494 | 56 207 |
| Change in inventories | 3 | -34 439 | 2 459 |
| Change in trade receivables | | 94 990 | -59 349 |
| Change in trade payables | | -27 044 | 61 863 |
| Change in other accruals/prepayments | | -10 159 | 29 824 |
| **Net cash flows from operating activities** | | **86 387** | **173 429** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments to acquire fixed assets | 2 | -7 403 | -5 612 |
| Payment for purchase of intangible assets | 2 | -19 964 | -25 202 |
| Receipt from other loan receivables (short-/long-term) | 13 | 675 | 2 250 |
| Receipt from sales of shares | 8 | 0 | 8 383 |
| Payments for capital increase group subsidiaries | 8 | -72 494 | -45 946 |
| **Net cash flows from investing activities** | | **-99 187** | **-66 127** |
| | | | |
| **Cash flows from financing activities** | | | |
| Change Bank overdraft used | 17 | 0 | 0 |
| Change Net payout overdraft | 17 | 0 | -19 658 |
| Receipt/Payment of loan group (short-/long-term) | 9,14 | -4 890 | -66 582 |
| Receipt from issue of other liabilities (short-/long-term) | 18 | 0 | 4 778 |
| **Cash flows from financing activities** | | **-4 890** | **-81 462** |
| **Net cash flow for the period** | | **-17 690** | **25 840** |
| Cash and cash equivalents at the beginning of the period | 15 | 39 812 | 13 972 |
| **Cash and cash equivalents at the end of the period** | | **22 122** | **39 812** |
| | | | |
| Consisting of: | | | |
| Bank deposits etc. | | **22 122** | **39 812** |
| | | | |
| Unutilised RCF | 15 | **35 000** | **40 000** |

## Summary of accounting policies

All figures are in NOK’000 unless stated otherwise.

The annual financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles in Norway (NGAAP).

**Revenue**
Revenue recognition from the sale of goods occurs at the time of delivery. Revenue in foreign currency is recognised at the prevalent monthly exchange rates during the year. Services are recognised as they are performed.

**Classification and assessment of balance sheet items**
Assets that are held for permanent ownership or use are classified as non-current assets. Assets that relate to the flow of goods are classified as current assets. Receivables are classified as current asset if they are due to be repaid within one year of the time of payment. Liabilities are based on analogous criteria.

Current assets are measured at the lower of cost and fair value. Current liabilities are recognised at their nominal amount.

Non-current assets are recognised at cost of acquisition. Fixed assets that depreciate in value, are depreciated on a straight-line basis over their expected economic life. Fixed assets are written down to fair value on impairment if required by accounting standards. Non-current liabilities in Norwegian kroner, with the exception of other provisions, are measured at their nominal amount on initial recognition. Provisions are discounted if the interest element is material.

**Intangible assets**
Expenditure related to intangible assets is capitalised to the extent that the criteria for recognition of an asset are met. This entails that such expenditure is capitalised when it is considered probable that the future economic benefits associated with the asset will flow to the company, and the cost of the asset can be reliably measured. Capitalised intangible assets are amortised on a straight-line basis over their expected useful life. Exempt are Trademarks, which follow an impairment test performed annually.

**Fixed assets**
Fixed assets are capitalised and depreciated on a straight-line basis over the expected useful life of the assets, provided they have a useful life exceeding three years and a cost price exceeding NOK 15,000. Maintenance of fixed assets is expensed as incurred and classified as an operating expense. Additions or improvements are added to the cost of the asset and depreciated in line with the fixed asset. The differentiation between what constitutes maintenance and addition/improvement is based on the condition of the fixed asset on acquisition of the fixed asset.
Leased fixed assets are recognised as fixed assets if the lease agreement is considered a finance lease.

**Subsidiaries**
Subsidiaries are measured according to the cost method in the company financial statements. The investment is measured at the cost of the shares unless impairment has been necessary.
Dividends and group contribution are recognised as income in the same year that the amounts are provided for in the subsidiary. To the extent that dividends and/or group contributions exceed the share of post-acquisition retained earnings, the excess amount is considered a repayment of invested capital, and reduces the carrying value of the investment recognised in the balance sheet.

**Foreign currency**
Receivables, cash and liabilities in foreign currencies are translated at the balance sheet date rate of exchange. Foreign exchange gains and losses related to sale and purchase of goods in foreign currencies are recognised as foreign exchange gains/foreign exchange losses. Exchange rates at the time of transaction are used for transactions in foreign currency.

**Summary of accounting policies**

**Impairment of non-current assets**
An impairment test is performed when there is an indication that the carrying value of a non-current asset is higher than its fair value. The test is conducted at the lowest level of non-current assets that has independent cash flows. If the carrying value is higher than both the sales value and the recoverable amount (present value of continued use/ownership), an impairment charge to the higher of sales value and recoverable amount is made. Previous impairment losses are reversed if the conditions for the impairment are no longer present (with the exception of e.g. impairment of goodwill).

**Inventories**
Inventories of purchased goods are measured at the lower of cost according to the FIFO principle and fair value. Own manufactured finished goods and work in progress are measured at full manufacturing cost. An impairment is charged if the fair value (sales price reduced by selling costs) is lower than the cost price. Selling costs include all remaining sales-, administration- and storage costs.

**Receivables**
Trade receivables and other receivables are recognised in the balance sheet at the nominal amount reduced by provisions for expected losses. Provisions for losses are made based on an individual assessment of the individual receivables. For smaller trade receivables, an unspecified provision is made to cover expected losses.

**Warranty obligations**
Expected costs for future warranties related to sales are expensed and recognised as a provision in the balance sheet. The provision is based on historical experience for warranties.

**Loans**
Loans are recognised at fair value at the time of inception. In subsequent periods, loans are measured at amortised cost using the effective interest method. Loans are classified as current liabilities unless there is an unconditional right to defer payment of the liability for more than 12 months from the balance sheet date.

**Taxation**
The income tax expense in the income statement includes both the tax payable for the period and changes in deferred tax. Deferred tax is calculated using the actual tax rate based on the temporary differences existing between the carrying amounts and tax values, as well as any tax losses carried forward at the end of the financial year. Tax increasing and tax reducing temporary differences that reverse or could reverse in the same period are offset. The company has not recognised deferred tax assets on net tax reducing differences that are not offset and losses carried forward.

**Events after the balance sheet date**
New information after the balance sheet date about the financial position of the company as at the balance sheet date is recognised in the annual financial statements. Events after the balance sheet date that do not have an impact on the company’s financial position as at the balance sheet date, but which will affect the company’s financial position in the future, are disclosed if this is material, see note 19.

**Statement of cash flows**
The statement of cash flows is prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid deposits that may immediately and with insignificant currency risk be converted to known cash amounts and with a due date of less than three months from the date of acquisition.

## Note 1 Revenue by Country / Region of Destination

The Company's revenue specified by main markets:

| | 2023 | 2022 |
|---|---|---|
| Norway | 309 636 | 322 443 |
| Nordics other | 90 849 | 76 492 |
| Europe exc. Nordics | 804 211 | 657 370 |
| North America | 22 715 | 62 325 |
| Other | 40 768 | 30 225 |
| **Total** | **1 268 179** | **1 148 856** |

## Note 2 Fixed assets and leasing costs

| | Trademarks | R&D | Software | Property | Machinery and plant | Fixtures | Total |
|---|---|---|---|---|---|---|---|
| Acquisition cost at 1 Jan. | 190 000 | 231 422 | 33 408 | 1 626 | 255 462 | 16 318 | 728 236 |
| + Additions | | 15 876 | 4 089 | | 7 403 | | 27 367 |
| - Disposals | | - 23 058 | | | | | - 23 058 |
| **Acquisition cost at 31 Dec.** | **190 000** | **224 240** | **37 496** | **1 626** | **262 865** | **16 318** | **732 545** |
| Acc. Depr/Amort/Imp. 1 Jan. | - 144 000 | - 183 953 | - 17 788 | - 379 | - 225 074 | - 14 341 | - 585 535 |
| + Depreciation/Amortisation | | - 10 359 | - **5 579** | - **165** | - **4 194** | - **449** | - 20 747 |
| - Disposals Acc Depreciation | | 23 058 | | | | | 23 058 |
| Reclassification | | | | | - 2 059 | 2 059 | - |
| **Acc. Depr/Amort/Imp. 31 Dec.** | **- 144 000** | **- 171 255** | **- 23 367** | **- 544** | **- 231 327** | **- 12 731** | **- 583 224** |
| **Balance as per 31 Dec.** | **46 000** | **52 985** | **14 129** | **1 082** | **31 538** | **3 586** | **149 321** |
| Period of ordinary Amort./Depr. | | 4 | 4 | 20 | 10-15 | 3-8 | |

Fixed assets are depreciated on a straight-line basis.

Trademarks with indefinite useful lives at 31 December 2023 amounting to NOK 46,000 thousand are not amortised (2022: NOK 46,000 thousand). As Jøtul has a history of more than 170 years and the management has no plans to abandon the trademarks in the near future, the useful lives for the trademarks are assumed to be indefinite. The Company tests whether trademarks have suffered any impairment on an annual basis.

The Company sold the factory building, as well as the shares, of Jøtul Eiendom AS (which owned the company's leased-back administration building) at the beginning of 2006. The lease agreement was determined to be an operating lease. The gain on disposal of the building/shares was in total NOK 93,694,794. Due to severe difficulties in determining the market value of the company's properties without a leaseback agreement, the gain is recognised over the rental term. The gain recognised in 2023 is NOK 4,705,104.

The Company capitalise research and development cost related to product development; product specifications, design, drawings etc. as intangible assets. The product development process follows a clearly identified policy, overseen by an internal body, with a project start, pre-study, concept development, detailed development, industrialisation & launch.

| **Deferred income at 31.12.2023** | |
|---|---|
| Deferred income from gain on sale of factory building | 7 726 |
| Deferred income from gain on sale of shares | 1 684 |
| **Total other provisions for obligations** | **9 410** |

| Rental and leasing arrangements: | Annual Cost | Year of expiry / duration | Type |
|---|---|---|---|
| Office and factory | 19 001 | 2032, renewable | Lease contract |
| Warehouse | 10 136 | 2032, renewable | Lease contract |
| Trucks | 1 870 | 2 years renewable | Lease contract |
| Company cars | 2 207 | 4 years renewable | Leasing |
| IT equipment | 4 | 3 years renewable | Leasing |
| **Total** | **33 218** | | |

**Note 3 Inventory**

| By inventory category | 2023 | 2022 |
|---|---|---|
| Raw materials | 4 485 | 4 627 |
| Work in Progress | 122 | - |
| Finished goods | 52 510 | 23 491 |
| Trading goods | 36 069 | 30 467 |
| **Total** | **93 186** | **58 586** |
| | | |
| Obsolescence provision recognised | 5 037 | 4 444 |
| Expensed obsolescence provision | - 593 | 1 093 |

Company policy is to hold spare parts for all products that have been manufactured in the last 10 years in inventory, and the Company's criteria for calculating obsolescence is:

| | |
|---|---|
| Category 1 | No sale/usage last 36 months, allowance of 100% of manufacturing cost |
| Category 2 | No sale/usage last 24 months, allowance of 50% of manufacturing cost |
| Category 3 | Inventory larger than sale/usage of the last 12 months on outgoing products are accrued by 25% of manufacturing cost. |

**Note 4 Employee benefits expense, number of employees, remuneration to management and representatives**

The average number of full time equivalents during the financial year is 156 people.

| Specification of employee benefits expense | 2023 | 2022 |
|---|---|---|
| Salaries | 98 288 | 88 520 |
| Social security | 16 488 | 13 979 |
| Pension cost | 4 217 | 3 784 |
| Other payroll related benefits | 640 | 8 976 |
| **Total** | **119 633** | **115 259** |

**Remuneration to leading employees**

| *CEO* | 2023 | 2022 |
|---|---|---|
| Salary | 3 705 | 3 458 |
| Pension | 348 | 321 |
| Other benefits | 1 878 | 617 |
| | | |
| Members of the Board | 100 | - |

The CEO has a notice period of 6 months in addition to rights to compensation for 6 months. The CEO has a bonus agreement which is limited to a maximum of 50% of the base salary.

No loans or credits have been given to leading employees or key persons.

The Company has contribution based pension arrangements including 163 people.

The Company's pension arrangements satisfy the regulations for mandatory occupational pensions.

| Fees to auditor, exclusive of VAT: | 2023 | 2022 |
|---|---|---|
| Audit | 1 397 | 1 489 |
| **Total fees to auditors** | **1 397** | **1 489** |

## Note 5 Related parties

Information about and remuneration to leading employees are shown in note 4 Employee benefits expense.
Liabilities to related parties have been described in note 9.
No leading employees have a shareholding exceeding 1 %. Ref. note 16 Share capital.
In 2006, the Company sold the factory building and office building with a leaseback term of 20 years, with an option for an additional 20 years, to a consortium that established two limited companies for the purpose of owning and operating the properties. In 2012, the Company extended the lease agreement to include a new warehouse and manufacturing facility. The shareholders of Jøtul AS, leading employees, the Board or other key persons do not own any interest in these limited companies.

The Company has purchased management services from Open Gate of approx. MNOK 8 in 2023.

## Note 6 Other Operating Expense

| | 2023 | 2022 |
|---|---|---|
| Shipping and distribution cost | 18 304 | 20 032 |
| Rental of buildings and machinery | 40 630 | 33 670 |
| Selling and marketing costs | 15 042 | 20 083 |
| Production and maintenance costs | 22 094 | 21 296 |
| Management fees | 8 000 | 6 260 |
| Service purhased from subsidiaries | 29 502 | 32 222 |
| Other administration and operating expenses | 33 449 | 32 210 |
| **Total other operating expense** | **167 022** | **165 774** |

## Note 7 Other finance income

| | 2023 | 2022 |
|---|---|---|
| Interest income bank | 986 | 531 |
| Other interest income | 466 | 8 519 |
| Foreign exchange gain | - | 9 586 |
| **Total** | **1 452** | **18 636** |

## Note 8 Subsidiaries

Investments in subsidiaries are accounted for in accordance with the cost method.

| Company | Business office | Year of acquisition | Share | Equity 31.12 | Result 2023 | Carrying value 31/12 |
|---|---|---|---|---|---|---|
| Jotul North America Inc. | Portland, USA | 1979 | 100 % | 104 219 | 6 560 | 25 000 |
| Jotul France S.A. | Dardilly, France | 1983 | 100 % | 38 440 | 3 783 | 16 000 |
| Jotul UK Ltd. | Worcestershire, UK | 2000 | 100 % | 17 771 | 1 327 | 2 800 |
| Scan A/S | Vissenbjerg,Denmark | 2006 | 100 % | 15 461 | 1 071 | 41 439 |
| Jotul Italy s.r.l | Milano, Italy | 2007 | 100 % | 10 788 | 1 651 | 3 960 |
| Jotul Poland sp. zo. o. | Wroclaw, Poland | 2019 | 100 % | 182 128 | 63 779 | 248 381 |
| Aico Italy s.r.l [1)] | Milano, Italy | 2021 | 100 % | - 11 870 | - 61 919 | 39 000 |
| **Carrying value at 31.12** | | | | **356 936** | | **376 580** |

[1)] The company has in 2023 made an write-down of the shares in Aico Italy s.r.l of MNOK 33,5

## Note 9 Long-term liabilities group companies

A loan of MNOK 26 has been issued by the principal shareholder, Jotul Holdings S.a.r.l, with calculated interest in accordance to the loan agreement. The interest rate set to 9 %. Loan and accrued interest is long-term.
Current loan balance, including accrued interest as per 31/12/23 is MNOK 32. Accruee interest in the period 01/01/23-31/12/23 is MNOK 3,1.

## Note 10 Other finance expense

| | 2023 | 2022 |
|---|---|---|
| Foreign exchange loss | 15 499 | 0 |
| Bank charges | 2 629 | 2 460 |
| Interest/fees bank overdraft, amortised estab. costs | 3 155 | 9 222 |
| Interest to suppliers | 125 | 140 |
| Interest factoring | 2 982 | 1 871 |
| Bond Finance Cost | 18 033 | 4 870 |
| Bond interest expense | 52 868 | 43 065 |
| Other interest expense | 2 | 180 |
| **Total** | **95 294** | **61 808** |

## Note 11 Income tax expense, deferred tax and income tax payable

| **Temporary differences included in the basis for deferred tax/deferred tax asset** | **2023** | **2022** |
|---|---|---|
| Fixed assets | 34 584 | 29 053 |
| Inventory | 1 455 | - 2 932 |
| Receivables | - 2 002 | - 985 |
| Financial instruments | 232 | 8 361 |
| Gain and loss account | 1 237 | 1 546 |
| Deferred revenue | - 6 884 | - 11 589 |
| Warranty provision | - 2 638 | - 3 590 |
| Net temporary differences | 25 984 | 19 864 |
| Losses and tax credits carried forward | - 367 020 | - 399 942 |
| Restricted interest deduction carried forward | - 2 555 | - 2 555 |
| Basis for deferred tax/deferred tax assets in the balance sheet | - 343 591 | - 382 633 |
| Deferred tax/deferred tax asset | - 75 590 | - 84 179 |
| Deferred tax assets not recognised | - | - |
| **Deferred tax/deferred tax asset recognised in the financial statements** | **- 75 590** | **- 84 179** |

| **Basis for income tax expense, change in deferred tax and income tax payable** | | |
|---|---|---|
| Result before tax | 8 585 | 71 956 |
| Permanent differences | 30 457 | 43 463 |
| Change in temporary differences incl. in the basis for deferred tax/deferred tax asset | - 6 120 | 2 535 |
| Taxable income before utilising losses carried forward | 32 922 | 117 953 |
| Change in losses and allowances carried forward | - 32 922 | - 117 953 |
| Taxable income (basis for income tax payable in the balance sheet) | - | - |

| **Specification of permanent differences** | | |
|---|---|---|
| Dividends from subsidiaries | - 6 778 | - 6 877 |
| Other non-deductible expenses and non-taxable income | 37 235 | 50 340 |
| **Total permanent differences** | **30 457** | **43 463** |

| **Split of the income tax expense** | | |
|---|---|---|
| Income tax expense from foreign operations | - 213 | 296 |
| Total income tax payable | 0 | - |
| Change in deferred tax/deferred tax asset | 8 589 | - 84 179 |
| **Income tax expense** | **8 376** | **- 83 883** |

## Note 12 Equity

| | Share Capital | Share Premium | Other Contributed Equity | Total Equity |
|---|---|---|---|---|
| As of 1 January | 139 414 | 1 026 612 | - 902 833 | 263 193 |
| Contribution to equity | | - 902 833 | 902 833 | - |
| Result of the year | | | 209 | 209 |
| **As of 31 December** | **139 414** | **123 779** | **209** | **263 402** |

## Note 13 Financial market risk, fixed interest- and forward contracts

The Company is exposed to foreign currency risk mainly related to sales in foreign currencies. Fluctuations in foreign currencies are hedged through forward contracts. As per 31.12.2023 the Company has not entered any forward contract to hedge against foreign currency fluctuations related to sales in foreign currencies.

The Company's loans, long-term and bank overdrafts, have floating interest rates in NOK, USD, EUR, GBP, SEK, DKK and PLN and are consequently exposed to fluctuations in general interest levels.

An interest-bearing loan of MNOK 13.5 has been given to Festningsveien 2 AS in connection with their building of a new warehouse and manufacturing facility for the company's plant in Kråkerøy. The current balance of the loan on 31.12.2023 was MNOK 7.875, of which MNOK 0.9 is current receivable.
The Company has no debt that expiry later than 5 years.

## Note 14 Other receivables from group companies

| | 2023 | 2022 |
|---|---|---|
| **Trade receivables from group companies** | **40 399** | **101 959** |

| | 2023 | 2022 |
|---|---|---|
| Group Cash Pool [1)] | 182 167 | 178 834 |
| Other receivables from subsidiaries | - 0 | - |
| **Total Other receivables from group companies** | **182 167** | **178 834** |

[1)] Jøtul AS is the principal account owner in a cash pool arrangement and is therefore in effect bank for its subsidiaries.

The parent company, Jøtul AS, has entered into a loan engagement with its bank, Nordea, which among other things includes a multi-currency bank overdraft facility for the entire Group. The subsidiaries are included in the cash pool system and every company has a bank overdraft tied to its account. Jøtul AS manages the system and distributes the overdraft facility to the individual companies as required. Every subsidiary has a loan- or deposit relationship with Jøtul AS and not with external financial institutions. The subsidiaries have a joint responsibility to Nordea for the obligations of Jøtul AS in accordance with Jøtul AS' agreement with Nordea.

The company has in 2023 purchased products of MNOK 479 and services of MNOK 54 from subsidiaries. Purchasing of products are mainly related to finished products from Poland, while services mainly consist of R&D and Sales services.

## Note 15 Bank deposits, cash etc.

| | |
|---|---|
| The Company has restricted bank deposits to cover employee withholding tax due of: | 4 770 |
| Drawn portion of MNOK 35 revolving credit facility as at 31 December 2023: | - |

## Note 16 Share capital and shareholders

All amounts in the note are in single NOK.

The Company had 1 shares, with nominal value of NOK 139,413,732. Total share capital is NOK 139,413,732.

The Company's shares are split into the following share classes:

| Share class | Total nominal value | Number shares | Nominal amount per share |
|---|---|---|---|
| Ordinary shares | 139 413 732 | 1 | 139 413 732 |
| **Total** | **139 413 732** | 1 | **139 413 732** |

The Company has following shareholders:

| Name | Country | Amount | Share | Voting Right | Dividend Right |
|---|---|---|---|---|---|
| Jotul Holdings S.a.r.l | Luxembourg | 1 | 100 % | 100 % | 100 % |

## Note 17 Debt to credit institutions and mortgages

| | 2023 | 2022 |
|---|---|---|
| Bank overdraft | - | - |
| **Total debt to credit institutions** | **-** | **-** |

| Carrying value of mortgaged assets: | 2023 | 2022 |
|---|---|---|
| Fixed Assets | 103 321 | 96 701 |
| Trade receivables | 20 340 | 53 770 |
| Trade receivables group companies | 40 399 | 101 959 |
| Inventory | 93 024 | 58 586 |
| Shares in subsidiaries | 376 580 | 337 580 |
| **Total mortgaged assets** | **633 664** | **648 595** |

All of the assets of the Group have been pledged to jointly secure senior secured bonds pursuant to the super senior RCF provided by Nordea Bank AB, filial in Norge ("Nordea"), with the bonds, pursuant to the terms of an intercreditor agreement. Nordic Trustee AS is acting as security agent and holds all security on behalf of Nordea in its capacity as lender and hedge counterparty and on behalf of the bondholders. The super senior RCF was entered into on 20 October 2021 and the terms and conditions for the bonds were entered into on 30 November 2023.

Jøtul AS provided a bank guarantee of KNOK 13.850 to the property lessor Festningsveien 2 AS and KEUR 808, equivalent of KNOK 9.079 to the property lessor Prologis Poland LXXXIII Sp.z.o.o. (in 2022: KEUR 808, equivalent of KNOK 8.075).

**Note 18 Senior Secured Bond**

| | 2023 | 2022 |
|---|---|---|
| Opening balance at 01/01 | 466 639 | 475 000 |
| Re-valuation / Amortisation | 18 033 | - 8 361 |
| **Closing balance at 31/12** | **484 672** | **466 639** |
| | | |
| **Interest accrued on bonds during the year** | **13 707** | **11 626** |
| | | |
| Current | | |
| Interest accrued at year-end | 13 707 | 11 626 |
| Bond | 484 672 | - |
| Non-current | - | 466 639 |

*Existing bonds*

On October 2021, Jøtul AS issued senior secured floating rate bonds up to NOK 750 million. The 2021 bonds bear an interest rate of 6.95% + 3-month NIBOR and have a maturity of three years. The initial aggregate principal amount is NOK 475 million with a possibility to issue subsequent bonds in an aggregate amount of NOK 275 million. The bonds are accounted for at amortized cost. The following key covenants apply:

- Maintenance test performed semi-annually, on 31 December and on 30 June. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact, being the lower EBITDA which included rental/lease expenses prior to these being reclassified to depreciation and interest following the IFRS 16 implementation) ratio must be ≤ 5.50x with annual step-
- Incurrence test performed when and if applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 4.00x with annual step-down of 0.25x. For year-end 2023 the ratio should therefore be ≤ 3.50x.
- Distribution test, as applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 3.00x. Restrictions on distribution were implemented to permit only the distribution of the shareholder loan, subject to meeting the distribution covenant, and the annual monitoring fees.

*Issue of new bonds in 2024*

The Group's MNOK 475 listed bonds were refinanced on January 24, 2024. The 2024 bonds, which were issued on January 15th, 2024, amount to NOK 510 million and mature in two and a half years. The proceeds from the new issue were mainly used to redeem the NOK 475 million bonds issued in 2021, including call option fees, to settle accrued interest and to finance transaction costs. The bonds bear an interest rate of 8.00% + 3-month NIBOR. There is a requirement to list the 2024 bonds on a regulated exchange by January 15th, 2025. The following key covenants apply on the new bonds:

- Maintenance test performed at each quarter-end. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact, being the lower EBITDA which included rental/lease expenses prior to these being reclassified to depreciation and interest following the IFRS 16 implementation) ratio must be ≤ 5.50x on 31 March 2024, 30 June 2024 and 30 September 2024, and ≤ 5.50x on 31 December 2024, with annual step-down of 0.50x.

- Incurrence test performed when and if applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 3.00x.
- Distribution test, as applicable. Net interest-bearing debt (excluding the IFRS 16 leases impact) to EBITDA (before IFRS 16 impact) should be ≤ 2.00x.

**Note 18 Senior Secured Bond (continues)**

Due to continuous unfavourable development of trading throughout Q1 2024, the Group observed that the last twelve months (LTM) development of the EBITDA used for covenant measurement (EBITDA before the IFRS16 impact) deteriorated beyond management expectations resulting in a covenant breach as per the definitions and terms of the financing agreements. More specifically, the Net Interest Bearing Debt (excluding the IFRS 16 leases impact) to LTM EBITDA (before IFRS 16 impact) did not meet the <5.5x covenant required by the Bonds agreement as of Q1 2024 quarter-end. Simultaneously, the drawn RCF to LTM EBITDA (before IFRS 16 impact) <1x covenant was also breached. Upon becoming aware of the breach, the Group initiated negotiations with the creditors and obtained covenant holidays from both the bondholders and the bank for all four quarters of 2024. In addition to the covenant holidays, the following key terms were agreed:

- Delayed publication of the audited annual report and unaudited Q1 interim report – these would be published as soon as possible when an agreement with the creditors was achieved
- Cash injection of MNOK 42.5 from the shareholder in the form of equity or subordinated loans
- Pause in the payment of any management fees for 2024 until compliance is restored
- A consent fee of 2.5% of the outstanding debt is payable when an agreement is reached
- A minimum liquidity test is introduced starting from 30 September 2024, with minimum liquidity of NOK 30 to be maintained

The terms were agreed and favorably voted by 50%+ of the bondholders on 20 June 2024. In addition to the above terms, the Group has also obtained approval from the bank to maintain the RCF limit at the already drawn amount of MNOK 80.0 until the end of November 2024, by which date the projected cash flows should allow for a full repayment of the balance.

**Note 19 Subsequent Events**

Jøtul AS announced on December 21, the up to NOK 750,000,000 senior secured floating rate bonds with ISIN NO0011104069 will be redeemed in advance in accordance with Clause 9.3 (Voluntary total redemption (call option)) of the terms and conditions of the Bonds.

Jøtul AS's MNOK 475 listed bond was refinanced on January 24, 2024. The new bond, which was issued on January 15th, 2024, has an amount of MNOK 510 and matures in two and a half years. Simultaneously, the Group has also successfully entered a new RCF, with total available credit limit of MNOK 120 (excluding bank guarantees), to be used for working capital purposes as additional resources to regulate the seasonality lows. This new RCF replaces the previous MNOK 75 (including bank guarantees) facility and more the doubles the liquidity available through such credit facility, subject of meeting certain covenants.

No other significant events have occurred in the period from the balance sheet date to the date of approval of the financial statements that have affected the financial position of the Company to a material degree and which should have been reflected in the financial statements presented.