

Financial Statement

Jøtul Holdings S.A
31. December 2018

Income Statement

(NOK 1000)

	FY 2016	FY 2017	FY 2018	Q4 YTD 2017	Q4 YTD 2018
OPERATING REVENUE AND COST					
Operating revenue					
Gross sales	1 575 309	1 652 154	1 651 787	544 530	541 892
Discounts	-702 363	-745 995	-749 345	-242 225	-248 481
Net sales	872 947	906 160	912 278	302 305	303 247
Operating cost					
Direct materials	298 257	314 786	324 503	105 300	107 279
Direct personnel cost	104 362	108 567	94 054	35 100	29 344
Distribution costs	36 846	37 807	38 252	12 420	13 470
Sales commission	26 247	28 086	29 829	10 536	10 452
Contribution margin	407 234	416 913	425 641	138 948	142 700
Indirect production costs	171 042	171 009	151 889	40 759	34 089
Gross margin	236 193	245 904	273 753	98 189	108 611
Sales, general and administration costs	185 854	184 609	186 394	61 415	66 032
EBITDA	50 339	61 295	87 359	36 774	42 579
Non-recurring items	6 769	35 828	51 485	31 211	24 120
EBITDA, incl. non-recurring items	43 570	25 466	35 874	5 563	18 459
Depreciation	77 883	46 169	44 557	11 545	10 971
Writedown		300 000	1 365	300 000	1 365
Operating profit	-34 314	-320 703	-10 049	-305 982	6 123
FINANCE REVENUE AND COST					
Financial income					
Other interest	602	586	594	136	134
Other finance revenue	9 938	76	500	76	500
Total financial income	10 540	662	1 094	212	634
Financial cost					
Interest cost shareholder loan	2 534	2 610	7 997	636	2 328
Other interest cost	19 842	19 811	28 860	4 812	16 400
Other financial cost	883	9 430	1 861	12 896	-6 165
Total financial cost	23 259	31 851	38 718	18 344	12 564
NET FINANCIAL ITEMS	-12 719	-31 189	-37 623	-18 132	-11 929
PROFIT BEFORE TAX	-47 033	-351 892	-47 672	-324 114	-5 807
Income tax expenses	-2 424	-3 576	-5 885	-1 051	-6 442
PROFIT FOR THE YEAR	-49 457	-355 467	-53 557	-325 165	-12 249

Balance Sheet per 31.12

(NOK 1000)

ASSETS	FY 2016	FY 2017	FY 2018
NON-CURRENT ASSETS			
Intangible fixed assets			
Trademark	191 647	115 927	10 620
Other intangible assets	22 821	14 791	13 543
Deferred tax assets	3 122	1 401	1 300
Goodwill	218 412	0	0
Total intangible fixed assets	436 002	132 120	25 463
Tangible fixed assets			
Property	1 704	1 889	1 734
Plant and equipment	163 901	151 986	137 855
Total tangible fixed assets	165 604	153 876	139 589
Financial fixed assets			
Other financial fixed assets	15 876	16 153	15 348
Total financial fixed assets	15 876	16 153	15 348
TOTAL NON-CURRENT ASSETS	617 482	302 149	180 400
 CURRENT ASSETS			
Inventory	192 225	167 413	179 012
Accounts receivables	84 577	92 004	75 698
Other receivables	13 295	8 976	15 213
Total receivables	97 871	100 979	90 911
Other current financial assets	3 888	0	0
Bank and cash equivalents	5 893	6 294	117 811
TOTAL CURRENT ASSETS	299 876	274 686	387 734
TOTAL ASSETS	917 358	576 835	568 134

Balance Sheet per 31.12

(NOK 1000)

	FY 2016	FY 2017	FY 2018
EQUITY AND LIABILITIES			
EQUITY			
Paid in capital			
Issued capital	135 914	135 914	600
Share premium	565 112	565 112	0
Total paid in capital	701 026	701 026	600
Other equity			
Other equity/ retained earnings	-531 038	-875 164	-14 155
Total other equity	-531 038	-875 164	-14 155
TOTAL EQUITY	169 988	-174 137	-13 555
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions			
Deferred tax	4 640	2 818	13 802
Other provisions	1 909	4 030	4 018
Total provisions	6 549	6 847	17 819
Other non-current liabilities			
Interest bearing loans and borrowings	477 455	491 057	255 128
Shareholder loan	90 668	90 668	139 211
Long term derivatives	0		1 263
Total other non-current liabilities	568 122	581 725	395 601
TOTAL NON-CURRENT LIABILITIES	574 671	588 572	413 420
CURRENT LIABILITIES			
Short term financial liabilities	34 035	0	0
Accounts payable	71 735	74 273	83 282
Liability for current tax	545	0	1 455
Other liabilities to public institutions	16 007	21 423	15 396
Other short term liabilities	48 434	63 594	64 623
Short term derivatives	1 943	3 110	3 513
TOTAL CURRENT LIABILITIES	172 699	162 400	168 269
TOTAL LIABILITIES	747 370	750 972	581 689
TOTAL EQUITY AND LIABILITIES	917 358	576 835	568 134

Cash Flow Statement

(NOK 1000)	YTD 31.12.2018	YTD 31.12.2017
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	-47 672	-351 892
Income tax paid	-4 803	-4 696
Capitalized interest	6 877	11 137
Depreciation and impairment of PPE	45 923	346 170
Deferred revenue recognition without cash effect	4 705	4 705
Change in inventory	-11 599	24 812
Change in accounts receivables	6 972	-7 427
Change in accounts payable	9 010	2 538
Other changes in operating assets and liabilities	-9 866	27 557
Net foreign exchange differences	1 570	5 510
Net cash flow from operating activities	1 116	58 414
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-33 393	-23 863
Net cash flow from investing activities	-33 393	-23 863
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	299 036	-34 150
Repayment of debt	-332 563	0
Other cash flow from financing	177 321	0
Net cash flows from financing activities	143 794	-34 150
Net cash flow	111 517	401
Cash and cash equivalents at beginning of period	6 294	5 893
CASH AND CASH EQUIVALENTS AT END OF PERIOD	117 811	6 294
Credit line	60 000	100 000
Used credit line	0	0
Available credit line	60 000	100 000

Management Comments

Jøtul Group Holdings S.A. – Q4 2018

Comments related to the financial statements ¹

Group net sales ended at MNOK 912 in 2018, compared to MNOK 906 in 2017. For 2018, this is MNOK 10 less than earlier communicated due to reclassification after IFRS15. This reclassification results in increased discounts of MNOK 10, and sales commissions decreased accordingly.

EBITDA ended at MNOK 87 in 2018, compared to MNOK 61 in 2017. For 2018, this is MNOK 4,7 less than communicated earlier. This is due to reclassification of a sales leaseback agreement from 2006. Jøtul Group entered a sales leaseback agreement related to the premises at Kråkerøy in 2006. Jøtul Group booked a profit from this transaction, but given the difficulty of deciding a fair market price for the property, management then decided to amortize the gain over 20 years. Since 2006, the yearly amortizing of MNOK 4,7 has been offset against lease expenses. The reclassification has no cash flow effect.

For correct comparison the income statement for 2016 and 2017 have been reclassified accordingly.

The sales growth comes mainly from higher sales in North America and Norway. The growth in these markets was partly offset by a sales decline in France. The Group's order backlog stood at MNOK 41 at the end of 2018, compared with MNOK 34 at the end of 2017.

Jøtul Group's three largest markets are Norway, France and North America where Jøtul Group has a significant market position and enjoys strong brand recognition. These markets are currently experiencing a gradual transition towards modern products that will meet Ecodesign requirements for 2022, which is expected to have a positive impact on the key players in the industry included Jøtul. In France, demand for wood-fired products continues to decline, while the pellet market continues to grow. In Norway, the market momentum is good with increased demand during the last half of 2018 partly driven by high electricity prices. In North America demand has been strong throughout the year, driven by increased demand for gas products, as well as wood-fired products.

The Group's gross margin increased in Q4 2018 compared with Q4 2017, mainly due to productivity improvements at the Kråkerøy factory in Norway. This margin improvement is partly offset by higher raw material costs related to metals and energy.

Fixed costs have fallen substantially compared to 2017 due to reduced indirect headcount and the effect of the closure of the operations in Halden (Norway).

¹ The financial statements for Q4 2018 show the consolidated management accounts of Jøtul Holding S.A. including Jøtul AS and all its subsidiaries, while the comparable figures for Q4 2017 show the consolidated management accounts of Jøtul AS.

Management Comments

LTM non-recurring costs of MNOK 51,4 are related primarily to Project Craft, the acquisition by OpenGate Capital of Jøtul in February 2018 (MNOK 23,8), relocation of manufacturing from Scandinavia to Poland (MNOK 14,6), management fees (MNOK 5,7) and miscellaneous external charges (MNOK 7,3). In January 2019, Jøtul Group performed a successful tap issue of MNOK 90 to finance the relocation project. The project is running in accordance with plan and is planned to be finalized Q1 2020.

Total cash flow from operating activities fell from MNOK 58 in 2017 to MNOK 1 in 2018, mainly due to high inventory build-up in 2018 in preparation of the relocating of manufacturing, and other changes in operating assets and liabilities.

The Group's capital investments in the year 2018 amounted to MNOK 33, which is the same level as in 2017.

The statement is unaudited.