

Denne meldingen til obligasjonseierne er kun utarbeidet på engelsk. For informasjon vennligst kontakt Nordic Trustee AS.

**To the Bondholders in:**

**ISIN: NO0010815749 – Jotul Holdings S.A. up to NOK 400,000,000 Senior Secured Bonds 2018/2022**

23 April 2020

**SUMMONS FOR WRITTEN PROCEDURE**

Nordic Trustee AS (the “**Agent**”) acts as agent for the bondholders (the “**Bondholders**”) in the above mentioned bond issue (the “**Bonds**” or the “**Bond Issue**”) issued by Jotul Holdings S.A. as issuer (the “**Issuer**”) pursuant to the terms and conditions dated 19 February 2018 (as amended) (the “**Terms and Conditions**”).

All capitalised terms used, but not defined herein, shall have the same meaning assigned to them in the Terms and Conditions. References to Clauses and paragraphs are references to Clauses and paragraphs of the Terms and Conditions.

*The information in this summons (the “**Summons**”) regarding the Issuer, market conditions and described transactions is provided by the Issuer, and the Agent expressly disclaims all liability whatsoever related to such information.*

**1. Background**

**1.1 Background going into 2020**

The Group’s financial performance has improved substantially during 2018 and 2019 following a successful operational and commercial turnaround, with reported revenue and EBITDA of NOK 961 million and NOK 106 million (NOK 138 million including IFRS 16 effects), respectively, in 2019. The measures taken to improve the financial performance include *inter alia* the relocation of a new factory in Poland to house the labour-intensive stove assembly operations which were until recently carried out in Denmark and Norway. The new factory in Poland became operational in January 2020 and started up in line with management’s expectations.

Relocation costs in respect of the new factory in Poland were budgeted at NOK 112 million but will be closer to NOK 128 million, primarily driven by higher than anticipated costs related to ERP implementation, training, rebuild of moved machines to meet local safety standards, and clean-up costs in Denmark. Out of the above figure, approximately NOK 25 million of capital expenditures and transition costs remain to be incurred in 2020. In addition, the Group has booked NOK 16 million as non-recurring items in 2019 due to productivity losses in the factories in Norway and Denmark from August through December.

Furthermore, the Group experienced a lower than expected working capital release in Q4 2019 as a result of weaker sales and order intake volumes driven by unusually warm

weather and low energy prices. Overall, Q4 2019 sales were down by approximately 3 per cent over Q4 2018, and full-year order intake was down approximately 3 per cent over 2018. The weakness continued in January 2020, with some improvement in February driven by lower temperatures. As a consequence of the aforementioned cost overruns and adverse weather conditions, the Group entered 2020 with a lower than expected cash balance of approximately NOK 56 million which, under normal market and operating conditions, would have been deemed sufficient to comfortably meet all expected liquidity needs.

## **1.2 Current situation and COVID-19 impact**

The global spread of the Coronavirus (COVID-19) pandemic has begun to significantly impact the Group's target markets and thus demand for its products. General uncertainty and social distancing measures have led to an overall reduction in consumer spending, while governments in several of the Group's key markets including France, Italy, Spain and the Nordic countries have imposed restrictions on the free movement of people. The outlook for the foreseeable future is severe, with the latest projections from public authorities pointing to the pandemic in Europe running at least until the summer, with limited visibility as to when consumer demand will return to normal and operations can be resumed.

The unprecedented impact of the Coronavirus comes at a time when the Group's cash buffer is already limited and management has implemented a range of measures to preserve liquidity. On 16 March 2020, the Group announced that most employees in Norway had been temporarily laid off with only selected key employees remaining to handle business critical functions. As of the date of this Summons, 107 out of the 145 staff in Norway have been served notice of temporary layoff and production has been halted. All activities in France, Spain, Italy, Germany, Belgium, the Netherlands and the UK have been stopped. In the US and Poland activity levels have been reduced to a minimum. However, due to limited government support programmes in these countries, staff cannot be laid off temporarily. In order to preserve the workforce for a rebound in activity levels they have been kept on the payroll but focused on other tasks such as education, maintenance, etc.

In spite of these measures, the Issuer still expects a temporary shortfall in available liquidity owing to the Group's relatively large fixed cost base, statutory employer obligations and the time lag from execution of initiatives until cash impact. Additional actions are thus required in order to free up sufficient liquidity to safeguard the Group's ability to operate as a going concern through even a protracted public health emergency and the resulting economic contraction in its key markets.

## **1.3 Liquidity forecast**

The Group has prepared a forecast in respect of its liquidity position for the period March to December 2020. Assuming a near-complete halt in sales in Q2, revenues have been modelled at 7 per cent of originally budgeted levels. Revenues are expected to improve to 69 per cent of budgeted levels in Q3 as the operating environment recovers, with a return to near-normal business conditions in Q4 as the high season commences, assuming revenues at 94 per cent of originally budgeted levels. In the forecast, revenues

have been assumed at NOK 737 million for full year 2020 compared to a budget of NOK 1,061 million, implying a reduction of NOK 324 million. Through temporary layoffs and part-time work across the Group, operating costs have been reduced by NOK 40 million to NOK 321 million. Adjusted EBITDA expectations for the full year 2020 (before IFRS 16 effects) have thus been revised down to approximately NOK 9 million, compared with an original budgeted figure of approximately NOK 105 million.

Capital expenditure has been reduced to a minimum of NOK 33 million (compared to a budgeted level of NOK 50 million), which pertains mainly to the finalisation of development projects and the relocation of the production facility to Poland. Lastly, management anticipates a NOK 29 million working capital reduction for the full year 2020, mainly as a result of inventory build-down as production back-fill is reduced.

Based on the aforementioned assumptions, management expects a liquidity shortfall throughout the period April to November 2020. Full draw-down of the Issuer's working capital facility will reduce the critical period to June to October 2020, with available liquidity bottoming out at approximately minus NOK 87 million in August 2020. As demand picks up and working capital is released, liquidity is projected to improve over the course of Q4, with available cash forecast to stand at approximately NOK 40 million at the end of 2020.

#### **1.4 Proposed measures**

The Issuer is now seeking to proactively address the critical liquidity situation through a dialogue with all stakeholders including Bondholders and Nordea Bank Abp, filial i Norge (the "**Super Senior Lender**"). The proposal prepared by the Issuer is intended to cover the total projected liquidity shortfall during 2020 through contributions from all relevant stakeholders, with a common goal of bridging the Group's liquidity gap until the return of normal market and operating conditions.

##### **Coupon payments**

The Interest to be paid on the Interest Payment Date occurring on 30 April 2020 shall be deferred. The Interest to be paid on the Interest Payment Dates occurring on 31 July 2020, 31 October 2020 and 31 January 2021 may, at the Issuer's election, be deferred.

Any amount of deferred Interest will be settled by issuance of new PIK bonds at a rate equivalent to the original Interest Rate plus 2.50 per cent *per annum* (the "**PIK Bonds**") and shall be repaid no later than on the Redemption Date of the Bonds. Interest will continue to be calculated at the original Interest Rate based on the original Total Nominal Amount of the Bonds, being NOK 340 million on the date of this Summons. No Interest will accrue on the PIK Bonds.

In the event that the market environment stabilises and improves faster than expected, the Issuer shall have the right to, upon the expiry of the waiver period, make one or several voluntary amortisations of the PIK Bonds in a maximum amount equivalent to the total nominal amount of all PIK Bonds.

## **Shareholder support**

Provided that the Bondholders consent to the Proposal (as defined below), the ultimate shareholders of the Issuer, being funds managed by OpenGate Capital (the "**Sponsor**"), commit (subject to the Super Senior Lender providing the Increased WCF Commitment (as defined below)) to make an equity injection in an amount of no less than NOK 40,000,000. The equity injection will be made in the form of Shareholder Loans which will be subordinated to the Bonds and will be made as soon as practicable following an approval of the Proposal.

Furthermore, no payment of management fees will be permitted until the expiry of the waiver period and no prepayment of the NOK 40,000,000 Shareholder Loans will be permitted until an amount equivalent to the total nominal amount of the PIK Bonds has been repaid, the Increased WCF Commitment has been repaid and cancelled in full and the undertaking to clean down the WCF has been reinstated.

## **Working Capital Facility**

Although the Issuer is not currently eligible for government-backed financing packages in Norway, the Super Senior Lender under the Issuer's existing Working Capital Facility (the "**WCF**") has agreed, subject to Bondholders consenting to the Proposal, to a) waive certain covenants under the WCF, and b) maintain and extend its commitment under the WCF by NOK 30,000,000 (the "**Increased WCF Commitment**") to a total amount of NOK 105,000,000 (including ancillary facilities) which remains within the permitted levels stipulated in the Terms and Conditions. The Increased WCF Commitment will rank super senior to the Bonds.

In order to fully reap the benefit of the Increased WCF Commitment and the waiver granted by the Super Senior Lender, the Issuer also proposes that the requirement in the Terms and Conditions to clean down the WCF annually ceases to apply for the remainder of the tenor of the Bonds.

To implement the proposed measures set out above, the Issuer asks for the Bondholders' consent to the proposals as further described below in Clause 2 (*Proposal*).

## **2. Proposal**

Based on the above, the Issuer has resolved to request the Agent to summon a Written Procedure to propose that the Bondholders resolve the amendments to the Terms and Conditions as set out below (the "**Proposal**"):

- a) the Interest payable on the Interest Payment Date occurring on 30 April 2020 will be deferred and shall be calculated and repaid in accordance with paragraph (c) below. If the Proposal is approved after 30 April 2020, the Bondholders will waive any Event of Default which has occurred due to the Interest not being paid in cash on such Interest Payment Date (including that no Default Interest will accrue from the occurrence of the Event of Default);
- b) the Interest payable on the Interest Payment Dates occurring on 31 July 2020, 31 October 2020 and 31 January 2021 may, at the Issuers option, be deferred and shall

be calculated and repaid in accordance with paragraph (c) below. In order to exercise the option to defer Interest, the Issuer shall give notice to the Agent and the Paying Agent (via email) and to the Bondholders (by way of a press release and publication on [www.stamdata.com](http://www.stamdata.com)) no later than 10 Business Days prior to the scheduled Interest Payment Date;

- c) any deferred Interest will be settled by issuance of PIK Bonds at a rate equivalent to the original Interest Rate plus 2.50 per cent *per annum*, which shall be subject to the Terms and Conditions and issued with the same ISIN as the Bonds, and shall be repaid no later than on the Redemption Date of the Bonds. Interest under the Bonds will continue to be calculated based on the original Total Nominal Amount of the Bonds, being NOK 340,000,000 on the date of this Summons, and accrue at the original Interest Rate. No Interest will accrue on the PIK Bonds. The Issuer shall no less than 10 Business Days prior to the scheduled Interest Payment Date inform the Paying Agent and the Agent (via email) and the Bondholders (by way of a press release and publication on [www.stamdata.com](http://www.stamdata.com)) of the applicable Interest Rate (including calculations) to effectuate the above with the CSD, for the Interest Payment Date occurring on 30 April 2020, such information shall be communicated together with the result from this Written Procedure;
- d) Clause 9 (*Redemption and Repurchase of the Bonds*) of the Terms and Conditions shall be amended to give the Issuer the right to, with 10 Business Days' notice to the Agent and the Paying Agent, at any time on or after 1 February 2021, make one or several voluntary amortisations in a maximum aggregate amount equivalent to the total nominal amount of all PIK Bonds at a price of 100.00 per cent of the nominal amount of each PIK Bond, any such amortisations made will be deemed to have been made against the outstanding PIK Bonds (the "**Prepayment Option**"). For the avoidance of doubt, there will not be any accrued Interest payable on such amortisation; and
- e) the undertaking set out in Clause 14.9 (*Clean Down Period*) of the Terms and Conditions shall cease to apply for the remainder of the tenor of the Bonds, unless reinstated by the Issuer in accordance with item (c) of section 4 (*Undertakings*) of this Summons.

### **3. Conditions**

Implementation of the Proposal shall be subject to the Agent receiving:

- a) corporate authorisations of the Issuer approving the execution of any Finance Document necessary in connection with the implementation of the Proposal; and
- b) evidence that the Super Senior Lender has consented to the Proposal.

### **4. Undertakings**

Provided that the Proposal is approved:

- a) the Sponsor undertakes to make an equity injection, in the form of one or several Shareholder Loans, in an amount of no less than NOK 40,000,000, as soon as practicable upon approval of the Proposal;
- b) the Issuer undertakes to not (and the Issuer shall procure that no Group Company will) make any payment of management fees pursuant to paragraph (c) of Clause 14.2 (*Distributions*) of the Terms and Conditions from the date of this Summons until (but excluding) 1 February 2021;
- c) the Issuer undertakes to not (and the Issuer shall procure that no Group Company will) make any repayments of the NOK 40,000,000 Shareholder Loans pursuant to paragraph (b) of Clause 14.2 (*Distributions*) of the Terms and Conditions until (i) the Issuer has exercised the Prepayment Option and made a voluntary prepayment in an amount equivalent to the total nominal amount of the PIK Bonds, (ii) the Increased WCF Commitment under the WCF has been repaid and cancelled and (iii) the undertaking set out in Clause 14.9 (*Clean Down Period*) of the Terms and Conditions has been reinstated (for the avoidance of doubt, a first clean down is not required); and
- d) the Issuer undertakes to, prior to the implementation of the Increased WCF Commitment, procure that the Agent receives (in a form and substance satisfactory to it) a duly executed security and guarantee confirmation letter or other satisfactory evidence that the Transaction Security and the Guarantees are extended to cover the Increased WCF Commitment, including legal opinions and any corporate authorisations of each entity being a party to such security and guarantee confirmation letter or similar document executed in connection with the implementation of the Increased WCF Commitment.

## **5. Evaluation of the Proposal**

The Proposal is put forward to the Bondholders without further evaluation or recommendation from the Agent. Nothing herein shall constitute a recommendation to the Bondholders from the Agent. Each Bondholder should independently evaluate the Proposal and vote accordingly.

## **6. Further information**

For further questions to the Issuer regarding the request, please contact Nils Agnar Brunborg, CEO, Nils.Brunborg@jotul.no or +47 906 05 578.

The Issuer has retained Pareto Securities AB as financial advisor (the “**Advisor**”). Bondholders may contact the Advisor for further information:

Markus Wirenhammar, mw@paretosec.com or +46 70 872 51 86

The Advisor acts solely for the Issuer and no-one else in connection with the Proposal. No due diligence investigations have been carried out by the Advisor with respect to the Issuer, and the Advisor expressly disclaims any and all liability whatsoever in connection with the Proposal (including but not limited to in respect of the information herein).

For further questions to the Agent, please contact Lars Erik Lærum, +47 22 87 94 06, laerum@nordictrustee.com.

## 7. Written Procedure

Bondholders are hereby provided with a voting request for a Bondholders' Written Procedure pursuant to Clause 19 (*Written Procedure*) of the Terms and Conditions. For the avoidance of doubt, no Bondholders' Meeting will be held.

It is proposed that the Bondholders resolve the following (the "**Proposed Resolution**"):

*"The Bondholders approves the Proposal as described in section 2 (Proposal) of this Summons.*

*The Agent is hereby authorized to implement the Proposal and carry out other necessary work to implement the Proposal, including to prepare, negotiate, finalize and enter into all necessary agreements in connection with documenting the decisions made by way of this Written Procedure as well as carry out necessary completion work, including agreeing on necessary amendments to the Terms and Conditions and other Finance Documents."*

\* \* \* \*

A Proposed Resolution will be passed if either: (a) Bondholders representing at least a 2/3 majority of the Adjusted Nominal Amount, vote in favour of the Proposed Resolution prior to the expiry of the Voting Period (as defined below); or (b) (i) a quorum representing at least 20% of the Adjusted Nominal Amount submits a timely response to the Summons and (ii) the votes casted in favour of the Proposed Resolution represent at least a 2/3 majority of the Adjusted Nominal Amount that timely responded to the Summons.

If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in Clause 17 (*Decisions by Bondholders*) of the Terms and Conditions.

The effective date of a Written Procedure passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being achieved.

**Voting Period:** The Voting Period shall expire 15 Business Days after the date of this Summons, being on 18 May 2020 at 16:00 Oslo time. The Agent must have received all votes necessary in order for the Written Procedure to be passed with the requisite majority under the Terms and Conditions prior to the expiration of the Voting Period.

**How to vote:** A duly completed and signed Voting Form (attached hereto as Schedule 1), together with proof of ownership/holdings must be received by the Agent no later than at the end of the Voting Period and must be submitted by scanned e-mail to mail@nordictrustee.com.

**Eligible to vote:** To be eligible to participate in the Written Procedure, a person must meet the criteria for being a Bondholder on 29 April 2020, unless the requisite majority has been reached prior to such date, then the immediate CSD Business Day occurring prior to the date when the Agent declares the Written Procedure being passed.

If the above resolution is not adopted as proposed herein, the Terms and Conditions and the other Finance Documents will remain unchanged.

Yours sincerely

Nordic Trustee AS



Lars Erik Lærum

Enclosed:

Schedule 1: Voting form



## Schedule 1: Voting form - Written Procedure

### ISIN: NO0010815749 – Jotul Holdings S.A. up to NOK 400,000,000 Senior Secured Bonds 2018/2022

The undersigned holder or authorised person/entity, votes either in favour of or against the Proposed Resolution.

**In favour the Proposed Resolution**

**Against the Proposed Resolution**

ISIN <b>ISIN NO0010815749</b>	Amount of bonds owned
Custodian name	Account number at Custodian
Company	Day time telephone number
	Email

Enclosed to this form is the complete printout from our custodian/VPS,<sup>1</sup> verifying our bondholding in the bond issue as of: \_\_\_\_\_

We acknowledge that Nordic Trustee AS in relation to the Written Procedure for verification purposes may obtain information regarding our holding of bonds on the above stated account in the securities register VPS.

.....  
Place, date

.....  
Authorised signature

#### Return:

Nordic Trustee AS  
P.O.Box 1470 Vika  
N-0116 Oslo

Tel: +47 22 87 94 00

Mail to: mail@nordictrustee.com

---

<sup>1</sup> If the bonds are held in custody other than in the VPS, an evidence provided from the custodian – confirming that (i) you are the owner of the bonds, (ii) in which account number the bonds are hold, and (iii) the amount of bonds owned.