



# FINANCIAL STATEMENT



JOTUL HOLDINGS S.A 31. MARCH 2019

## MANAGEMENT COMMENTS

### **Jotul Holdings S.A. – Q1 -2019**

#### **Comments related to the financial statements**

Group net sales ended at MNOK 213 in Q1 2019. This is 5% over the comparable net sales figure for Q1 2018.

Jotul Group's three largest markets are Norway, France and North America where the 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 are expected to have a positive impact on the key players in the industry, included Jotul Group. In France and other Latin European markets, demand for wood-fired products continues to decline, while the pellet market continues to grow.

The sales growth Q1 2019 against Q1 2018 of 5% comes from higher sales in Norway, Sweden, Italy and France. The growth in these markets was partly offset by a sales decline in North America.

In Norway, the market momentum was strong during the last half of 2018 partly driven by high electricity prices. The high demand continued into Q1 2019, and is strong in both the DIY and professional segment.

The North American market has suffered from regulatory uncertainties related to wood-burning products. A new regulation (EPA2020) will come into force in May 2020, and the uncertainty relates to whether the retailers will be allowed to sell their existing stock of non-compliant products after this time, so-called "sell-through". Government clarification on this point was not given as of Q1 2019 and demand suffered accordingly. The demand for gas products, however, is still strong and that offsets the US sales drop to some extent.

France experienced social unrest and the "yellow vest" movement during the high season for wood stove sales in 2018, and retailers suffered badly from it, including Jotul Group dealers. The strong Q1 2019 can be seen in light of this.

Overall, the other markets were in line with last year.

The Group's gross margin increased in Q1 2019 compared with Q1 2018, mainly due to higher sales and build-up of inventory in preparation for the relocation of production to Poland. This margin improvement is partly offset by higher direct material costs.

EBITDA ended at MNOK 26,2 in Q1 2019, compared to MNOK 9,2 in Q1 2018.

## MANAGEMENT COMMENTS

In 2019, the Group has made adjustments in accordance with IFRS16 and the accounting of leasing obligations. When adjusting for this effect, Q1 2019 EBITDA ends at MNOK 16,5.

The Group has also made an adjustment in 2019 due an IFRS reclassification of a sales leaseback agreement from 2006. When adjusting Q1 2018 for this effect, the comparable EBITDA figure for Q1 2018 is MNOK 8,0.

1000 NOK	Q1 2018	Q1 2019
Reported EBITDA	9 189	26 195
IFRS adjustments	- 1 176	- 9 654
Comparable EBITDA adjusted for changes	8 013	16 541

The strong EBITDA in Q1 2019 comes from higher sales, net FX effects, lowered sales commissions, lower OPEX and higher inventory build-up than Q1 2018. The material increase in inventory is related to stock build-up as a preparation for the 2020 relocation of manufacturing activities to Poland.

Total cash flow from operating activities decreased to MNOK -35,2 in Q1 2019 from MNOK -32,7 in Q1 2018. The cash flow in Q1 2019 is heavily affected by an inventory build-up of MNOK 29 in preparation for the relocation project.

The cash flow from financing activities in Q1 2019 is affected by the Group successfully completing a tap-issue of MNOK 90 in January to finance the relocation project.

The Group's capital investments in Q1 2019 amounted to MNOK 6,5, compared to 4,4 in Q1 2018.

### Relocation project of production from Norway and Denmark to Poland

2019 Q1 non-recurring costs of MNOK 7,5 are related primarily to the relocation project.

The company Jotul Poland Sp. z o.o. was established in Q1 2019 and the Group reached an agreement with the global property developer Prologis to construct the new manufacturing facility.

The most important machine supplier agreements are in place, and the most important local management positions are being filled. The project is running according to plan, with estimated start-up of production in Q1 2020.

The Group's MNOK 340 senior secured bond loan is listed on STO Corporate Bonds (Nasdaq Stockholm) since May 2019.

## INCOME STATEMENT

(NOK 1000)

	FY 2017	FY 2018	Q1 2018	Q1 2019
<b>OPERATING REVENUE AND COST</b>				
<b>Operating revenue</b>				
Gross sales	1 652 154	1 651 787	369 333	382 364
Discounts	-745 995	-749 345	-164 770	-169 036
<b>Net sales</b>	<b>906 160</b>	<b>912 278</b>	<b>204 563</b>	<b>213 328</b>
<b>Operating cost</b>				
Direct materials	314 786	324 503	70 580	80 302
Direct personnel cost	108 567	94 054	22 421	25 685
Distribution costs	37 807	38 252	8 455	10 594
Sales commission	28 086	29 829	9 124	5 633
<b>Contribution margin</b>	<b>416 913</b>	<b>425 641</b>	<b>93 983</b>	<b>91 115</b>
Indirect production costs	171 009	151 889	37 474	24 364
<b>Gross margin</b>	<b>245 904</b>	<b>273 753</b>	<b>56 509</b>	<b>66 751</b>
Sales, general and administration costs	184 609	186 394	47 320	40 556
<b>EBITDA</b>	<b>61 295</b>	<b>87 359</b>	<b>9 189</b>	<b>26 195</b>
<b>Non-recurring items</b>	<b>35 828</b>	<b>51 485</b>	<b>28 388</b>	<b>7 446</b>
<b>EBITDA, incl. non-recurring items</b>	<b>25 466</b>	<b>35 874</b>	<b>-19 199</b>	<b>18 749</b>
Depreciation	46 169	44 557	10 913	21 099
Writedown	300 000	1 365	0	0
Operating profit	-320 703	-10 049	-30 112	-2 350
<b>FINANCE REVENUE AND COST</b>				
<b>Financial income</b>				
Other interest	586	594	165	274
Other finance revenue	76	500	6 427	2 410
Total financial income	662	1 094	6 592	2 684
<b>Financial cost</b>				
Interest cost shareholder loan	2 610	7 997	229	0
Other interest cost	19 811	28 860	5 845	12 896
Other financial cost	9 430	1 861	390	4 243
<b>Total financial cost</b>	<b>31 851</b>	<b>38 718</b>	<b>6 464</b>	<b>17 139</b>
<b>NET FINANCIAL ITEMS</b>	<b>-31 189</b>	<b>-37 623</b>	<b>128</b>	<b>-14 455</b>
PROFIT BEFORE TAX	-351 892	-47 672	-29 984	-16 805
Income tax expenses	-3 576	-5 885	1 766	-1 021
<b>PROFIT FOR THE YEAR</b>	<b>-355 467</b>	<b>-53 557</b>	<b>-28 218</b>	<b>-17 826</b>

## BALANCE SHEET

(NOK 1000)

ASSETS	31.12.2017	31.12.2018	31.03.2018	31.03.2019
<b>NON CURRENT ASSETS</b>				
<b>Intangible fixed assets</b>				
Trademark	115 927	10 620	112 562	2 080
Right to use assets	0	0	0	440 184
Other intangible assets	14 791	13 543	14 041	11 000
Deferred tax assets	1 401	1 300	1 261	1 248
Goodwill	0	0	1 160	0
<b>Total intangible fixed assets</b>	<b>132 120</b>	<b>25 463</b>	<b>129 023</b>	<b>454 513</b>
<b>Tangible fixed assets</b>				
Property	1 889	1 734	1 748	1 811
Plant and equipment	151 986	137 855	142 419	136 573
<b>Total tangible fixed assets</b>	<b>153 876</b>	<b>139 589</b>	<b>144 167</b>	<b>138 384</b>
<b>Financial fixed assets</b>				
Other financial fixed assets	16 153	15 348	15 831	15 050
<b>Total financial fixed assets</b>	<b>16 153</b>	<b>15 348</b>	<b>15 831</b>	<b>15 050</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>302 149</b>	<b>180 400</b>	<b>289 021</b>	<b>607 947</b>
<b>CURRENT ASSETS</b>				
<b>Inventory</b>	<b>167 413</b>	<b>179 012</b>	<b>157 028</b>	<b>207 682</b>
Accounts receivables	92 004	75 698	85 019	82 621
Other receivables	8 976	15 213	9 738	14 568
<b>Total receivables</b>	<b>100 979</b>	<b>90 911</b>	<b>94 757</b>	<b>97 189</b>
Other current financial assets	0	0	0	326
Bank and cash equivalents	6 294	117 811	98 266	181 181
<b>TOTAL CURRENT ASSETS</b>	<b>274 686</b>	<b>387 734</b>	<b>350 052</b>	<b>486 377</b>
<b>TOTAL ASSETS</b>	<b>576 835</b>	<b>568 134</b>	<b>639 073</b>	<b>1 094 325</b>

## BALANCE SHEET

(NOK 1000)

	31.12.2017	31.12.2018	31.03.2018	31.03.2019
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
<b>Paid in capital</b>				
Issued capital	135 419	600	121	600
Share premium	565 112	0	0	0
<b>Total paid in capital</b>	<b>701 026</b>	<b>600</b>	<b>121</b>	<b>600</b>
<b>Other equity</b>				
Other equity / retained earnings	-875 164	-14 155	32 879	-38 044
<b>Total other equity</b>	<b>-875 164</b>	<b>-14 155</b>	<b>32 879</b>	<b>-38 044</b>
<b>TOTAL EQUITY</b>	<b>-147 137</b>	<b>-13 555</b>	<b>33 000</b>	<b>-37 444</b>
<b>LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
<b>Provisions</b>				
Deferred tax	2 818	13 802	632	12 769
Other provisions	4 030	4 018	40 132	3 930
<b>Total provisions</b>	<b>6 847</b>	<b>17 819</b>	<b>40 765</b>	<b>16 699</b>
<b>Other non-current liabilities</b>				
Interest bearing loans and borrowings	491 057	255 128	1 716	7 388
Lease obligation	0	0	0	442 093
Shareholder loan	90 668	139 211	177 321	140 263
Long term bond debt	0	0	252 178	337 967
Long term derivatives	0	1 263	0	490
<b>Total other non-current liabilities</b>	<b>581 725</b>	<b>395 601</b>	<b>431 215</b>	<b>928 201</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>588 572</b>	<b>413 420</b>	<b>471 979</b>	<b>944 900</b>
<b>CURRENT LIABILITIES</b>				
Short term financial liabilities	0	0	0	24 308
Accounts payable	74 273	83 282	68 758	87 356
Liability for current tax	0	1 455	501	5 144
Other liabilities to public institutions	21 423	15 396	12 457	12 058
Other short term liabilities	63 594	64 623	51 767	56 109
Short term derivatives	3 110	3 513	611	1 893
<b>TOTAL CURRENT LIABILITIES</b>	<b>162 400</b>	<b>168 269</b>	<b>134 093</b>	<b>186 869</b>
<b>TOTAL LIABILITIES</b>	<b>750 972</b>	<b>581 689</b>	<b>606 073</b>	<b>1 131 769</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>576 835</b>	<b>568 134</b>	<b>639 073</b>	<b>1 094 325</b>

CASH FLOW STATEMENT

(NOK 1000)

	YTD 31.03.2018	YTD 31.03.2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	-29 984	-16 805
Income tax paid	690	-1 021
Capitalized interest	0	5 998
Depreciation and impairment of property, plant and equipment	10 913	21 099
Change in inventory	10 385	-28 670
Change in accounts receivables	6 984	-6 681
Change in accounts payable	-5 515	4 074
Other changes in operating assets and liabilities	-22 029	-9 456
Net foreign exchange differences	-4 094	-3 764
<b>Net cash flow from operating activities</b>	<b>-32 650</b>	<b>-35 226</b>
<b>CASH FLOW FRO INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-4 420	-6 497
<b>Net cash flows from investing activities</b>	<b>-4 420</b>	<b>-6 497</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	284 284	87 750
Repayment of debt	-332 563	0
Other cash flow from financing	177 321	17 343
<b>Net cash flows from financing activities</b>	<b>129 042</b>	<b>105 093</b>
<b>Net cash flow</b>	<b>91 972</b>	<b>63 370</b>
Cash and cash equivalents at beginning of period	6 294	117 811
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>98 266</b>	<b>181 181</b>
Credit line	75 000	75 000
Ancillary facilities	-13 850	-13 850
Used credit line	0	0
Available credit line	61 150	61 150

STATEMENT OF EQUITY 31.03.19

Jotul Holdings S.A is 100% owned and controlled by Stove Investment Holdings S.à r.l. incorporated in Luxembourg and managed by OpenGate Capital, LCC. OpenGate Capital is a private equity firm based in Los Angeles and Paris. Jotul Holdings SA acquired Jøtul AS February 28, 2018 by purchasing the stock from Ratos AB, a company listed on Nasdaq Stockholm.

The Financial Statement per 31.12.17 shows the Jotul Group Financial Statement, while the closing balances for 2018 and 2019 shows the Jotul Holdings S.A balances.

Below the Equity reconciliation for Jotul Holdings SA.

	SHARE CAPITAL	OTHER EQUITY	TOTAL
<b>Opening balance 31.12.2018</b>	<b>600</b>	<b>-14 155</b>	<b>-13 555</b>
Net results for the year		-17 826	-17 826
Changes in translation diff		-6 063	-6 063
<b>Closing balance 31.03.2019</b>	<b>600</b>	<b>-38 044</b>	<b>-37 444</b>

The statement is unaudited



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