Financial Statement

Jøtul North America Inc
30. Sept 2018

Income Statement YTD Q3

(USD 1000)

	01.01-30.09 2018	01.01-30.09 2017
OPERATING REVENUE AND COST		
Operating revenue		
Gross sales	36 821	33 028
Discounts	-19 625	-17 665
Net sales	**17 196**	**15 363**
Operating cost		
Direct materials	7 689	7 198
Direct personnel cost	2 148	1 706
Distribution costs	258	258
Sales commission	621	591
Contribution margin	**6 482**	**5 609**
Indirect production costs	1 573	1 303
Gross margin	**4 908**	**4 306**
Sales, general and administration costs	2 737	2 599
EBITDA	**2 171**	**1 707**
Depreciation	485	463
Operating profit	**1 686**	**1 245**
FINANCE REVENUE AND COST		
Financial income		
Other finance revenue	-19	-1
Total financial income	**-19**	**-1**
Financial cost		
Other interest cost	18	46
Other financial cost	61	53
Total financial cost	**79**	**99**
NET FINANCIAL ITEMS	**-98**	**-101**
PROFIT BEFORE TAX	1 588	1 144
Income tax expenses	**-449**	**-440**
PROFIT FOR THE YEAR	**1 139**	**704**

Balance sheet per 30.09

(USD 1000)

	30.09.2018	30.09.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible fixed assets		
Trademark	1	3
Deferred tax assets	0	218
Goodwill	**0**	**0**
Total intangible fixed assets	**1**	**220**
Tangible fixed assets		
Property	177	210
Plant and equipment	**2 520**	**1 685**
Total tangible fixed assets	**2 698**	**1 895**
Financial fixed assets		
Other financial fixed assets	**64**	**0**
Total financial fixed assets	**64**	**0**
TOTAL NON-CURRENT ASSETS	**2 763**	**2 116**
CURRENT ASSETS		
Inventory	**3 930**	**4 779**
Receivables		
Accounts receivables	4 715	4 905
Other receivables	278	248
Total receivables	**4 994**	**5 154**
Other current financial assets	0	0
Bank and cash equivalents	430	207
TOTAL CURRENT ASSETS	**9 354**	**10 140**
TOTAL ASSETS	**12 117**	**12 256**

Balance sheet per 30.09

(USD 1000)

	30.09.2018	30.09.2017
EQUITY AND LIABILITIES		
EQUITY		
Paid in capital		
Issued capital	1 288	1 288
Total paid in capital	**1 288**	**1 288**
Other equity		
Other equity/ retained earnings	5 129	3 749
Total other equity	**5 129**	**3 749**
TOTAL EQUITY	**6 417**	**5 037**
LIABILIIES		
NON-CURRENT LIABILITIES		
Provisions		
Deferred tax	148	400
Total provisions	**148**	**400**
Other non-current liabilities		
Interest bearing loans and borrowings	758	0
Total other non-current liabilities	**758**	**0**
TOTAL NON-CURRENT LIABILITIES	**907**	**400**
CURRENT LIABILITIES		
Short term financial liabilities	902	1 172
Accounts payable	2 138	1 427
Liability for current tax	19	118
Other short term liabilities	1 735	4 101
TOTAL CURRENT LIABILITIES	**4 793**	**6 818**
TOTAL LIABILITIES	**5 700**	**7 219**
TOTAL EQUITY AND LIABILITIES	**12 117**	**12 256**

Cash Flow YTD Q3

(USD 1000)

	30.09.2018	30.09.2017
Cash flow from operating activities		
Profit before tax	1 588	1 144
Income tax paid	-458	-467
Depreciation and impairment of PPE	485	463
Change in inventory	-468	-117
Change in accounts receivables	-2 181	-2 604
Change in accounts payable	99	-229
Other changes in operating assets and liabilities	2 444	2 147
Net foreign exchange differences	463	-234
Net cash flow from operating activities	**1 972**	**103**
Cash flows from investing activities		
Purchase of property, plant and equipment	-1 227	-202
Net cash flows from investing activities	**-1 227**	**-202**
Cash flows from financing activities		
Bank overdraft change	-410	152
Net cash flows from financing activities	**-410**	**152**
Net cash flow	335	53
Cash and cash equivalents at beginning of period	95	153
Cash and cash equivalents at end of period	**430**	**206**

Accounting policies

Basis of presentation
The financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles in the United States of America ("GAAP") to ensure financial condition, results of operations, and cash flows are consistently reported.

Use of estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

Estimates impacting the financial statements include the allowance for doubtful accounts, warranty reserve, and allowance for obsolete inventory, and customer incentives (co-op advertising and burn credits to dealers).

Cash and equivalents
The Company considers highly liquid investments purchased with an original maturity of three months or less to be cash and equivalents.

Concentration of credit risk
Financial instruments that potentially subject the Company to concentrations of credit risk are cash, trade accounts receivable, and amounts due from related parties.

U.S. cash balances are maintained at financial institutions that are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. At times balances may exceed federally insured limits, however, the Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Inventory
Inventory is valued at the lower of cost or net realizable value with costs determined as follows:

- Raw materials on the first-in, first-out basis.

- Work-in-progress and finished goods primarily on the specific identification basis for materials and labor with a factory overhead rate applied based on raw material and labor costs.

Inventories are shown net of reserves for potential excess or obsolete inventory. The reserve is established based on review of slow-moving inventory items considering historical sales and expectations of whether the inventory can be sold.

Plant and equipment
Plant and equipment is recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives.

Maintenance and repairs are expensed as incurred; renewals and betterments are capitalized. Upon retirement or sale, the cost of the assets and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the results of operations.

Impairment of long-lived assets
The Company reviews plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Impairment losses are recorded on long-lived assets used in operations when indicators of those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair market value of the asset to its carrying amount.

Accounting policies

Revenue recognition and accounts receivable
Revenue is recognized when the following basic revenue recognition criteria have been met: persuasive evidence of an arrangement exists, title has transferred, the price to the buyer is fixed or determinable and collectability is reasonably assured. Determination of the fixed or determinable price and collectability are based on management's judgments regarding the fixed nature of the price to the buyer charged for products delivered and collectability of the sales price. Amounts received from customers prior to recognition of revenue are recorded as customer deposits.

Trade accounts receivable is recorded at the amount the Company expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and reserves against any doubtful accounts.

Shipping and handling costs
Freight billed to customers is considered sales revenue and the related freight costs as a cost of sales.

Product warranty
The Company provides warranties on certain products which range from one to five years. The estimated cost of product warranties at year end is included in accrued expenses on the balance sheet and are determined based on historical information and analysis by the Company at the time the related product revenue is recognized. Actual and estimated warranty differences are recorded by the Company in the period determined. Warranty costs are included in operating expenses.

Income taxes
Provisions for Federal, state and non-US income taxes are calculated on reported income before income taxes based on current tax law, and also include, in the current period, the cumulative effect of any change in tax rates from those used previously in determining deferred tax assets and liabilities. The Company provides for income taxes in accordance with related guidance, which is to recognize tax assets and liabilities for the cumulative effect of all temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities. Valuation allowances are established, by jurisdiction, when necessary to reduce deferred tax assets to the amount management determines is likely to be realized in future periods.

The Company recognizes the tax benefit of tax positions taken in its tax returns to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances.