



FINANCIAL STATEMENT



JOTUL HOLDINGS S.A 30. JUNE 2019

MANAGEMENT COMMENTS

Jotul Holdings S.A. – Q2 -2019

Comments related to the financial statements ¹

Group net sales ended at MNOK 384 YTD Q2 2019, compared to MNOK 381 YTD Q2 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.

Positively contributing to the sales growth Q2 2019 against Q2 2018 of 1% is higher sales in Norway and France. The growth in these markets was partly offset by a sales decline in North America. The Group's order backlog stood at MNOK 50 at Q2 2019, compared with MNOK 49 at Q2 2018.

In Norway, market momentum has been strong since the last half of 2018, partly driven by high electricity prices, and has continued into the first half of 2019, and is strong in both the consumer and the 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 Q2 2019 and demand suffered accordingly. The demand for gas products, however, is still strong and that offsets the US sales drop to some extent. The NOKUSD FX rate is also offsetting the US revenue drop, NOK-denominated, by 7,2 million vs Q2 2018.

France experienced a strong Q1 2019, following social unrest and the "yellow vest" movement during the high season for wood stove sales in 2018, which retailers suffered badly from, including Jotul Group dealers. The second quarter development in France has been more in line with 2018.

The other markets were in line with last year as Q2 2019.

¹ The financial statements for Q4 2018 show the consolidated management accounts of Jotul 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

The Group's gross margin increased in Q2 2019 compared with Q2 2018, mainly due to higher sales and build-up of inventory in preparation for the relocation of production. This margin improvement is partly offset by higher direct material and direct personnel costs. Overall, fixed costs are in line with Q2 2018.

EBITDA ended at MNOK 40,7 in Q2 2019, compared to MNOK 15,2 in Q2 2018.

In 2019, the Group has made adjustments in accordance with IFRS16 and the accounting of leasing obligations. When adjusting for this effect, Q2 2019 EBITDA came in at MNOK 21,7 still compared with MNOK 15,2 in Q2 2018.

1000 NOK	Q2 2018	Q2 2019
Reported EBITDA	15 164	40 718
IFRS adjustments	-	- 18 975
Comparable EBITDA adjusted for changes	15 164	21 743

The strong EBITDA performance in Q2 2019 comes from higher inventory build-up than Q2 2018. The big increase in inventory is related to stock build-up being high YTD Q2 2019, as a preparation for the 2020 relocation of manufacturing activities to Poland.

YTD total cash flow from operating activities decreased to MNOK -125 in Q2 2019 from MNOK -85 in Q1 2018, mainly due to high inventory build-up and investment activities related to relocation project in Q2 2019.

The Group's capital investments in Q2 2019 amounted to MNOK 27,0, compared to MNOK 14,5 in 2018.

2019 Q2 non-recurring costs of MNOK 15,9 are related primarily to the relocation project.

Jotul France has acquired 100% of the shares in the distribution company of pellets stoves, Aico France, on a consideration of EUR 200.000 on a debt free basis. The date of acquisition was 27 June 2019.

The relocation project of manufacturing activities to Poland is running according to plan, with start-up of production in Q1 2020.

The full-year 2018 figures have been updated in accordance with the statutory 2018 report published 14 August 2019.

INCOME STATEMENT

(NOK 1000)

	FY 2017	FY 2018	Q2 YTD 2018	Q2 YTD 2019
OPERATING REVENUE AND COST				
Operating revenue				
Gross sales	1 652 154	1 651 787	691 548	695 859
Discounts	-745 995	-739 509	-310 831	-312 216
Net sales	906 160	912 278	380 717	383 644
Operating cost				
Direct materials	314 786	324 503	136 602	137 764
Direct personnel cost	108 567	94 054	41 265	45 700
Distribution costs	37 807	38 252	15 867	17 754
Sales commission	28 086	29 829	12 434	10 587
Contribution margin	416 913	425 641	174 550	171 839
Indirect production costs	171 009	151 261	65 659	54 184
Gross margin	245 904	274 380	108 890	117 655
Sales, general and administration costs	184 609	180 622	93 726	76 937
EBITDA	61 295	93 758	15 164	40 718
Non-recurring items	35 828	51 460	35 979	15 845
EBITDA, incl. non-recurring items	25 466	42 298	-20 815	24 873
Depreciation	46 169	49 974	22 272	41 604
Writedown	300 000	1 365	0	0
Operating profit	-320 703	-9 041	-43 087	-16 731
FINANCE REVENUE AND COST				
Financial income				
Other interest	586	594	332	548
Other finance revenue	76	500	5 797	10
Total financial income	662	1 094	6 129	558
Financial cost				
Interest cost shareholder loan	2 610	1 284	656	0
Other interest cost	19 811	28 860	11 312	13 652
Other financial cost	9 430	1 861	828	15 829
Total financial cost	31 851	32 005	12 795	29 481
NET FINANCIAL ITEMS	-31 189	-30 910	-6 667	-28 922
PROFIT BEFORE TAX	-351 892	-39 951	-49 753	-45 653
Income tax expenses	-3 576	-2 901	2 482	-1 212
PROFIT FOR THE YEAR	-355 467	-42 853	-47 271	-46 865

BALANCE SHEET

(NOK 1000)

ASSETS	31.12.2017	31.12.2018	30.06.2018	30.06.2019
NON-CURRENT ASSETS				
Intangible fixed assets				
Trademark	115 927	60 000	112 396	60 000
Right to use assets	0	0	0	332 067
Other intangible assets	14 791	60 127	13 888	44 882
Deferred tax assets	1 401	1 300	1 222	1 250
Goodwill	0	0	-273	0
Total intangible fixed assets	132 120	121 427	127 234	438 199
Tangible fixed assets				
Property	1 889	1 734	1 736	1 826
Plant and equipment	151 986	137 855	140 948	147 698
Total tangible fixed assets	153 876	139 589	142 683	149 524
Financial fixed assets				
Other financial fixed assets	16 153	15 348	15 597	16 668
Total financial fixed assets	16 153	15 348	15 597	16 668
TOTAL NON-CURRENT ASSETS	302 149	276 364	285 514	604 390
CURRENT ASSETS				
Inventory	167 413	179 012	183 506	242 807
Accounts receivables	92 004	75 698	99 775	86 699
Other receivables	8 976	15 213	11 031	19 227
Total receivables	100 979	90 911	110 806	105 926
Other current financial assets	0	0	0	240
Bank and cash equivalents	6 294	117 811	65 910	66 534
TOTAL CURRENT ASSETS	274 686	387 734	360 222	172 700
TOTAL ASSETS	576 835	664 097	645 736	1 019 897

BALANCE SHEET

(NOK 1000)

	31.12.2017	31.12.2018	30.06.2018	30.06.2019
EQUITY AND LIABILITIES				
EQUITY				
Paid in capital				
Issued capital	135 914	600	121	600
Share premium	565 112	0	0	0
Total paid in capital	701 026	600	121	600
Other equity				
Other equity/ retained earnings	-875 164	-40 223	13 555	-94 365
Total other equity	-875 164	-40 223	13 555	-94 365
TOTAL EQUITY	-174 137	-39 623	13 676	-93 765
LIABILITIES				
NON-CURRENT LIABILITIES				
Provisions				
Deferred tax	2 818	2 377	759	1 614
Other provisions	4 030	99 464	38 940	96 048
Total provisions	6 847	101 841	39 699	97 662
Other non-current liabilities				
Interest bearing loans and borrowings	491 057	7 930	6 466	8 315
Lease obligation	0	0	0	333 980
Shareholder loan	90 668	178 376	177 748	178 498
Long term bond debt	0	247 198	253 440	337 184
Long term derivatives	0	1 263	0	801
Total other non-current liabilities	581 725	434 766	437 654	858 778
TOTAL NON-CURRENT LIABILITIES	588 572	536 607	477 353	956 440
CURRENT LIABILITIES				
Short term financial liabilities	0	0	26 538	14 246
Accounts payable	74 273	83 282	63 878	72 994
Liability for current tax	0	300	-2 330	2 746
Other liabilities to public institutions	21 423	15 396	14 273	12 995
Other short term liabilities	63 594	64 623	52 098	49 506
Short term derivatives	3 110	3 513	249	4 736
TOTAL CURRENT LIABILITIES	162 400	167 113	154 707	157 222
TOTAL LIABILITIES	750 972	703 720	632 060	1 113 662
TOTAL EQUITY AND LIABILITIES	576 835	664 097	645 736	1 019 897

CASH FLOW STATEMENT

(NOK 1000)	YTD 30.06.2018	YTD 30.06.2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	-49 754	-45 653
Income tax paid	-1 248	521
Capitalized interest	3 734	9 109
Depreciation and impairment of property, plant and equipment	22 272	20 349
Change in inventory	-16 093	-63 795
Change in accounts receivables	-7 771	-10 498
Change in accounts payable	-10 208	-10 288
Other changes in operating assets and liabilities	-23 180	-24 930
Net foreign exchange differences	-2 511	-109
Net cash flow from operating activities	-84 759	-125 294
CASH FLOW FRO INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-14 540	-27 044
Change in financial assets	0	-1 320
Net cash flows from investing activities	-14 540	-28 364
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	313 731	87 750
Repayment of debt	-332 563	0
Other cash flow from financing	177 747	14 631
Net cash flows from financing activities	158 915	102 381
Net cash flow	59 616	-51 277
Cash and cash equivalents at beginning of period	6 294	117 811
CASH AND CASH EQUIVALENTS AT END OF PERIOD	65 910	66 534
Credit line	75 000	75 000
Ancillary facilities	-28 850	-42 000
Used credit line	0	0
Available credit line	46 150	33 000

STATEMENT OF EQUITY 30.06.19

Jotul Holdings S.A is 100% owned and controlled by Stove Investment Holdings S.à r.l. incorporated in Luxembourg and managed by Open Gate Capital, LCC. Open Gate 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 listed company on the Swedish Stock Exchange.

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

Below the EQ reconciliation for Jotul Holdings SA

	SHARE CAPITAL	OTHER EQUITY	TOTAL
Opening balance 31.12.2018	600	-40 223	-39 623
Net results for the year		-46 865	-46 865
Changes in translation diff		-7 277	-7 277
Closing balance 31.06.2019	600	-94 365	-93 765

