Jøtul North America, Inc.

Financial Statements

December 31, 2020 and 2019

McLeod | Ascanio
Certified Public Accountants

Scott A. McLeod
Managing Principal

James Ascanio
Managing Principal

Matthew R. Barbour
Principal

Independent Auditor's Report

To the Board of Directors
Jøtul North America, Inc.

We have audited the accompanying financial statements of Jøtul North America, Inc. which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jøtul North America, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McLeod Ascanio

Cumberland Foreside, Maine
February 15, 2021

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JØTUL NORTH AMERICA, INC.

BALANCE SHEETS

as of December 31, 2020 and 2019

See Independent Auditor's Report

	2020	2019
ASSETS		
Current assets:		
Cash and equivalents	$ 382,013	$ 164,978
Trade accounts receivable, net of allowance for doubtful accounts of $29,811 and 39,307, respectively	1,704,077	1,970,866
Inventories	2,703,011	4,517,529
Other current assets	190,078	269,293
Income tax deposit - net	-	111,919
Advances to affiliate	4,735,095	2,633,035
Total current assets	9,714,274	9,667,620
Plant and equipment - net:		
Leasehold improvements	763,146	761,546
Machinery and equipment	6,491,770	6,360,918
Office furniture and equipment	1,294,672	1,272,123
Right of use assets	1,257,775	1,223,239
Vehicles	404,570	426,931
Construction in progress	173,823	225,826
	10,385,756	10,270,583
Less accumulated depreciation	(7,998,789)	(7,460,113)
Total plant and equipment - net	2,386,967	2,810,470
Intangible assets - net	34,030	544
Total Assets	$ 12,135,271	$ 12,478,634
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Bank overdraft	1,169,789	942,301
Long-term debt - current portion	203,414	170,749
Accounts payable	1,095,837	1,797,141
Income taxes payable - net	94,959	-
Accrued payroll and taxes	135,016	246,282
Accrued expenses	932,673	821,957
Total current liabilities	3,631,688	3,978,430
Non-current liabilities:		
Long-term debt - net of current portion	474,414	605,888
Deferred income taxes	312,007	444,810
Total non-current liabilities	786,421	1,050,698
Total liabilities	4,418,109	5,029,128
Stockhoders' equity		
Common stock, $1 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Paid-in capital	1,287,000	1,287,000
Accumulated other comprehensive income (loss)	(9,900)	(9,900)
Retained earnings	6,439,062	6,171,406
Total stockhoders' equity	7,717,162	7,449,506
Total Liabilities and Stockhoders' Equity	$ 12,135,271	$ 12,478,634

The accompanying notes are an integral part of these financial statements.

JØTUL NORTH AMERICA, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

for the years ended December 31, 2020 and 2019

See Independent Auditor's Report

	2020	2019
Net revenue	18,895,143	24,146,692
Cost of revenue		
Direct materials and operations	7,738,052	10,261,762
Direct labor	2,984,654	3,457,819
Distribution costs	980,314	1,118,487
Sales commissions	625,175	765,754
Total cost of revenue	12,328,195	15,603,822
Gross profit	6,566,948	8,542,870
Operating costs:		
Manufacturing	1,407,374	1,615,924
Purchasing and logistics	495,791	624,547
Warranty claims	180,974	136,287
Selling and shipping	1,027,548	1,220,611
Marketing	126,586	162,413
Research and development	546,390	668,927
Information technologies	135,444	152,562
General and administrative expenses	1,477,863	1,642,720
Bad debt expense	3,000	-
Depreciation and amortization expense	713,489	718,650
Total operating costs	6,114,459	6,942,641
Income from operations	452,489	1,600,229
Other income (expenses):		
Gain (loss) on disposals of plant and equipment	21,593	806
Other nonoperating income (expenses)	(16,031)	(57,882)
Interest expense	(114,966)	(123,813)
Total other income (expenses)	(109,404)	(180,889)
Income before income taxes	343,085	1,419,340
Provision for income taxes	75,429	242,534
Net income	267,656	1,176,806
Retained earnings, beginning of year	6,171,406	4,994,600
Retained earnings, end of year	$ 6,439,062	$ 6,171,406

JØTUL NORTH AMERICA, INC.
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2020 and 2019
See Independent Auditor's Report

	2020	2019
Cash flows from operating activities:		
Net income	$ 267,656	$ 1,176,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	713,489	718,650
Bad debt expense	3,000	-
(Gain) loss on disposals of plant and equipment	(21,593)	(806)
(Increase) decrease in:		
Trade accounts receivable	263,789	1,184,656
Inventories	1,814,518	(704,965)
Other current assets	79,215	(91,257)
Income tax deposit - net	111,919	99,396
Advances to affiliate	(2,102,060)	403,209
Increase (decrease) in:		
Accounts payable	(701,304)	(1,429,509)
Income taxes payable - net	94,959	(46,137)
Accrued payroll and taxes	(111,266)	(452,858)
Accrued expenses	110,716	47,019
Deferred income taxes	(132,803)	123,146
Net cash provided by operating activities	390,235	1,027,350
Cash flows from investing activities:		
Proceeds from disposals of plant and equipment	24,689	22,300
Purchases of plant and equipment	(257,698)	(704,239)
Purchases of intangible assets	(34,334)	-
Net cash used for investing activities	(267,343)	(681,939)
Cash flows from financing activities:		
Net advance from (payment on) bank overdraft	227,488	(247,326)
Mortgage principal payments	(133,345)	(162,758)
Net cash used for financing activities	94,143	(410,084)
Net change in cash during the year	217,035	(64,673)
Cash and equivalents, beginning of the year	164,978	229,651
Cash and equivalents, end of the year	$ 382,013	$ 164,978
Supplemental cash flow disclosures:		
Cash paid for interest	$ 114,966	$ 123,813
Cash paid for income taxes	$ 1,354	$ 66,129

Summary of significant non-cash disclosures:
The Company had non-cash investing and financing transactions related to the purchase of a sit-down fork truck in 2020 and a press brake machine in 2019 with bank financings of $34,536 and $175,862, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business
Jøtul North America, Inc. (the "Company"), a wholly owned subsidiary of Jøtul AS, manufactures gas and wood stoves which are sold to both dealers and distributors throughout the United States and Canada.

Basis of Presentation and Accounting
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. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("FASB ASC").

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, revenues are recognized when earned rather than when received; expenses are recognized when incurred, rather than when paid.

Cash and Equivalents
Cash and equivalents include cash in banks and all highly liquid investments with original maturities of three months or less at the time of purchase.

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 ("FDIC") 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.

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

(a) Raw materials on the first-in, first-out basis.
(b) 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 are recorded at cost. The Company capitalizes expenditures for major renewals and betterments that extend the useful lives of the underlying assets; expenditures for normal repairs and maintenance are charged to expense as incurred. Assets sold or otherwise disposed of are removed from the accounts, along with related depreciation allowances, and any resulting gain or loss is reflected in the results of operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10 - 40
Machinery and equipment	4 - 10
Office furniture and equipment	3 - 10
Right of use assets	5 - 10
Vehicles	5

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Plant and Equipment (continued)
Depreciation expense was $712,641 and $718,307 for the years ended December 31, 2020 and 2019, respectively.

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. The Company did not identify any impairment indicators of its long-lived assets for the years ended December 31, 2020 and 2019.

Intangible Assets
The Company capitalizes costs associated with acquiring patents for stoves and their parts. These costs are amortized using the straight-line method over their estimated useful lives of seven to seventeen years and had the net book value of $ 34,030 and $544 as of December 31, 2020 and 2019, respectively.

Amortization expense was $848 and $343 for the years ended December 31, 2020 and 2019, respectively.

Revenue Recognition and Trade Accounts Receivables
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 are 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. The age of outstanding balances and the credit worthiness of customers are considered in determining the allowance for doubtful trade accounts receivable. The Company does not assess finance charges on past due accounts. The allowance for doubtful accounts was $29,811 and $39,307 at December 31, 2020 and 2019, respectively.

Shipping and Handling Costs
Freight billed to customers is considered sales revenue and the related freight costs are included in cost of revenue.

Advertising and Marketing
Advertising and marketing costs other than product literature are expensed as incurred. Product literature is expensed as it is consumed. Advertising and marketing costs for the years ended December 31, 2020 and 2019 were $205,401 and $259,920, respectively.

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 sheets and is 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 changes 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 basis 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. Management has evaluated the Company's tax positions and concluded that as of December 31, 2020 and 2019 it does not believe that the Company has taken any tax positions that would require adjustments to the financial statements. As of December 31, 2020, the Company was open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2017 through 2020.

Accounting Estimates and Assumptions
The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Accordingly, actual results could differ from those estimates. Estimates impacting the financial statements include the allowance for doubtful accounts, warranty reserve, allowance for obsolete inventory, and customer incentives (co-op advertising and burn credits to dealers). In the opinion of management, the accompanying financial statements include all normal and recurring adjustments that are necessary to fairly present the financial position, results of operations and cash flows of the Company.

Recently Adopted Accounting Pronouncements
Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related subsequent ASUs. The new standard supersedes most existing revenue recognition guidance. It provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted ASU 2014-09 and all related amendments using the modified retrospective transition method. The Company concluded that the adoption of the new standard had no significant effect and did not require an adjustment to the opening stockholders` equity balance.

2. INVENTORIES:

Inventories consisted of the following as of December 31:

	2020	2019
Raw materials	$ 2,152,853	$ 3,082,639
Finished goods	738,470	1,559,782
Work in process	21,215	18,543
Valuation allowance	(209,527)	(143,435)
	$ 2,703,011	$ 4,517,529

3. RELATED PARTIES:

Jøtul AS (the Group) has six other subsidiaries as follows:

Jøtul France SASU	Jøtul Hispania
Jøtul UK Ltd	Jøtul Polska
Scan AS	Jøtul Italian S.R.L.

The following transactions occurred between the Company and other affiliated companies:

	2020	2019
Purchases from:		
Jøtul AS for cast iron and other materials	$ 2,056,761	$ 6,056,012
Scan AS for stoves and parts	250	3,832
Jøtul UK Ltd	-	15,848
	$ 2,057,011	$ 6,075,692
Sales to:		
Jøtul AS	$ 11,993	$ 156,045
Jøtul AS, interest income	5,333	8,982
Jøtul UK Ltd	73	-
Jøtul France SASU	3,367	-
	$ 20,766	$ 165,027
Amounts due from affiliates included in trade receivables:		
Jøtul AS	$ -	$ 3,157
Jøtul UK Ltd	416	-
Jøtul France SASU	205	-
	$ 621	$ 3,157
Amounts due to affiliates included in accounts payable:		
Jøtul AS	$ 236,781	$ 74,752
Jøtul UK Ltd	794	794
Scan AS	-	95
	$ 237,575	$ 75,641

The Company also receives cash flow funding from its parent and affiliates in the form of a cash overdraft arrangement and a line of credit as described in Note 4.

4. CASH OVERDRAFT AND BORROWINGS:

The Company participates in a loan agreement with the parent, Jøtul AS, and its bank (Nordea) which among other things includes a multi-currency bank overdraft facility for the entire Group. The subsidiaries are included in the cash pool system and every company has a bank overdraft tied to its account. Jøtul AS manages the system and distributes the overdraft facility to the individual companies as required. Every subsidiary has a loan or deposit relationship with Jøtul AS and not with external financial institutions. The Company and the other subsidiaries have a joint responsibility to Nordea for the obligations of Jøtul AS. The outstanding bank overdraft balance was $1,169,789 and $942,301 at December 31, 2020 and 2019, respectively.

The Company through joint financing with its parent has a $1,500,000 line of credit for advances, and letter of credits through this loan agreement at interest rate of Libor rate plus 1.8%. At December 31, 2020 and 2019, the Company had advanced its parent $4,735,095 and $2,633,035, respectively, at the same interest rates.

4. CASH OVERDRAFT AND BORROWINGS (CONTINUED):

Long-term debt consisted of the following as of December 31:

		2020		2019
Financing agreement for the purchase of a laser machine at a fixed interest rate of 6.09%; monthly principal and interest payments of $10,533 payable through March 2023; secured by interest in the above described equipment.	$	255,966	$	330,359
Financing agreement for the purchase of a press brake machine at a fixed interest rate of 6.19%; monthly principal and interest payments of $1,743 payable through March 2025; secured by interest in the above described equipment.		78,002		88,246
Financing agreement for the purchase of a press brake machine at a fixed interest rate of 5.60%; monthly principal and interest payments of $2,593 payable through June 2025; secured by interest in the above described equipment.		123,528		139,097
Financing agreement for the purchase of a press brake machine at a fixed interest rate of 6.31%; monthly principal and interest payments of $2,704 payable through February 2026; secured by interest in the above described equipment.		140,800		155,368
Financing agreement with for the purchase of a stand-up fork truck at a fixed interest rate of 5.29%; monthly principal and interest payments of $813 payable through July 2023; secured by interest in the above described vehicle.		22,078		30,421
Financing agreement with for the purchase of a stand-up fork truck at a fixed interest rate of 5.54%; monthly principal and interest payments of $817 payable through November 2023; secured by interest in the above described vehicle.		24,967		33,146
Financing agreement with for the purchase of a sit-down fork truck at a fixed interest rate of 4.54%; monthly principal and interest payments of $644 payable through August 2025; secured by interest in the above described vehicle.		32,487		-
		677,828		776,637
Less current portion		(203,414)		(170,749)
Long-term debt - net of current portion	$	474,414	$	605,887

Maturities of long-term debt over the next five years are as follows:

2021	$	203,414
2022		215,896
2023		113,137
2024		85,929
2025		56,762
Thereafter		2,690
Total	$	677,828

5. COMPREHENSIVE INCOME:
Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income. For the Company, such items consist primarily of unrealized gains and losses on foreign exchange on accounts payable.

6. COMMITMENTS AND CONTINGENCIES:
The Company leases its offices and manufacturing facility in Gorham under an operating lease through April 2025. The annual base rent increases by 1.75% over the previous lease year. Rent expense was $386,858 and $380,205 for the years ended December 31, 2020 and 2019, respectively.

The Company also leases office equipment under the terms of various operating lease agreements. The terms of these leases vary from eighteen to sixty-three months and monthly payments from $311 to $520.

Future minimum lease payments under the non-cancelable operating leases are as follows:

2021	$ 405,304
2022	412,193
2023	419,202
2024	421,050
2025	142,497
	$ 1,800,246

7. RETIREMENT PLAN:
The Company has a 401(k) defined contribution pension plan that covers qualified employees at least eighteen years of age who have completed three months of service. Participants are fully vested immediately.

Pension expense for the years ended December 31, 2020 and 2019 was $156,852 and $183,024, respectively.

8. INCOME TAX EXPENSE:
Deferred taxes result principally from temporary differences in the amounts recorded for depreciation, allowance for doubtful accounts, inventory reserves and accrued expenses for financial statement and tax reporting purposes. Deferred taxes liabilities from temporary differences were $312,007 and $444,810 at December 31, 2020 and 2019, respectively.

The actual tax provision is different than what may be anticipated principally because of the effects of lower tax brackets. The components of income tax expense were as follows:

	2020	**2019**
Current	$ 208,232	$ 119,388
Deferred	(132,803)	123,146
	$ 75,429	$ 242,534

9. CONCENTRATIONS:
During 2020 and 2019, the Company derived 31% and 30%, respectively, of its net sales revenue from its four largest customers and had outstanding receivables from the same four customers representing 25% and 23% of the total outstanding balance as of December 31, 2020 and 2019, respectively.

10. UNCERTAINTY:

During the year ended December 31, 2020, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, COVID-19, by mandating the temporary shut-down of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter to negatively impact the Company's operating results, the full financial impact and duration cannot be reasonably estimated at this time.

11. SUBSEQUENT EVENTS:

Jøtul North America, Inc. has evaluated subsequent events through February 15, 2021, the date the financial statements were available to be issued.

No matters have arisen since year-end through the date of management's evaluation date that would require adjustment to the financial statements or disclosures presented herein.