JØTUL NORTH AMERICA, INC.

Financial Statements
for years ended December 31, 2021 and 2020
(See Independent Auditor's Report)

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.

Opinion

We have audited the accompanying financial statements of Jøtul North America Inc., which comprise the balance sheets as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jøtul North America Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jøtul North America Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jøtul North America Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jøtul North America Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MacDonald Page & Co

Cumberland Foreside, Maine
May 19, 2022

JØTUL NORTH AMERICA, INC.

BALANCE SHEETS

as of December 31, 2021 and 2020

See Independent Auditor's Report

	2021	2020
ASSETS		
Current assets:		
Cash and equivalents	$ 1,025,198	$ 382,013
Trade accounts receivable, net of allowance for doubtful accounts of $35,811 and 29,811, respectively	1,971,720	1,704,077
Inventories	4,237,779	2,703,011
Other current assets	178,793	190,078
Income tax deposit - net	83,140	-
Advances to affiliate	2,872,264	4,735,095
Total current assets	10,368,894	9,714,274
Plant and equipment - net:		
Leasehold improvements	772,658	763,146
Machinery and equipment	6,617,654	6,491,770
Office furniture and equipment	1,269,542	1,294,672
Right of use assets	1,321,362	1,257,775
Vehicles	374,118	404,570
Construction in progress	349,296	173,823
	10,704,630	10,385,756
Less accumulated depreciation	(8,413,126)	(7,998,789)
Total plant and equipment - net	2,291,504	2,386,967
Intangible assets - net	31,810	34,030
Total Assets	$ 12,692,208	$ 12,135,271
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Bank overdraft	$ -	$ 1,169,789
Long-term debt - current portion	225,266	203,414
Accounts payable	2,489,090	1,095,837
Income taxes payable - net	-	94,959
Accrued payroll and taxes	164,551	135,016
Accrued expenses	888,657	932,673
Total current liabilities	3,767,564	3,631,688
Non-current liabilities:		
Long-term debt - net of current portion	311,579	474,414
Deferred income taxes	221,048	312,007
Total non-current liabilities	532,627	786,421
Total liabilities	4,300,191	4,418,109
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	7,113,917	6,439,062
Total stockhoders' equity	8,392,017	7,717,162
Total Liabilities and Stockhoders' Equity	$ 12,692,208	$ 12,135,271

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, 2021 and 2020

See Independent Auditor's Report

	2021	2020
Net revenue	23,979,794	18,895,143
Cost of revenue		
Direct materials and operations	10,805,437	7,738,052
Direct labor	3,450,274	2,984,654
Distribution costs	1,218,195	980,314
Sales commissions	722,475	625,175
Total cost of revenue	16,196,381	12,328,195
Gross profit	7,783,413	6,566,948
Operating costs:		
Manufacturing	1,785,262	1,407,374
Purchasing and logistics	575,910	495,791
Warranty claims	153,025	180,974
Selling and shipping	1,129,241	1,027,548
Marketing	91,996	126,586
Research and development	505,183	546,390
Information technologies	146,515	135,444
General and administrative expenses	1,561,812	1,477,863
Bad debt expense	6,000	3,000
Depreciation and amortization expense	571,385	713,489
Total operating costs	6,526,329	6,114,459
Income from operations	1,257,084	452,489
Other income (expenses):		
Gain (loss) on disposals of plant and equipment	13,000	21,593
Other nonoperating income (expenses)	(252,063)	(16,031)
Interest expense	(120,435)	(114,966)
Total other income (expenses)	(359,498)	(109,404)
Income before income taxes	897,586	343,085
Provision for income taxes	222,731	75,429
Net income	674,855	267,656
Retained earnings, beginning of year	6,439,062	6,171,406
Retained earnings, end of year	$ 7,113,917	$ 6,439,062

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

JØTUL NORTH AMERICA, INC.

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2021 and 2020

See Independent Auditor's Report

	2021	2020
Cash flows from operating activities:		
Net income	$ 674,855	$ 267,656
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	571,385	713,489
Bad debt expense	6,000	3,000
(Gain) loss on disposals of plant and equipment	(13,000)	(21,593)
(Increase) decrease in:		
Trade accounts receivable	(273,643)	263,789
Inventories	(1,534,768)	1,814,518
Other current assets	11,285	79,215
Income tax deposit - net	(83,140)	111,919
Advances to affiliate	1,862,831	(2,102,060)
Increase (decrease) in:		
Accounts payable	1,393,253	(701,304)
Income taxes payable - net	(94,959)	94,959
Accrued payroll and taxes	29,535	(111,266)
Accrued expenses	(44,016)	110,716
Deferred income taxes	(90,959)	(132,803)
Net cash provided by operating activities	2,414,659	390,235
Cash flows from investing activities:		
Proceeds from disposals of plant and equipment	13,000	24,689
Purchases of plant and equipment	(423,116)	(257,698)
Purchases of intangible assets	-	(34,334)
Net cash used for investing activities	(410,116)	(267,343)
Cash flows from financing activities:		
Net advance from (payment on) bank overdraft	(1,169,789)	227,488
Mortgage principal payments	(191,569)	(133,345)
Net cash used for financing activities	(1,361,358)	94,143
Net change in cash during the year	643,185	217,035
Cash and equivalents, beginning of the year	382,013	164,978
Cash and equivalents, end of the year	$ 1,025,198	$ 382,013
Supplemental cash flow disclosures:		
Cash paid for interest	$ 120,435	$ 114,966
Cash paid for income taxes	$ 491,789	$ 1,354

Summary of significant non-cash disclosures:

The Company had non-cash investing and financing transactions related to the purchase of a truck in 2021 and a sit-down fork truck in 2020 with bank financings of $50,586 and $34,536, 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 $569,165 and $712,641 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020.

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 $ 31,810 and $34,030 as of December 31, 2021 and 2020, respectively.

Amortization expense was $2,220 and $848 for the years ended December 31, 2021 and 2020, 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 $35,811 and $29,811 at December 31, 2021 and 2020, 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, 2021 and 2020 were $235,095 and $205,401, respectively.

Product Warranty
The Company provides warranties on certain products which range from one to twenty 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, 2021 and 2020 it does not believe that the Company has taken any tax positions that would require adjustments to the financial statements. As of December 31, 2021, 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, 2018 through 2021.

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.

2. INVENTORIES:

Inventories consisted of the following as of December 31:

	2021	2020
Raw materials	$ 3,036,496	$ 2,152,853
Finished goods	1,173,599	738,470
Work in process	171,387	21,215
Valuation allowance	(168,627)	(209,527)
	$ 4,237,779	$ 2,703,011

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:

	2021	2020
Purchases from:		
Jøtul AS for cast iron and other materials	$ 2,836,767	$ 2,056,761
Scan AS for stoves and parts	-	250
Jøtul Polska	1,441	-
Jøtul UK Ltd	9,298	-
	$ 2,847,506	$ 2,057,011

3. RELATED PARTIES (CONTINUED):

Sales to:		
Jøtul AS	$ 6,291	$ 11,993
Jøtul AS, interest income	-	5,333
Jøtul UK Ltd	-	73
Jøtul France SASU	1,721	3,367
	$ 8,012	$ 20,766
Amounts due from affiliates included in trade receivables:		
Jøtul AS	$ 510	$ -
Jøtul UK Ltd	-	416
Jøtul France SASU	-	205
	$ 510	$ 621
Amounts due to affiliates included in accounts payable:		
Jøtul AS	$ 1,166,546	$ 236,781
Jøtul UK Ltd	794	794
	$ 1,167,340	$ 237,575

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 $- and $1,169,789 at December 31, 2021 and 2020, 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, 2021 and 2020, the Company had advanced its parent $2,872,264 and $4,735,095, respectively, at the same interest rates.

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

	2021	2020
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.	$ 151,766	$ 255,966
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.	61,446	78,002
Balance forward	$ 213,212	$ 333,968

4. CASH OVERDRAFT AND BORROWINGS (CONTINUED):

Balance carried forward	$	213,212	$	333,968
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.		98,697		123,528
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.		118,620		140,800
Financing agreement 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.		13,283		22,078
Financing agreement 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.		16,325		24,967
Financing agreement 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.		26,122		32,487
Financing agreement for the purchase of a truck, non-interest-bearing; monthly principal payments of $843 payable through December 2026; secured by interest in the above-described vehicle.		50,586		-
		536,845		677,828
Less current portion		(225,266)		(203,414)
Long-term debt - net of current portion	$	311,579	$	474,414

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

2022	$	225,266
2023		133,483
2024		95,892
2025		66,715
2026		15,489
Total	$	536,845

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 $393,628 and $386,858 for the years ended December 31, 2021 and 2020, respectively.

The Company also leases office equipment under the terms of various operating lease agreements. The terms of these leases vary from sixty to sixty-three months and monthly payments from $308 to $520.

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

2022	$ 415,889
2023	422,898
2024	424,746
2025	428,211
2026	426,208
	$ 2,117,952

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, 2021 and 2020 was $168,326 and $156,852, 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 $221,048 and $312,007 at December 31, 2021 and 2020, 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:

	2021	**2020**
Current	$ 313,690	$ 208,232
Deferred	(90,959)	(132,803)
	$ 222,731	$ 75,429

9. CONCENTRATIONS:

During 2021 and 2020, the Company derived 30% and 31%, respectively, of its net sales revenue from its four largest customers and had outstanding receivables from the same four customers representing 22% and 25% of the total outstanding balance as of December 31, 2021 and 2020, respectively.

10. UNCERTAINTY:

During the years ended December 31, 2021 and 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 May 19, 2022, 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.