



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	913 808 991
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	FLOKK HOLDING II AS
Forretningsadresse:	Drammensveien 145 0277 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Heidi Årlid
Dato for fastsettelse av årsregnskapet:	30.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 14.07.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		686 000	682 000
Sum kostnader		686 000	682 000
Driftsresultat		-686 000	-682 000
Finansinntekter og finanskostnader			
Annen renteinntekt	6	1 101 000	502 000
Sum finansinntekter		1 101 000	502 000
Annen rentekostnad	6	16 075 000	14 980 000
Sum finanskostnader		16 075 000	14 980 000
Netto finans		-14 974 000	-14 478 000
Ordinært resultat før skattekostnad		-15 660 000	-15 160 000
Skattekostnad på ordinært resultat	2	-3 445 000	-3 257 000
Ordinært resultat etter skattekostnad		-12 215 000	-11 903 000
Årsresultat		-12 215 000	-11 903 000



Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel		21 511 000	17 998 000
Sum immaterielle eiendeler		21 511 000	17 998 000
Finansielle anleggsmidler			
Investering i datterselskap	3,5	755 825 000	755 825 000
Sum finansielle anleggsmidler		755 825 000	755 825 000
Sum anleggsmidler		777 336 000	773 823 000
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	4	1 100 000	500 000
Sum fordringer		1 100 000	500 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		7 000	122 000
Sum bankinnskudd, kontanter og lignende		7 000	122 000
Sum omløpsmidler		1 107 000	622 000
SUM EIENDELER		778 443 000	774 445 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7	448 000	448 000
Annen innskutt egenkapital	7	656 031 000	656 031 000
Sum innskutt egenkapital		656 479 000	656 479 000



Balanse

Beløp i: NOK	Note	2021	2020
Opptjent egenkapital			
Annen egenkapital	7	-92 905 000	-80 690 000
Sum opptjent egenkapital		-92 905 000	-80 690 000
Sum egenkapital		563 574 000	575 789 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Ansvarlig lånekapital	4,5	214 184 000	198 115 000
Sum annen langsiktig gjeld		214 184 000	198 115 000
Sum langsiktig gjeld		214 184 000	198 115 000
Kortsiktig gjeld			
Leverandørgjeld		0	62 000
Betalbar skatt	2	68 000	
Kortsiktig konserngjeld	4	617 000	479 000
Sum kortsiktig gjeld		685 000	541 000
Sum gjeld		214 869 000	198 656 000
SUM EGENKAPITAL OG GJELD		778 443 000	774 445 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	6	3 260 417 000	2 929 347 000
Annen driftsinntekt	6,26	92 218 000	88 025 000
Sum inntekter		3 352 635 000	3 017 372 000
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer	15	-539 000	-31 797 000
Varekostnad		1 245 583 000	1 093 663 000
Lønnskostnad	10	862 839 000	848 686 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	7,12,2 2	174 521 000	178 463 000
Annen driftskostnad	10,13	591 143 000	566 114 000
Sum kostnader		2 873 547 000	2 655 129 000
Driftsresultat		479 088 000	362 243 000
Finansinntekter og finanskostnader			
Annen renteinntekt	17	1 190 000	1 800 000
Annen finansinntekt	17	1 049 081 000	1 666 803 000
Sum finansinntekter		1 050 271 000	1 668 603 000
Annen rentekostnad	17	172 678 000	211 045 000
Annen finanskostnad	17	983 662 000	1 778 433 000
Sum finanskostnader		1 156 340 000	1 989 478 000
Netto finans		-106 069 000	-320 875 000
Ordinært resultat før skattekostnad		373 019 000	41 368 000
Skattekostnad på ordinært resultat	14	79 707 000	55 623 000
Ordinært resultat etter skattekostnad		293 312 000	-14 255 000
Årsresultat		293 312 000	-14 255 000



Konsernets balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4,14	182 142 000	173 873 000
Goodwill	4,7	3 197 570 000	3 205 297 000
Andre immaterielle eiendeler	4,7	313 492 000	330 860 000
Leieavtaler	22	221 921 000	224 466 000
Sum immaterielle eiendeler		3 915 125 000	3 934 496 000
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	12	154 132 000	226 630 000
Maskiner og anlegg	12	64 926 000	79 796 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	12	117 869 000	129 560 000
Anlegg under utførelse	12	131 003 000	81 415 000
Sum varige driftsmidler		467 930 000	517 401 000
Finansielle anleggsmidler			
Andre fordringer	10	15 524 000	14 675 000
Sum finansielle anleggsmidler		15 524 000	14 675 000
Sum anleggsmidler		4 398 579 000	4 466 572 000
Omløpsmidler			
Varer			
Varer	15	490 135 000	378 302 000
Sum varer		490 135 000	378 302 000
Fordringer			
Kundefordringer	16	451 543 000	378 911 000
Andre fordringer	16	36 737 000	36 731 000
Sum fordringer		488 280 000	415 642 000
Investeringer			
Andre finansielle instrumenter	8		1 882 000
Sum investeringer			1 882 000



Konsernets balanse

Beløp i: NOK	Note	2021	2020
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9	733 918 000	818 834 000
Sum bankinnskudd, kontanter og lignende		733 918 000	818 834 000
Sum omløpsmidler		1 712 333 000	1 614 660 000
SUM EIENDELER		6 110 912 000	6 081 232 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	19	448 000	448 000
Annen innskutt egenkapital		656 031 000	656 031 000
Sum innskutt egenkapital		656 479 000	656 479 000
Opptjent egenkapital			
Annen egenkapital		470 398 000	218 832 000
Minoritetsinteresser	3	44 838 000	43 811 000
Sum opptjent egenkapital		515 236 000	262 643 000
Sum egenkapital		1 171 715 000	919 122 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	4,11	11 528 000	98 056 000
Utsatt skatt	14	166 417 000	165 446 000
Garantiforpliktelser	23	3 020 000	3 312 000
Sum avsetninger for forpliktelser		180 965 000	266 814 000
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8,9	3 515 345 000	3 645 004 000
Ansvarlig lånekapital	9	214 180 000	198 115 000
Øvrig langsiktig gjeld		489 000	1 047 000
Leasing forpliktelser	22	172 420 000	172 100 000
Sum annen langsiktig gjeld		3 902 434 000	4 016 266 000
Sum langsiktig gjeld		4 083 399 000	4 283 080 000



Konsernets balanse

Beløp i: NOK	Note	2021	2020
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	8,9	35 401 000	206 051 000
Leasing forpliktelser	22	53 747 000	57 690 000
Leverandørgjeld		321 369 000	258 329 000
Betalbar skatt	14	97 785 000	69 768 000
Skyldige offentlige avgifter		90 796 000	87 029 000
Garantiforpliktelser	23	7 612 000	8 348 000
Annen kortsiktig gjeld	24	249 088 000	191 815 000
Sum kortsiktig gjeld		855 798 000	879 030 000
Sum gjeld		4 939 197 000	5 162 110 000
SUM EGENKAPITAL OG GJELD		6 110 912 000	6 081 232 000



FLOKK HOLDING II AS
P.O. Box 5055 Majorstuen
0301 OSLO

Our date 09.12.2019	Din/Your date 23.10.2019	Inquiries to Joakim Engebretsen
800 80 000 Tax Administration Norway.no	Din/Your reference	Telephone 92251412
Org.nr 974761076	Our reference 2019/6724036	Postal address P.O. Box 9200 Grønland 0134 OSLO

Confidential offl. § 13, sktfvl. § 3-1

Permission to prepare the annual accounts and directors' report in English Language for Flokk Holding II AS, org.nr. 913 808 991

With reference to your letter dated 23rd of October 2019 with respect to the above matter regarding Flokk Holding II AS.

Based on a total evaluation, the view of the tax office is that Flokk Holding II AS may make the directors' report and annual accounts in English language according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background

The following is sited from the companys application:

We hereby apply for an exemption to prepare the annual accounts and annual report in English according to the Norwegian Accounting Act section 3-4, starting with the financial year ending on 31 December 2019.

Flokk Holding II AS is a holding company with headquarters in Oslo. The Company and its subsidiaries (Group) develop, produce and distribute seating solutions for the office market. Thereby the company is operating in an industry of international character. Around 90% of the Group total sales are outside Norway. The Company also uses English as the working language. For more information about the Company's industry/operations, please refer to our web site www.flokk.com.

The Group Management consist of non-Norwegian speaking members from Germany and Poland. The Board of Directors also have members that are non-Norwegian speaking. The largest shareholder, Spinnaker Bidco S.a.r.l., with a stake of 80% is based in Luxembourg. The ultimate owner is the private equity investment company, Triton. Hence, the Company is reporting all information in English.



There are no issues regarding the Company's financing implying the need for financial statements in Norwegian, as the bank connections request information in English. The funding is placed at several foreign financial institutions. There are also no other issues that require annual accounts in Norwegian.

Permission to make the annual accounts and the directors' report in Norway in English language

According to the Norwegian Accounting Act § 3-4, third paragraph shall *"the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language"*.

Ot. prp. nr. 42 (1997-1998) states the following about the purpose of the Accounting Act, refer section 1.1:

"The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors, which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."

Hence, one of the main aims of the Accounting Act is to contribute to *"informative accounts for different users of accounts"*. The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be prepared in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

As mentioned above it is particularly the consideration of the users of the account information, which has to be taken into consideration when considering the application for permission. In this assessment, the tax office has emphasized that the company use English as working language. The group management as well as the board of directors have members that are non-Norwegian speaking. The company is operating in an industry of international character and the ultimate owner is a private equity investment company, based in Luxembourg. It is the tax office view that the aforementioned circumstances in this case are sufficient for an exemption to be given.

Please state "our reference" (see above) in all written communication with the Norwegian Tax Authorities.



Best regards

Roar Thorbjørnsen
Group Manager
Innsats, storbedrift
Tax Administration Norway

Joakim Engebretsen

This document has been electronically approved and contains therefore no handwritten signatures.



Flokk

Annual Report 2021

Flokk Holding II Group

Flokk Holding II AS

Org.no. 913 808 991

Flokk Holding II AS
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HÅG • PROFIM • RH • GIROFLEX • BMA • OFFECCT • RBM



Board of Directors' Report 2021

Flokk is a leading manufacturer of workplace furniture in Europe with a significant foothold in US and Asia, and is the owner of the product brands HÅG, Profim, 9to5 Seating, RH, Giroflex, BMA, Offecct, RBM, Malmstolen and Connection. Flokk has been a leader in the development of sustainable office seating furniture for decades with a focus on creating products in an environmentally friendly way.

Flokk's head office is in Oslo, Norway, and the Group has production sites in Norway (Røros), Sweden (Nässjö), Poland (Turek), USA (Hawthorne), UK (Huddersfield) and China (Guangdong). In addition, Flokk has sales offices in Norway, Sweden, Denmark, Germany, Belgium, the Netherlands, UK, France, Switzerland, Austria, USA, Canada, Singapore, China, and Australia. About 1800 employees work together to realize the vision of Flokk: Inspire great work.

Going concern

The Group and Flokk Holding II AS have good levels of profitability and equity. In accordance with Section 3-3 of the Norwegian Accounting Act, it is hereby confirmed that the prerequisites for the going concern assumption exist and accordingly the accounts have been prepared based on the going concern principle.

General conditions

In the course of 2021, the Group executed several major projects, like the rebuilding of the Turek manufacturing site in Poland after the fire late 2019. A new high storage warehouse is in place which increases the space for storing components and sub-assemblies used in production, and the construction of a new production and warehouse hall is planned to be completed in the autumn of 2022. This building will host a new efficient paint line, soft seating assembly and canteen chair production. In addition, the Røros plant has been extended to accommodate an increased capacity of mechanical production. The building of a new production hall started up in 2021 and will open in spring 2022.

Flokk has realized significant synergies from past acquisitions with the move of the production of the Giroflex and Offecct brands to the production site in Turek, and the move of the Malmstolen brand to the production site in Nässjö back in 2020. Due to this, the production facilities in Koblenz (CH), Tibro (SE) and Hunnebostrand (SE) were divested during 2021.

The digitalisation process continued with digitalisation of the order flow from dealers to production planning, as well as launch of own web-shops in several markets. Flokk now has an end-to-end digital value chain with a modern application landscape which is expected to be a significant source of competitive advantage going forward.

Structural changes

In the course of 2021, Flokk made structural changes to optimize its portfolio and leverage economies of scale benefits where possible. Changes in the legal structure were completed in Sweden where the company Malmstolen Produktion AB merged into Malmstolen AB. In Austria, the Group established a new legal entity, Flokk Austria GmbH.

In March 2022, Flokk acquired the company Connection Seating Limited in the UK. Founded in 1997, Connection Seating Limited has its headquarters and production facility in Huddersfield, with showrooms in Manchester and London. The company designs and manufactures innovative commercial furniture and has a strong portfolio within collaborative furniture. The acquisition gives Flokk a manufacturing presence in the UK and will give commercial synergies and mutual benefits from Connection joining the Flokk Group.

In April 2022, Flokk also divested its shares in the Latvian chair mechanism manufacturer RingBaltic SIA to further optimize our production footprint and focus resources on our core business areas.

Markets

In 2021, Flokk's target markets experienced a gradual recovery from the Covid-19 pandemic, led by the Group's markets in Europe and followed by the US market in the fourth quarter of 2021. A strong sales development in China contributed positively to the sales increase in the Group, and in total, the Group's sales revenues increased with 11.3% in 2021 compared to 2020. At the end of 2021, the Group had all time high order entry.

Through 2021 Flokk made further steps from being a house of brands to being a total seating solution provider. HÅG continues to be the largest and most profitable brand in the Group and saw growth in revenues of 23.8% compared to 2020. The Profim brand remains the second largest brand in the Group with a sales growth of 6,8% from 2020. The Malmstolen



brand had sales growth of 52.3% compared to 2020. 9to5 Seating in the US was impacted by the pandemic through 2021, leading to a decline in net sales of 8.2% compared to 2020 but with a strong development in the second half of the year.

Germany continues to be the largest market in the Group and saw a 6.5% increase through 2021. USA is the Group's second largest market and saw a decline of 17.0% through 2021 mainly driven by Covid-19 and a challenging delivery situation from China. The Scandinavian markets increased with 32.3% sales growth through 2021. The Netherlands and France grew 36.7% and 30.3% respectively. Belgium had a sales growth of 7.7%, Switzerland had growth of 4.7%, UK & Ireland had a decline of 3.1%, while the markets in Asia showed strong performance with about 30% sales growth compared to 2020. The business with IKEA and contract manufacturing saw a decline of 52% through 2021. The cooperation and production for the customer IKEA was terminated in 2021.

The Group's results

Income statement

The Flokk Group had sales revenues of NOK 3 260.4 million compared to NOK 2 929.3 million in 2020, an increase of 11.3%. Total operating income was NOK 3 352.6 million compared to NOK 3 017.4 million in 2020. The operating profit for the period was NOK 479,1 million compared to NOK 362.2 million in 2020. The operating margin in 2021 was 14.3%. Net financial expenses amounted to NOK 106.1 million compared to NOK 320.9 million in 2020. The decrease in financial expenses is mainly caused by lower interest expenses, and reduced loss on foreign exchange deviation on loans in foreign currency. Profit before tax amounted to NOK 373.0 million, compared to NOK 41.4 million in 2020. Profit for the year amounted to NOK 293.3 million compared to NOK -14.3 million in 2020.

Financial position

Total investments in the Group amounted to NOK 166.4 million covering purchase of property, plant, and equipment of NOK 131.1 million and capitalised development costs of NOK 35.3 million. Sale of properties in Sweden and Switzerland amounted to NOK 159.4 million. Most of the Group's investments in property, plant and equipment were at the production sites in Røros, Norway, and Turek, Poland.

Total cash flow for the Group derived from operating activities amounted to NOK 238.9 million. The difference in relation to the operating profit is mainly due to depreciation, taxes paid, unrealised exchange rate differences and changes in working capital.

The Group's total assets at the end of the year stood at NOK 6 110.9 million, an increase of NOK 29.7 million from the end of 2020. The equity ratio was 19.2% compared to 15.1% in 2020. The Group's current liabilities at the end of the year was 14.0% of its total liabilities compared to 17.0% in 2020. The total debt ratio was 80.8% vs. 84.9% in 2020.

At the end of 2021, the net interest-bearing liabilities amounted to NOK 2 858.3 million, a decrease of 7.5% compared to the end of the previous year. Debt financing is subject to requirements concerning the achievement of key figures linked to profits and solvency. Bank covenants are calculated at the end of every quarter, and the Group met the requirements at the end of 2021.

At the end of 2021, the Group had a total credit line of NOK 3 959.2 million, consisting of long-term loans of NOK 3 592.2 million and an unused overdraft limit of NOK 367.0 million. Available funds in the form of unused credit facilities and cash equivalents as of 31 December 2021 amounted to NOK 1 100.9 million.

Financial risk

Approximately 90% of the Group's sales are invoiced in currencies other than Norwegian krone. A large share of the company's financial risk is therefore linked to exchange rate fluctuations, especially with respect to SEK, DKK, EUR, PLN, and USD. The Group's balance sheet is exposed to exchange rate fluctuations in EUR and USD, as loans in EUR and USD exceed receivables in these currencies. This exposure is not hedged.

Credit risk associated with counterparties being unable to meet their financial obligations is regarded as acceptable. Most of the Group's sales are in Northern and Central Europe. Sales are made to own sales companies, and to dealers and importers with whom the Group has been working for over time. Historically, losses from receivables have been limited and amounted to NOK 0.1 million in 2021. Gross trade receivables as of 31 December 2021 amounted to NOK 457.9 million.

Flokk regards the Group's liquidity as satisfactory. No decisions have been made to implement any measures that would change the Group's liquidity risk. The Group has centralised its financing function, which has responsibility for financing, currency risk, interest rate risk, credit risk and liquidity management.

Research and development

2021 has been rendered by structural changes in pursuit of operational efficiency, and initiatives to drive growth. The outreach of Flokk's digital marketing has continued to grow steadily, driven by strong thought



leadership content published on focus.flokk.com and shared social media platforms and by carefully selected influencer campaigns. Flokk focus, the Group's digital portal for news and stories, grew 79% through 2021, reaching 150 k page views, while flokk.com had 3 million page views. The average session lasted more than two minutes, meaning visitors find content of interest. Our community of followers on social media is now close to 46k users, up 36% from last year.

Beyond thought leadership on changes and developments directly related to Flokk's business context, it is the sustainability efforts that attract the most attention. As part of the strategy to migrate best practices to new acquisitions, impacts of Flokk's environmental philosophy, 5III are starting to show from Turek and the Profim brand. A main lever is to increase the fraction of recycled material used in new products, mainly due to efforts on the Profim brand, Flokk has exceeded targeted 1,000 tonnes for 2021. This endeavour continues, demonstrating that circular resource consumption can be done at scale.

The new HÅG Tion was an important product launch in 2021. The chair embraces all forms of remote work. HÅG Tion offers the opportunity to create a personalized fit and represents a breakthrough on sustainable design with a content of 75% post-consumer recycled material by weight.

Consolidating Flokk's production footprint, the moving of Giroflex and Offecct production to Turek, has required capacity from product development through 2021. Going into 2022, Flokk has a restructured products and brands organisation concentrated on fewer locations. The expected outcome is a strong uptick in new product launches, continued sustainability improvements and marketing reaching a greater audience.

Manufacturing and purchasing operations (MPO)

The Group has put focus at all sites to meet demands on lead time, quality, direct salary and outbound logistics, and managing to fulfil the volume increases on the Profim and HÅG brand.

The Group was affected by the consequences of the Covid-19 pandemic, however without major disturbances to availability of supply. Flokk mitigated almost all impacts on logistic difficulties, material constraints and labour availability.

During the summer of 2021, Flokk finalized the IKEA production in Turek. The production space was rearranged to meet the needs of the Giroflex and Offecct production, which were transferred from Switzerland and Sweden in the autumn of 2021.

In 2022, Flokk will continue to streamline and optimize its total value chain, with the greatest focus on the

Turek facility, to achieve profitability requirements and maintaining customer satisfaction in all markets and brands.

Working environment, equal opportunities, and discrimination

The parent company, Flokk Holding II AS, has no employees. The company hires all administrative services from its subsidiaries.

Flokk's vision is to "Inspire great work", and the core values are human-centred, sustainable, and innovative. The Flokk Value Program is kept alive through the learning, competence development and training platform Learning@Flokk. The program is compulsory for all new employees. An e-learning program focusing attitude and behaviour, as referred to in Flokk's Code of Conduct, was introduced late 2020. During 2021 employees at all levels of the organisation have step-wise been invited to the program as a compulsory training activity.

The collaboration between Flokk and the trade unions is based on mutual trust, open dialogue, transparency, and good collaboration. This meeting place works as an important forum to share relevant information in a timely manner. At Flokk's production site in Poland, there is also a close dialogue with the internal union with representatives from various parts of the value chain. The Corporate Council continues to be an important meeting place between employee representatives and members of Flokk's Group Management.

The organisation continued to be affected by the Covid-19 pandemic also during 2021. However, there were no temporary layoffs and the company managed to handle the home office reality by managers staying in close dialogue with their employees and their team. The production sites operated as normal, but under severe infection control measures.

Within Flokk, everyone has equal opportunities for employment and development, regardless of gender, age, ethnicity, religion, and all other diversity factors in general. In addition, women and men who perform the same job should receive equal pay before their individual work performance is assessed. For new recruits and the composition of teams/departments, Flokk aim for a working environment with variations in age, gender, background etc. taking several diversity factors into account. Flokk work actively to prevent discrimination based on age, gender, disability, ethnic background, national origin, skin colour or personal beliefs. Flokk has lifted the focus even further in 2021 through a Diversity, Equity, and Inclusion Policy to be further implemented. Clear targets have been agreed comprising the most relevant diversity factors for the Group.



Following the decisions of moving both the Tibro factory (Offeect brand) and the Koblenz factory (Giroflex brand) to Flokk's Turek production site in Poland, the company initiated an organization rightsizing program at both sites. Social plans were prepared in cooperation with the union representatives also emphasizing the importance of outplacement support. In total, the workforce, however, remained stable during 2021. 9to5 Seating, the US-based office seating company, increased the number of employees again in 2021 as volumes started picking up after the pandemic impact in 2020.

At year-end 2021, the Group had 1,816 employees, of whom 730 were women and 1,086 men. This gives a women's employment ratio of 40.2% and a men's employment ratio of 59.8%. The female percentage has increased by 1.6% compared to last year. There are two women on the company's board of directors, which results in a female share of 33.3%. There is one woman in the Group's management team.

After 2021, the Group reported a Lost Time Frequency Rate (LTIFR) of 3.6 (number of incidents involving absence*1 million/number of completed hours) and a Recordable Case Frequency Rate (RCFR) 0 (number of injuries without absence*1 million/number of hours worked).

The company has a directors' and officers' liability insurance for the board members and the general manager, for their potential liability towards the company and third parties. The coverage is EUR 15 million.

External environment

The Group strives to minimise its overall environmental impact globally, with a comprehensive strategy to position itself internationally in the top tier within the area of ESG. The Group has succeeded in being a leader in the sector for development of sustainable products, through a structured focus on climate, resources, and health. Flokk's sustainability strategy in the years ahead is for the company to distinguish itself from others on the market through ambitious long-term targeted activities. The Group imposes strict environmental requirements for new product solutions, use of chemicals and choice of sustainable materials throughout the value chain, both internally and from its joint venture partners.

In 2021, the Group has focused on communicating the Sustainability Goals 2030, and on strategic work to ensure effective sustainability documentation and certification of its growing portfolio. The sustainability team was strengthened with an energy manager to take care of corporate energy and carbon management. The Group's environmental and energy management system is certified in accordance with ISO 14001:2015

and ISO 50001:2018. Annually, the Group reviews the aspects of the operation, which affect the external environment and energy consumption. Risks and opportunities are assessed at the factories and headquarters, and the most significant aspects defined provide guidance for the annual targets, in compliance with the Group's long-term targets aligned with global strategies.

Climate - with the long-term target of 55% reduction in energy consumption per unit by 2030, the Group contributes to the EU's objective of cutting greenhouse gas emissions by 50-55% by 2030. 86% of the Group's electricity is renewable, with a 16% reduction in CO₂e emissions per unit since 2015. As the Group is ISO 50001:2018 certified, it complies with EU's EED – Energy Efficiency Directive.

Resources - with the long-term target of an average of 60% recycled materials in its products by 2030, the Group contributes to the UN's Sustainable Development Goal number 12, designed to "Ensure sustainable consumption and production". Flokk's latest launched task chairs contain 60-74% recycled materials (HÅG Tion, HÅG Capisco Puls Black, RH New Logic and BMA Axia Vision), assuring that the strategy and its activities give tangible results. In 2021, Flokk used 1 333 tonnes recycled plastics in its products including Turek numbers (2020: 735 tonnes). With 70% of generated waste being material recycled (2020: 71%) Flokk did not reach the target of 82%, a result of adding Turek to the reporting scope.

Health - the Group continuously aims to reduce the number of chemicals, as well as eliminate all use of unwanted chemicals in its products and production. In 2021, Flokk managed to remove 19 chemicals at Røros (target: remove 3 each site). 29 chemicals at Nässjö were added to the records after widening scope to production development, however, no new process chemicals added. The Group uses REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) as basis when imposing environmental requirements on itself, its partners, and suppliers.

Flokk documents and communicates the environmental performance of its products through carefully selected international labels and certificates. The Environmental Product Declaration (EPD) documents the product's environmental performance throughout its lifecycle from cradle to gate, by quantifying energy consumption and associated greenhouse gas emissions in the value chain. Five of the Group's ranges of chairs carry the Nordic Swan Ecolabel, which defines strict requirements for the use of chemicals and recycled materials. The most important products can boast the GREENGUARD Gold indoor climate certificate - a guarantee of contribution to a healthy indoor environment by not emitting hazardous gases.

The Group has high continuous focus on social responsibility. All employees and suppliers undertake to comply with the company's strict ethical guidelines,



based on The Ten Principles of the UN Global Compact, which includes human rights, working conditions, bribery, corruption, and animal welfare. The company is a member of and reports to Ethical Trade Norway, thus well prepared for the coming Transparency Act. The company creates long-term value for owners and society by engaging in efficient commercial activities based on the principle of sustainable development. The company seeks to be a positive contributor to society for its employees, partners, and subcontractors. Significant effort is put into maintaining a good dialogue with the responsible authorities and other important opinion makers. In the future, much of the work will be focused on streamlining and gaining control over the increased supply chain following new acquisitions.

The Group's annual Corporate Sustainability Report is integrated into the Annual Report, based on the internationally recognised Global Reporting Initiative (GRI) format. GRI Standards cover how the Group works strategically and expediently to improve its environmental performance, the results achieved, and how the organisation handles its corporate social responsibility through dialogue with both internal and external stakeholders.

Management changes

Mr. Henning Karlsrud replaced Mr. Eirik Kronkvist as the Group's CFO as of 1 March 2021.

Flokk Holding II AS

Flokk Holding II AS is the Group's parent company. The company's operations are to invest in financial instruments, hereunder shares in other companies as well as other activities naturally related thereto. The company was established on 28 April 2014. Flokk Holding II AS is a holding company for Flokk Holding AS in Norway.

Flokk Holding II AS had no operating revenues in 2021. Its operating expenses amounting to NOK 686 thousand, consisted of fees and consultancy services. The company's income consists of Group contributions from its subsidiaries. Profit before tax amounted to NOK -15 660 thousand, compared to NOK -15 159 thousand in 2020. Profit for the year amounted to NOK -12 215 thousand compared to NOK -11 903 the previous year. At year end, Flokk Holding II AS had total assets of NOK 778 375 thousand.

Allocation of profit of the year

The board proposes that the annual profit of the year of NOK -12 215 thousand in Flokk Holding II AS be allocated as follows:

Transferred to other equity NOK -12 215 thousand

Future prospects

The ongoing pandemic stemming from Covid-19 affected the Group's top line also in 2021, but

significantly less than in 2020. The Group's focus in 2021 has been to take market shares in the recovering economies and to position the company for future growth, e.g. through digital investments, active dialogues with potential acquisition targets, addressing the home office segment and developing an even stronger product portfolio for the future workplaces. The direct impact from the pandemic is expected relatively low throughout 2022 and onwards, but the Group is monitoring the development cautiously, in particularly relating to inflation, raw material prices and sub-component shortages. If necessary, we will implement further activities to take care of the health and safety of our employees and also any cost reducing initiatives in order to maintain an industry leading profitability also through any aftermaths of the Covid-19 pandemic.

The Group is monitoring the current devastating war in Ukraine. The Group does not have any employees nor assets in the three involved countries, and the revenues from these constituted less than one percent of the group's total revenues in 2021. Neither does the Group have any suppliers in any of the countries, but Flokk will be monitoring the development of world market prices on raw material, as the countries involved are significant suppliers and exporters of especially wood and steel.

The organisation has built internal competences that enables the Group to efficiently extract synergies across the value chain from new acquisitions. Flokk will continue to leverage these competences and grow further through mergers and acquisitions (M&A). Even though the office seating industry has seen increased activity within M&A over the past years, the industry remains highly fragmented in both Europe and the USA. Flokk sees many attractive opportunities and look to execute on further acquisitions if found value accretive to the Group.

Flokk has become a leading player in the global office seating industry through both organic and inorganic growth. The Group's long-term strategy is to continue to grow profitability by helping inspire great work.



Oslo, 30 June 2022

Thomas Hofvenstam
Chair of the Board

Henning Karlsrud
Board member

Lars I. Røiri
CEO



Consolidated income statement

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Sales revenues	6	3,260,417	2,929,347
Other income	6, 26	92,218	88,025
Total operating income		3,352,635	3,017,372
Cost of materials		1,245,583	1,093,663
Inventory movements, in-house production	15	(539)	(31,797)
Personnel expenses	10	862,839	848,686
Depreciations, amortization and impairment	7, 12, 22	174,521	178,463
Other operating expenses	10, 13	591,143	566,114
Operating expenses		2,873,547	2,655,129
Operating profit		479,088	362,243
Financial income	17	1,050,270	1,668,604
Financial expenses	17	(1,156,339)	(1,989,479)
Net financial income/(expense)		(106,069)	(320,875)
Profit before tax		373,019	41,368
Taxes	14	79,707	55,623
Profit for the year		293,312	(14,255)
Profit for the year attributable to:			
Equity holders of the parent		292,458	(15,322)
Non-controlling interests		854	1,067
Information concerning:			
Earnings per share (NOK)	20	9.79	(0.51)
Diluted earnings per share (NOK)	20	9.79	(0.51)



Consolidated statement of comprehensive income

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Profit for the year		293,312	(14,255)
Exchange differences on translation of foreign operations		(56,881)	(10,379)
Items that may be reclassified subsequently to income		(56,881)	(10,379)
Remeasurement of defined benefit pension plans, net of taxes	11	31,701	(20,635)
Other changes		(15,930)	
Items that will not be reclassified to income statement		15,771	(20,635)
Other comprehensive income, net of taxes		(41,110)	(31,014)
Total comprehensive income		252,202	(45,269)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	19	251,175	(44,943)
Non-controlling interests		1,027	(326)



Consolidated statement of financial position

31 December

NOK (thousands)	Notes	2021	2020
Assets			
Deferred tax assets	4, 14	182,142	173,873
Goodwill	4, 7	3,197,570	3,205,297
Other intangible assets	4, 7	313,492	330,860
Right-of-use assets	22	221,921	224,466
Property, plant and equipment	12	467,930	517,401
Other long term receivables	10	15,524	14,675
Total non-current assets		4,398,579	4,466,572
Inventories	15	490,135	378,302
Trade receivables	16	451,543	378,911
Other short-term receivables	16	36,737	36,731
Derivatives	8	-	1,882
Cash and cash equivalents	9	733,918	818,834
Total current assets		1,712,333	1,614,660
Total assets		6,110,912	6,081,232
Equity and Liabilities			
Share capital	19	448	448
Share premium		656,031	656,031
Total paid in capital		656,479	656,479
Retained earnings		470,398	218,832
Non-controlling interests	3	44,838	43,811
Total other equity		515,236	262,643
Total equity		1,171,715	919,122
Pension obligations	4, 11	11,528	98,056
Deferred tax liabilities	14	166,417	165,446
Warranty provisions	23	3,020	3,312
Long-term interest-bearing loans	8, 9	3,729,525	3,843,119
Lease liability	22	172,420	172,100
Other long-term liabilities		489	1,047
Total non-current liabilities		4,083,399	4,283,080
Short-term interest-bearing loans	8, 9	35,401	206,051
Derivatives	8	-	-
Lease liability	22	53,747	57,690
Trade payables		321,369	258,329
Taxes payable	14	97,785	69,768
Accrued liabilities		90,796	87,029
Warrenty provisions	23	7,612	8,348
Other short-term liabilities	24	249,088	191,815
Total current liabilities		855,798	879,030
Total liabilities		4,939,197	5,162,110
Total equity and liabilities		6,110,912	6,081,232

31 December 2021

Oslo, 30 June 2022

Thomas Hofvenstam
Chair of the Board

Henning Karlsrud
Board member

Lars I. Røiri
CEO



Consolidated statement of cash flows

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Operating activities			
Profit before tax *)	7,12,22	373,019	41,368
Depreciations, amortization and impairment		174,521	178,463
Unrealised exchange rate differences		(112,177)	92,084
Profit sales assets included in profit before tax		(86,320)	
Settlement pension agreement in Switzerland	11	(18,190)	
Accrued interest shareholder loans		16,069	14,975
Accrued interest loans		(4,307)	33,209
Capitalised borrowing costs		16,899	14,340
Taxes paid	14	(58,670)	(7,720)
Cash flow from operating activities before change in working capital		300,844	366,719
Cash flow from change in working capital:			
Change in inventories		(123,877)	(28,924)
Change in current receivables		(95,590)	188,353
Change in payables		73,017	39,233
Change in current liabilities		84,518	(51,240)
Cash flow from operating activities		238,912	514,141
Investing activities			
Acquisition of business, net of cash acquired	3		(6,448)
Purchase of property, plant and equipment	12	(131,048)	(87,952)
Capitalised development expenditures	7	(35,339)	(8,397)
Sale of tangible assets		159,426	4,021
Sale of financial assets		15	290
Cash flow from investing activities		(6,946)	(98,486)
Financing activities			
Other long-term liabilities		(1,020)	
Borrowing costs paid			(10,361)
Down payment of interest-bearing loans	9	(216,471)	(50,968)
Settlement to pension agreement in Switzerland	11	(23,514)	
Payment of principal portion of lease liabilities (IFRS 16)		(54,884)	(56,498)
Cash flow from financing activities		(295,889)	(117,827)
Cash flow for the year		(63,923)	297,828
Cash and cash equivalents at the beginning of the period		818,834	497,501
Exchange rate differences in cash and cash equivalents		(20,993)	23,505
Cash and cash equivalents at the end of the period		733,918	818,834
Cash and cash equivalents booked as bank deposit		733,918	818,834
*) Includes			
Interest income received		1,190	1,800
Interest expenses paid		155,080	157,698
Interest portion of lease liabilities (IFRS 16)		6,150	5,163

Unrealised exchange rate difference includes a loss of NOK 1 882 thousand (profit of NOK 1 882 thousand) on unrealised forward exchange contracts.



Consolidated statement of changes in equity

For the years ended 31 December 2020 and 2021

NOK (thousands)	Notes	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Non-controlling Interests	Total other equity	Total equity
Equity 01.01.20		447	652,794	(7,886)	271,661	44,137	307,912	961,153
Profit for the year					(15,322)	1,067	(14,255)	(14,255)
Other comprehensive income				(8,986)	(20,635)	(1,393)	(31,014)	(31,014)
Capital increase	19	2	3,237					
Equity 31.12.20		448	656,031	(16,872)	235,704	43,811	262,643	919,122
Equity 01.01.21		448	656,031	(16,872)	235,704	43,811	262,643	919,122
Profit for the year					293,312	854	294,166	294,166
Other comprehensive income				(57,344)	15,598	173	(41,573)	(41,573)
Equity 31.12.21		448	656,031	(74,216)	544,614	44,838	515,236	1,171,715



Notes - Group

NOTE 1 – GENERAL INFORMATION

Flokk Holding II AS and its subsidiaries (collectively the Group) develops, produces, and distributes seating solutions for the office market through independent retail chains, importers, and dealers. The parent company, Flokk Holding II AS, is registered in Norway and has its head office in Oslo.

The Group has production facilities in Norway (Røros), Sweden (Nässjö), Poland (Turek), United States (Los Angeles), China (Zhongshan) and Latvia (Ogre). The production facilities in Sweden (Tibro) and Switzerland (Koblentz) were sold in 2021. The production activities in Tibro and Koblentz are now located in Poland (Turek). The Group primarily sells its products in Europe and in North America. An overview of the Group's companies is provided in note 18. The Group's ultimate parent company is Spinnaker Holdco S.à.r.l (former Triton IV No.10 S.à.r.l.).

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 30 June 2022.

NOTE 2 – ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and additional Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31 December 2021.

The consolidated financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which are measured at fair value. All figures are stated in NOK thousands, unless otherwise is specifically stated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Flokk Holding II AS and its subsidiaries (the Group). The accounting policies as set out below have been consistently applied to all reporting periods presented. All intercompany transactions and balances have been eliminated. All companies have the same financial year.

The Group controls an entity when the Group has the power to govern the subsidiary, has exposure or rights to variable returns from the subsidiary and can affect the returns in the subsidiary. If the Group has control, but owns less than 100% of the subsidiaries, the companies are still consolidated while non-controlling interests' share of profit or loss after tax and their share of equity are presented on separate lines.

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group has foreign companies with functional currencies other than NOK. At the reporting date, the assets and liabilities of these companies are translated into NOK using the exchange rate at the reporting date. Items in the consolidated income statement and statement of comprehensive income are translated at the monthly average exchange rates. If currency rates are fluctuating significantly, the transaction date exchange rates are applied for significant transactions. Exchange differences on translation of foreign operations are recognised in other comprehensive income. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES IMPLEMENTED WITH EFFECT FROM 1 JANUARY 2021

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. Below we have listed the amendments in IFRS which have been



applicable for the Group's 2021 financial statements, as well as the effect of the amendments.

Amendment to IFRS 16 - Covid-19-Related Rent Concessions

In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond 30 June 2021 to extend the relief period by another year. The International Accounting Standards Board amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not affect lessors.

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022.

Lessees must apply the practical amendment retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The extension of the amendment is effective for annual periods beginning on or after 30 June 2021, but earlier application is permitted. The Group has chosen to early adopt this amendment.

The amendment has had minimal effect on the Groups financial statement.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (phase 2).

The amendments include requirements related to accounting of financial instruments when the contractual cash flow changes as an effect of a changed benchmark rate, including the impact on the hedge accounting and disclosures.

The amendment had no effect on the Groups financial statement.

CLASSIFICATION

Assets related to normal operating cycles for goods and services that are held for the purpose of trading or are expected to be realised within 12 months after the reporting period, are classified as current assets. Cash and cash equivalents are also classified as current unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

Correspondingly, liabilities related to normal operating cycles for goods and services that are held for the purpose of trading or are expected to be realised within 12 months after the reporting period are classified as current liabilities. Liabilities are also classified as current if there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

THE USE OF ESTIMATES AND JUDGEMENTS

Preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies often requires management to exercise judgement and make use of estimates. Estimates are based on historical information and judgements are largely made based on management's knowledge of the market and various indicators. Certain accounting policies are regarded as being particularly important to the Group's financial position, as they are largely determined based on judgements and estimates. These will typically be:

- Business combination (see note 3)
- Goodwill (see note 7)
- Net pension obligations (see note 11)
- Deferred tax assets (see note 14)

A detailed description of the significant accounting judgement and significant estimates and assumptions are included in the individual note where applicable.

OPERATING SEGMENTS

The Group consist of one segment, develop, produce, and distribute office furniture. The group portfolio of brands is indifferent in nature of risk and returns from the markets. Management monitor and make decisions based on geographically sales performance and allocate resources based on the same. Segment information is provided in note 6.

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are measured at acquisition cost, net of accumulated depreciation and/or any accumulated write-downs. The acquisition cost includes costs directly linked to the acquisition of the asset. Subsequent costs are allocated to the assets carrying value in the statement of financial position when it is likely that future financial benefits will flow to the Group and the expense can be measured reliably. Expenses incurred after the asset is in use e.g., repair and maintenance costs, are recognised in the consolidated income statement in the period the expense is incurred.

When assets are sold or disposed of, the difference between the consideration and the asset's carrying amount is recognized in the consolidated income



statement. Depreciation is calculated using the linear method over the following period:

- Land, buildings, and other property
10-25 years
- Machinery and equipment
6-8 years
- Furniture and fittings
3-10 years

The residual values, useful lives, and methods of depreciation of property of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

INTANGIBLE ASSETS

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalized and the related expenditure is reflected in the consolidated income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is applied using a linear method over the estimated economic useful life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense is recognised in the consolidated income statement.

Goodwill have indefinite useful lives and are not amortised. Goodwill is tested for impairment annually at the cash-generating unit level, please see "Business combinations and goodwill" below.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method, see note 3. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Non-controlling interests arise in cases where the Group acquires less than 100% of the shares in the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of the non-controlling interests is recognised at the equity attributable to the parent.

In business combinations where the Group's cost exceeds the net fair value of identifiable assets, liabilities, and contingent liabilities, the difference is reported as goodwill. If the difference is negative, it is recognised directly in the consolidated income statement.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. A CGU is the smallest identifiable group of assets that generate incoming cash flows, and which is essentially independent of incoming cash flows from other assets or groups of assets. The Group has assigned goodwill to three CGUs that each have an independent value chain (See note 7). Each of these units represents part of the Group's activities that can be separated and operate as a separate business separate from the Group's other businesses.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, by comparing the carrying amount of the CGU, including goodwill, with the recoverable amount of the CGU. The Group calculate the recoverable amount of the CGU by determining the higher of the fair value less cost to sell and its value in use. The key assumption for the value in use calculation is the forecasted cash flows during the forecast period. If the recoverable amount of the CGU is less than the carrying value, the impairment loss is allocated first to reduce the carrying amount of goodwill and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in CGU. An impairment loss for goodwill is recognised immediately in the consolidated income statement and is not reversed in a subsequent period.

The Group's goodwill is linked to the acquisitions done in the period 2014-2020. A specification of goodwill is shown in note 7.

RESEARCH AND DEVELOPMENT COSTS (INTERNAL DEVELOPMENT)

Expenses related to research activities are recognized in the consolidated income statement when incurred. Expenses related to development activities are capitalized as an intangible asset when the Group can demonstrate:



- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Expenses that are capitalized include material costs, direct personnel expenses and a portion of indirect costs that are directly attributable to the development. Capitalized development costs are recognized in the consolidated statement of financial position at cost less any accumulated depreciations and accumulated impairment losses. The asset is tested for impairment annually before the development is complete. Depreciation of the asset begins when development is complete, and the asset is available for use. It is depreciated linearly over the period of expected future benefit.

OTHER INTANGIBLE ASSETS

Other intangible assets consist of brand acquired in connection with acquisition of Profim in Poland. Other intangible assets are recognised at cost and amortisation is applied using a linear method over the useful life.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets are classified into three categories in accordance with IFRS 9 Financial instruments:

- Financial assets at fair value through profit or loss
- Financial assets measured at amortized cost
- Derivatives designated as hedging instruments at fair value through other comprehensive income

Financial assets at fair value through profit or loss include equity instruments and derivatives with a positive value and is initially recognized at fair value, and the transaction cost is recognized in the consolidated income statement when incurred. Gains or losses relating to financial assets measured at fair value through profit or loss are recognized in the consolidated income statement. Financial assets at amortized cost include cash and cash equivalents, trade receivables and other receivables. The Group measures financial assets at amortized cost if the following two conditions are met: the financial asset is held for the purpose of receiving contractual cash flows, and the contractual terms of the financial assets give rise to cash flows consisting solely of payments of principal and interest on the principal. Hedging derivatives are recognized in the statement of financial position at fair value over other income.

Financial liabilities

Financial liabilities are classified into three categories in accordance with IFRS 9 Financial instruments:

- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortized cost
- Derivatives designated as hedging instruments at fair value through other comprehensive income

Financial liabilities at fair value through profit and loss mainly comprise of derivatives, given that the fair value is negative, and are initially recognized at fair value on the date the derivative contract is entered. The financial instrument is later remeasured at fair value through profit and loss, and gains or losses are recognized in the consolidated income statement. Liabilities measured at amortized cost are interest-bearing loans and borrowings. If the effect of discounting is immaterial, the liabilities are measured at their nominal amount. For derivatives designated as hedging instruments at fair value, the effective portion of the gain or loss is recognized in other comprehensive income, while the ineffective position is recognized directly in the consolidated income statement.

TRADE RECEIVABLES AND PROVISIONS

Trade receivables are measured at amortized cost. On initial recognition, trade receivables are measured at the transaction price. Provisions are made using a simplified method for expected credit losses that is determined based on individual customer assessments and expected lifetime losses for the receivables.

INVENTORIES

Inventories, including semi-fabricated products, is recognised at the lowest of cost price and net realisable value. Net realisable value refers to the net amount that is expected to be realized from the sale of inventory in the ordinary course of business. Costs are established using the FIFO method. The processed inventories include variable costs and fixed costs that can be allocated to goods based on normal capacity. Obsolete inventories are written down in its entirety. Inventories are assessed for obsolescence. Obsolescence arises when the inventories contain faulty components or components for products which are no longer for sale, and thus do not represent any value to the Group. Provisions for obsolescence are reversed in those instances when the components are nonetheless able to be used in production.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term highly liquid deposits to meet short-term commitments, with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Flokk has established a group account system (cash pool system) of which Flokk Holding II AS is the group account holder. The bank can settle each withdrawal and the available balance against each other such that the net balance represents the outstanding balance between



the bank and Flokk Holding II AS. The Group recognises the net balance of the accounts included in the group account system.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

CURRENCY DERIVATIVES

The manner which the Group utilises currency derivatives does not qualify as hedge accounting. The Group has financial hedging in which unrealised losses and gains by changes in value are recognised through consolidated income statement as losses and gains on currency and recognised in the statement of financial position at fair value. Realised gains or losses on forward contracts are classified as financial income or financial expense in the statement of comprehensive income.

INTEREST-BEARING LOANS

Interest-bearing loans are recognised at the fair value of the loan less directly attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortised cost. Gains and losses are recognised in net financial items when the liabilities are derecognised as well as through the amortisation process. The upfront fees are part of the borrowing cost and are recognised as part of the interest. Borrowing costs are capitalized and distributed through the consolidated income statement in line with the loan's repayment period.

PROVISIONS FOR OBLIGATIONS

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that the Group must fulfil the obligation, and the obligation has been reliably estimated.

EQUITY

Share capital

Ordinary shares are classified as equity. Expenses directly associated with the issuing of new shares or options, less deductions for tax, are recognised as a reduction in the received remuneration in equity.

EXCHANGE RATE DIFFERENCES

Foreign currency transactions are translated at the exchange rate on the transaction date. Monetary items (debt or receivable) in foreign currency are translated into functional currency using the exchange rate on the statement of financial position date. Non-monetary items measured at historical rates expressed in foreign currency are translated into functional currency using the exchange rate at the time of the transaction. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate determined at the time of measurement.

Exchange rate fluctuations are recognized in the consolidated income statement under financial income and expenses on an ongoing basis, except for exchange rate changes on foreign currency loans designated as effective hedging of a net investment in a foreign entity, or monetary items that are considered part of the net investment. These changes in exchange rates are recognized as part of other comprehensive income.

TAXES

Income tax expense in the financial statements includes tax payable and the changes in deferred tax for the period. Assets and liabilities from deferred tax are computed for all temporary differences between the carrying amount of an asset or liability in the consolidated financial statements and their respective tax bases and tax loss carried forward. For the calculation of deferred tax assets and liabilities, the nominal tax rates expected to be applied when the asset is realised, or the liability is paid will be used. The nominal tax rates and tax laws used are those that are enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income.

Deferred tax assets relating to tax deficits and other tax-reducing temporary differences are recognised to the extent that it is probable that they can be applied against future taxable income.

Deferred tax liabilities related to withholding tax and other tax on dividends are recognised in connection with retained profits in associates and foreign subsidiaries when a dividend is expected to be paid in the foreseeable future.

Deferred tax liabilities for temporary differences are recognised when it is probable that the temporary difference will reverse in the foreseeable future. Deferred tax liabilities and deferred tax assets are not recognised for the initial recognition of goodwill.

The deferred tax and deferred tax assets are recognized independently of when the differences will be reversed. The deferred tax and deferred tax assets are recognized at nominal value. Tax payable and deferred tax are recognised in other comprehensive income to the extent that these relate to matters that are recognised in other comprehensive income.

LEASES

Identifying a lease

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Recognition of leases and exemptions

At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for



all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets (less than NOK 50 thousand).

For these leases, the Group recognises the lease payments as other operating expenses in the consolidated income statement when they incur.

Lease liabilities

The lease liability is recognised at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The Group determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to exercise the option, or any periods covered by an option to terminate the lease, if it is reasonably certain not to exercise the option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognises these variable lease expenses in the consolidated income statement. The Group presents its lease liabilities as separate line items in the statement of financial position.

Right-of-use assets

The Group measures the right-of-use assets at cost, less any accumulated depreciations and impairment losses, adjusted for any remeasurement of lease liabilities the cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognised.
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group.

The Group applies the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use assets, except that the right-of-use assets are depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use assets are impaired and to account for any impairment loss identified.

WARRANTY PROVISIONS, SEE NOTE 23

The Group provides warranties for general repairs of defects that existed at the time of sale. Provisions related to these warranties are recognised when the product is sold. Initial recognition is based on historical data for service work and warranty repairs. The provisions expected to be incurred within one year are classified as current liabilities, while those expected to be incurred in more than one year are classified as non-current liabilities in the consolidated statement of financial position. The estimate of the warranty provision is revised annually. Warranty costs associated with repairs are recognised through consolidated income statement as costs of materials, while instalment costs are recognised through consolidated income statement as other operating costs.

PENSIONS

The Group provides pension plans for all employees. The costs associated with the pension agreements appear as personnel expenses in the consolidated income statement. The Group's employees are members of collective defined contribution pension schemes. Payments linked to the contribution plans are recognised as a cost in the period to which the contributions relate.

Employees in Switzerland, and some employees in Norway with partial disability have a defined benefit scheme. The costs associated with these schemes are based on a linear carrying forward of pension earnings against probable accumulated liabilities at the time of accrual. A linear accrual model distributes the future accumulated liabilities linearly over the accrual period and regards the employees' accrued pensions' rights in the period as a pensions cost. Any new, or changes in existing benefits-based pension scheme results in changes to the pension liabilities. The introduction of new schemes or changes to existing schemes that appear with retrospective effect may impact the future pension liability. Any such changes are recognised through statement of comprehensive income immediately.

The effect of accrued pension benefits is divided over the remaining average accrual period. In the case of contribution plans, payments have been made to the insurance company. Once the contribution has been paid there are not further liabilities. Payments linked to the contribution plans are recognized as a cost in the period to which the contributions relate.



The AFP contractual pension scheme is a multi-employer defined benefit but is recognised as a defined contribution plan. Companies that participate in the

AFP scheme are jointly responsible for two-thirds of the payable pension. Flokk recognises this as a cost on a current basis. The pension earning period coincides with the period of employment.

Remeasurement of defined benefit plans relate to changes in the basis data, estimates and changes in assumptions, and is recognized in other comprehensive income in the period in which it occurs. Plan changes are recognised in the income statement as a single event unless the change is conditional on the employees remaining in the company. In the event of the latter, the change is amortised over the remaining pension earning period.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group enter into agreements with customers that includes terms for discount, volume bonus and delivery terms. The frame agreement part of these contracts is typically valid for 1 or 2 years, of which each specific product delivery has individual contract terms either covered by the main agreement or by separate agreement. Discount level is based on obtained sales through a bonus period, which is normally defined as a calendar year. For sales to customers without any written contracts, the terms are agreed in an order confirmation. Discount is recognized per sales order; volume bonus is estimated and accrued quarterly based on actual sales. On 31 December, the Group recognize the total volume bonus as discount in the consolidated income statement and as short-term liability in consolidated statement of financial position.

Delivery terms varies from customer to customer. Revenue is recognized to the extent that is it probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. Revenues are not recognized before all conditions associated with the sale have been met.

SALE OF GOODS

The Group sells furniture through independent retail chains, dealers, and importers. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally at agreed place of delivery. The customers have no return rights if the delivery is according to the agreed specification and quality. Revenues are recognized based on the agreed price less any discounts.

The normal credit term is 30 to 45 days upon delivery.

The Group considers whether there are other conditions in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Such conditions could be variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any). Refer also to warranty provisions above.

FREIGHT EARNINGS

The Group has income from transportation of goods, where the Group is the principal for the freight agreement.

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the grant reduces the carrying amount of the asset and is recognized in the consolidated income statement over the expected useful life of the asset as a reduction in the depreciation.

RELATED PARTIES

Parties are defined as related parties if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operational decisions. Parties are also related if they are subject to common control or common significant influence.

Consolidated companies have transactions with related parties. This is mainly purchase and sale of the Group's products, as well as administrative services. All transactions between related parties are based on the principle of "arm's length" (estimated market value).

EARNINGS PER SHARE

The Group presents earnings per share and diluted earnings per share. Earnings per share are calculated by dividing the profit for the year after non-controlling interests by the average number of outstanding shares during the period. The diluted earnings per share is the profit attributable to the equity holders of the parent divided by the average number of outstanding shares in the period, adjusted for any diluting effects.

NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of the authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- The Conceptual Framework for Financial Reporting (effective on or after 1 January 2020)
- Amendments to IFRS 3 – Definition of a Business (effective on or after 1 January 2020)



- Amendments to IAS 1 and IAS 8 – Definition of Material (effective on or after 1 January 2020)

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

The International Accounting Standards Board has issued amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments clarify:

- The meaning of right to defer settlement
- That the right to defer must exist at the end of the reporting period
- That classification is not affected by the probability that an entity will exercise its deferral right
- That the terms of a liability would not impact its classification, only if an embedded derivative is an equity instrument itself.

The amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2023. The Group does not intend to early adopt the amendments.

Amendments to IAS 8 - Definition of Accounting Estimates

IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after 1 January 2023, but earlier application is permitted. The Group does not intend to early adopt the amendments.

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NOTE 3 – BUSINESS COMBINATIONS

The Group have not acquired any business or companies in 2021.

On 9 September 2020, Flokk acquired 100% of the shares in Ring Chairtech Baltic SIA (Ring). Ring is a Latvian manufacturer, specializing in seating mechanism. The acquired company has been a supplier to Flokk for many years and the rationale for the acquisition was to secure the supply chain for a critical component.

The fair value of identifiable assets and liabilities in Ring at the date of acquisition were:

NOK (thousands)	Fair Value
Intangible assets	115
Property, plant and equipment	449
Right-of-use assets	
Deferred tax assets	575
Inventory	4,470
Trade receivables	1,320
Other receivables	56
Cash	313
Total assets	7,298
Deferred tax liabilities	550
Long-term-debt	
Trade payable	1,494
Short-term-debt	929
Total liabilities	2,973
Total identifiable net assets at fair value	4,325
Cash Payment	(4,459)
Goodwill	134

Cash flows from Ring are in Euro (EUR). Goodwill on 31 December is converted to the current closing rate. A total of NOK 886 thousand was expensed in acquisition cost in 2020 and is included in other operating expenses.

Analysis of cash flow on acquisition (in NOK thousands):	
Cash holding in Ring	313
Cash payment	(4,459)
Net cash flow	(4,146)

Ring contributed NOK 4 132 thousand to the Group's revenues and NOK 1 974 thousand to the Group's operating profit for the period 09.09.2020 - 31.12.2020.

If Ring was acquired as of 1 January 2020, this company would be included in the Group's financial statement with a total turnover of NOK 22 919 thousand and an operating profit of NOK 2 253 thousand.



NOTE 4 –ESTIMATES, ASSUMPTIONS AND SIGNIFICANT JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These estimates have been made largely based on management's subjective judgements and assumptions about the future. Future events can result in changes to these estimates.

The Group's significant accounting estimates relate to the following items:

BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS

In business combinations, the assets taken over are at fair value at the time of purchase. The various assets are valued based on acknowledged valuation methods, and goodwill is the residual in this type of purchase price allocation. Use of estimates and assumptions, which are highly instrumental, can lead to wrong assessment of split of the value between the various assets, but the sum of the total value surplus will always be consistent with the purchase price paid. Further details are disclosed in note 3.

GOODWILL

The carrying amount of goodwill in the Group is tested annually for impairment, or more often if indicators of impairment exist. Factors that indicate impairment which trigger impairment testing include the following: significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the strategy for the overall business, significant negative industry or economic trends, and significant loss of market share.

In accordance with IAS 36 Impairment of assets, the recoverable amounts of assets and companies is the higher of value in use and fair value less cost of disposal. Value in use, particularly when discounted cash flow methods are used, must in part be based on management's evaluations, including determining appropriate cash-generating units, determining the discount rate, estimated of future performance, revenue generating capacity of the assets, margins, and assumptions of the future market conditions. Recessary effects and increased macroeconomic risks

may impact the estimates of growth, future performance and discount rates used in estimating recoverable amounts of assets. This is particularly relevant in Scandinavia and Central Europe. Discount rates are impacted by several macroeconomic factors including borrowing rates, inflation assumptions and currency development.

The Group has been cautious in its projections of future cash flows to reduce the uncertainty in these estimates. Sensitivity analyses have been performed on projected earnings and the discount rate which show that there is a substantial margin (headroom) compared to carrying amounts. Management's judgements are based on historical data and its market knowledge. The business is substantially affected by the economic cycle in its main markets. The carrying value of goodwill is NOK 3 197 million (NOK 3 205 million). Further details and assumptions used are disclosed in note 7.

DEFERRED TAX ASSETS

Deferred tax assets are recognized to the extent that it is probable that the tax assets will be realised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the expected timing, the level of future taxable profits as well as tax planning strategies and the existence of taxable temporary differences. Different market conditions and the long-term nature and complexity of existing contracts, differences between actual performance and the assumptions that have been made, or future changes in these assumptions, it may be necessary to adjust tax revenues and expenses which have already been recorded. Adjustment of tax revenues and/or expenses will impact the estimated future cash flow arising from deferred tax loss carried forward. Further details are disclosed in note 14. The carrying value of deferred tax assets is NOK 160 390 thousand (NOK 155 765 thousand).

NET PENSION OBLIGATIONS

Defined benefit plans are calculated based on a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future salary adjustment, etc. could have substantial impacts on the estimated pension obligation. Similarly, changes in the selected assumptions for the return on pension assets could affect the amount of the pension assets. Significant variability in particularly the level of interest rates can have a material effect on the estimated pension obligation and expenses. The carrying value of net pension obligations is NOK 11.5 million (NOK 98.1 million).



NOTE 5 – MANAGEMENT OF CAPITAL AND FINANCIAL RISK

The Group's capital consists of equity. The Group's goal of sound financial capacity is met with this financing structure. See note 8.

Objectives and strategy

The overall objective of the Group's capital management is to be an attractive borrower through sound liquidity planning so that the Group at all times will be offered cost-effective funding at favorable conditions when comparing with similar borrowers and securities. The Group shall keep, and is keeping, good relations with at least two alternative main financing banks.

The capital management shall meet the Group's collective need of funding. Every funding decision shall be made with consideration to the Group's current need of financing, and the targets described below for capital management:

- Low funding risk
- High flexibility with reference to interest rate management and securities
- Limited administration

The Group considers that it has satisfactory access to capital. The Group's interest-bearing liabilities consists of floating-rate loans, and with the current increase in floating rates, the Group is exposed to increased funding costs. See also reference to interest rate risk in note 8.

Currency exposure associated with the Group's operations can be hedged by the expected net cash flows in the currency associated with operational factors being hedged using forward contracts. The hedge agreements are made only for a limited period of time and only to the extent that these expected cash flows are certain.





NOTE 6 – SEGMENT INFORMATION

For management purposes, the Group is organized into regions. Flokk is a manufacturer of office furniture with a full or semi-integrated value chain for all brands. When acquiring businesses, the extent to which the acquired business is to be integrated with the existing business, is determined. Fully integrated business has one common value chain, semi-integrated business has a lower degree of integration but follow the same management structure for monitoring sales performance and decision making.

The Group is a niche supplier that develops, manufactures, and sells seating for working environments. A large proportion of these products consist of multifunctional work chairs with casters. The customer structure in the regions consists of a very large number of dealers in all the main markets.

Outside the main markets, importers buy directly and sell on to dealers and end-customers. The size

of the customers varies significantly, with no customer representing 10% or more of the Group's turnover.

Management reporting is based on the Group's regions as shown below.

Northern Europe
Norway, Sweden, Denmark, Belgium, The Netherlands and Luxemburg

Central Europe
Germany, UK&Ireland, France, Switzerland, Poland, Austria, Baltic, Romania and Czech Rep. and Slovakia.

International
Rest of World including North America and South- East Asia.

Other
Ikea and Contract Manufacturing

	Northern Europe	Central Europe	International	Other	Unallocated	Consolidated
Per 31.12.2021						
Sales revenues	1,283,398	1,262,842	618,084	96,092		3,260,417
Other income, see note 26					92,218	92,218
Total operating income	1,283,398	1,262,842	618,084	96,092	92,218	3,352,635
Operating costs					2,872,882	2,872,882
Operating profit						479,753
Per 31.12.2020						
Sales revenues	1,014,062	1,151,190	650,639	113,456		2,929,347
Other income, see note 26					88,025	88,025
Total operating income	1,014,062	1,151,190	650,639	113,456	88,025	3,017,372
Operating costs					2,654,470	2,654,470
Operating profit						362,903



Other information

Transactions between the regions are priced on market terms.

The Group's financing (including finance cost, finance income and other income) and income tax are managed on group basis are not allocated to operating segments.

Sales revenues

The delivery obligation is generally considered to be fulfilled when the products are delivered at customers location or at place of instalment. Customers have no rights to return the products after they have been delivered. Normal credit time is 30 - 45 days after delivery. Income is recognized at the time of delivery only for the part of the consideration that the Group is ultimately entitled to. All fixed and variable discount is recognized upon delivery and retrospective volume bonus are included in the consolidated income statement and consolidated statement of financial position on 31 December.

Reconciliation to profit for the year

NOK (thousands)	2021	2020
Sum of regions and unallocated	479,752	362,903
Financial income	1,050,292	1,668,623
Financial expenses	-1,140,269	-1,974,499
Income tax expense	-83,394	58,989
Profit for the year	306,382	-1,962

Geographic information

NOK (thousands)	2021	2020
Revenues from external customers		
Germany	563,059	528,754
USA	404,379	487,388
Norway	353,690	265,793
Sweden	331,868	262,932
Other countries	282,288	252,812
The Netherlands	261,025	190,956
Denmark	244,949	174,637
Poland	242,668	232,753
Switzerland	178,654	170,617
Belgium	141,030	130,956
United Kingdom	130,950	135,124
France	125,856	96,625
Total sales revenues	3,260,417	2,929,347

Distribution of revenue per brand

NOK (thousands)	2021	2020
HÅG	1,062,980	858,505
RH	460,091	383,694
RBM	107,134	94,772
BMA	245,783	203,122
Giroflex	225,000	255,063
Malmstolen	94,363	61,977
Offecct	70,838	86,760
Profim	639,460	598,810
9to5 Seating	354,766	386,643
Total	3,260,417	2,929,347

Fixed assets	2021	2020
Poland	244,691	209,700
Norway	205,292	189,560
Sweden	107,139	151,032
USA	27,388	34,495
China	24,505	6,583
Switzerland	24,096	74,943
Germany	18,153	21,843
Belgium	10,039	12,939
Denmark	7,688	10,054
Latvia	7,251	9,204
UK	5,979	9,580
The Netherlands	3,709	5,707
Czech Republic	1,502	2,711
France	1,311	1,806
Australia	632	1,271
Singapore	477	439
Total	689,851	741,867

Included in fixed assets under geographic information are property, plant and equipment and right-of-use asset.



NOTE 7 – INTANGIBLE ASSETS

NOK (thousands)	Goodwill	Internal development	Other intangible assets	Total
Fiscal Year 2020				
Carrying amount 01.01.2020	3,248,482	114,758	190,405	3,553,645
Investments		7,993	403	8,397
Additions through acquisitions ¹⁾	23		5,442	5,465
Adjustment of purchase price allocation ²⁾	(24,150)			(24,150)
Translation differences	(19,058)	5,167	(1,128)	(15,019)
Impairment ³⁾		(2,397)		(2,397)
Reclassifications		(13,375)	60,476	47,101
Depreciation/amortization		(19,395)	(17,492)	(36,887)
Carrying amount 31.12.2020	3,205,297	92,752	238,107	3,536,154
Per 31.12.2020				
Initial cost	3,205,297	218,926	335,973	
Accumulated depreciation /write-downs		(126,174)	(97,865)	
Fiscal Year 2021				
Carrying amount 01.01.2021	3,205,297	92,752	238,107	3,536,139
Investments		18,629	16,710	35,340
Translation differences	(7,727)	(4,238)	(9,620)	(21,585)
Sold/Disposed		(81)	(528)	(609)
Depreciation/amortization		(16,853)	(21,386)	(38,239)
Carrying amount 31.12.2021	3,197,570	90,209	223,283	3,511,046
Per 31.12.2021				
Initial cost	3,197,570	228,397	318,886	
Accumulated depreciation /write-downs		(138,187)	(95,603)	
Useful life	Indefinite	6-15 years	4-10 years	

¹⁾ See note 3 for information on intangible assets in acquired companies.

²⁾ Adjustment of Goodwill in final PPA following the acquisition of 9to5 Seating in 2019

³⁾ An amount of NOK 2 397 thousand related to discontinued product is recognized as depreciation in the consolidated income statement on 31 December 2020

OTHER INTANGIBLE ASSETS

Other intangible assets contains customer files, trademarks, technology and distribution access acquired through acquisitions. Amortization takes place linearly over respectively 10, 10, 4 and 5 years.

Research and development and public grants

The Group performs its own research and development within the field of seating solutions. External parties within a number of fields are often used as part of this work. The Group has several external designers who are engaged in product development. In most cases the designers are compensated for their work in the form of royalties on sales of the individual product. The Group also have some designers who receive a one-time payment for their services. In both cases, the cost is presented as other operating expenses in the income statement. A not inconsiderable proportion of the total R&D costs are royalties from sales that are recognised as costs in the individual year. Development costs incurred in the period and which satisfy the criteria for asset

recognition are recognised in the statement of financial position. An impairment test is performed every year. The test uses the same preconditions for growth and return on investment and WACC as for goodwill. Costs for ongoing Development activities as per 31 December are expected to have future earnings that exceed the value recognised in the statement of financial position and expected future costs. As per 31 December 2021, the Group had 17 R&D projects ongoing of which 11 will be launched during 2022.



The Group receives government grants for research and development.

NOK (thousands)	2021	2020
Skattefunn (tax deduction of R&D)	660	712
Training grant	439	496
The Research Council of Norway	-	2,612
Grant from EU	-	419
Sum	1,099	4,238

Research and development recognised in the consolidated income statement	58,185	55,760
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GOODWILL

Goodwill distributed per enterprise purchase and CGU NOK (thousands)	Acquired in	Goodwill
Scandinavian Business Seating Holding AB	2014	524,928
Scandinavian Business Seating Holding AS	2014	1,111,592
Scandinavian Business Seating Holdco AS	2014	15
BMA Ergonomics BV	2015	38,773
Giroflex AG	2017	13,332
Offecct AB	2017	55,137
Flokk Sp. Z.o.o. (Formerly Profim Sp.)	2018	520,880
Ring Baltic SIA	2020	571
Flokk		2,265,228
Malmstolen AB	2017	49,125
9to5	2019	883,217
Total goodwill		3,197,570

The group has accumulated goodwill of NOK 3 197 555 thousand. Goodwill is the residual value consisting of the difference between the purchase price and the capitalized value of an acquired company. Goodwill is allocated in connection with acquisitions in 2014, 2015, 2017, 2018, 2019 and 2020. See note 3 for allocation of Goodwill.

The Group has identified three cash generating units (CGU's). Flokk consisting of the brands HÅG, RH, RBM, BMA, Giroflex Offecct and Profim. During 2020 the Offecct and Profim activities have been fully integrated into the Flokk matrix organisation. The manufacturing site in Turek is supporting all of the Flokk brands. The production of Giroflex and Offecct was relocated to Turek during 2021. Management is not able to report separate cash flows from Offecct and Profim CGU and have included both in the monitoring of the Flokk cash Flow performance.

The Group monitors the development, production, and distribution of these brands as one unit. Costs are not allocated to the different brands. In addition, the group has its own cash flows from the brands Malmstolen and 9to5.

Goodwill is tested for impairment annually and if impairment indicators are identified. Goodwill is tested by comparing the present value of the discounted value of future cash flows and the carrying amount. A constant growth rate has been applied throughout the time period of the cash flow projections.

Assumptions

When determining the value in use for the CGU's, the following assumptions are considered to be the most sensitive:

Revenues

Revenue development is based on the budget for 2022, development the first quarter of 2022 and management's revenue forecast for the growth in the period 2023-2025, backed by the company's strategic plan for the latter years. The expected growth is a combination of volume and price growth, relatively equally distributed. Budgets and strategic plans are approved by the Board of Directors on annual basis. Revenue estimates both in budgets and forecasts, which have a material effect on figures in the consolidated income statement and statement of cash flows, have taken into account that the group is entering a post-covid period with an expected growth rate above normal. The management has during 2021 continued to execute several cost saving initiatives throughout the group. These cost saving initiatives in combination with the expected increase in market demand post the Covid19 pandemic is expected to impact the operating profit significantly in the next 2-3 years. The long-term growth has been fixed at two per cent, reflecting the long-term rate of inflation plus a very conservative growth rate.

Gross margins

The Group expects sound gross margins in the years ahead. There are continuous improvement projects in procurement and logistics, as well as production optimization and margin optimization projects of current products. The Group has, over the past years, shown that these projects have had an effect and it is expected that this will also apply in the future. Raw material and freight cost is unstable due to global uncertainty driven by the Covid19 pandemic and the situation in Ukraine, and it is expected that management will be able to initiate measurements to compensate for the majority of these effects through a combination of improvement projects and price increases.

Weighted average cost of capital (WACC)

A low risk-free interest rate influences the WACC. The cash flow is discounted with WACC before tax. A tax rate that applies to the countries from which the cash flows arise is used when calculating the WACC before tax.



The Group has applied the following assumptions for estimating WACC:

-The long term risk-free interest rate is equivalent to the interest rate on 10 year government bonds as this corresponds with the time horizon on the relevant cash flows.

-The risk premium is 4-5% based on market research undertaken by the Norwegian Society of Financial Analysts and the recommendation from its members.

-Beta is 1.5 due to the cyclical nature of the industry
-Corporate Spread is 3.0%, where 1.25% reflects the current uncertainty in the borrowing market plus the NIBOR/STIBOR spread against a long-term risk-free interest rate.

The recoverable amounts for the cash-generating units have been determined based on the following discount rates, pre-tax:

Norway	8,63%
United States	7,61%
Sweden	6,99%

Impairment tests of goodwill

As a result of the impairment test performed in 2021, no impairment has been recognised. It is the managements

opinion that the assumptions used in the tests are the best estimate for long term market development combined with the development of the Group.

Sensitivity

Sensitivity calculations were conducted for the CGU's with different parameters, Weighted average cost of capital (WACC) added 2%, long-term growth equal to zero and the cash flows are also extrapolated using operating profit, adjusted for amortization and extraordinary cost at 2021 level. For each test, the other variables are unchanged. Calculated headroom reflects the difference between value in use and net assets including goodwill.

The tests show that the conclusions, with reasonable changes to the assumptions, do not change in relation to the fact that the group can justify its recognised goodwill. 9to5 goodwill is sensitive for growth. With no profit growth, the carrying value of Goodwill will be less than the value in use. A good performance in 2022 for the 9to5 CGU is important in order to maintain the carrying value of Goodwill.

Cash flow projections are based on extrapolating figures for 2023-2025 from estimates in the company's and the group's senior management strategy plan for 2022.



NOTE 8 - FINANCIAL INSTRUMENTS AND RISK

Market risk

The Flokk Group has centralised its financing function which has responsibility for financing, foreign currency risk, interest rate risk, credit risk and liquidity management. The Group has established guidelines for interest rates, currency and credit set out in policies.

Price risk

The Flokk Group works proactively with the risk of major changes in raw material prices. The group-wide Sourcing and Procurement process is actively structured to have dual sourcing, globally indexed priced raw material and to work closely with its suppliers as business partners in a joint effort for common value creation.

Effects of increase/reduction in selling prices and rebates:

If the group's net selling prices were 1% higher or lower in 2021 and other variables remained constant, it would have resulted in a higher or lower operating profit of NOK 32 604 thousand (NOK 29 293 thousand). If rebates on gross sales were 1% lower or higher in 2021, and other variables remained constant, it would have resulted in an increase or reduction in the operating profit of NOK 63 800 thousand (NOK 54 213 thousand). This is based on the managements estimates for reasonably possibly for change.

Foreign currency risk

NOK 2 939 million (NOK 2 685 million in 2020) of the Group's sales revenues are denominated in foreign currency. The Group has an even flow of revenues, and its sales are not generally based on a few large individual orders generating a large share of the sales. The Group invoices the customer in the customer's own currency. This means that a large share of the company's financial risk is attached to changes in exchange rates, especially in SEK, DKK, GBP, EUR, PLN, and USD. The Group has foreign currency risk connected to future cash flow in foreign currency. To limit the effect of fluctuating exchange rates, the company uses foreign currency derivatives. Normally, between 50-70% of expected net foreign currency exposure is secured through use of derivatives. However, due to the Covid-19 pandemic and uncertainty thereof, no derivatives have been entered into as per end of 2021. The forward contracts are with a large, well-known recognised finance institution in Norway and any credit risk is therefore considered minimal. These contracts are treated as ordinary derivatives where the unrealised gains and losses are recognised in the in the consolidated income statement as currency gains/losses and are recorded at fair value. The Group has investments in subsidiaries in foreign

currency where the net investments are exposed for currency risks by conversion. The Group has trade receivables, trade payables and external loans in foreign currency that are exposed for currency risk by conversion to the functional currency NOK. Some fluctuations in exchange rate are treated as ordinary course of business, but a change in foreign currency rates vs. NOK above 5% will be monitored closely by the management.

Interest rate risk

The Group's interest rate risk is primarily connected to long-term liabilities. As the net interest bearing liabilities per 31.12.21 was 47% (51% in 2020) of the consolidated statement of financial position, the profit for the year is considerably exposed to the interest level. The liabilities primarily consists of floating-rate loans. In 2021, the Group's floating-rate loans have been in NOK, EUR, and USD. With net interest-bearing liabilities of NOK 2 858 310 thousand (NOK 3 090 478 thousand in 2020), the level of interest rates significantly affects the financial expenses.

Effects of increase/reduction in interest:

If the interest was 1% weaker/stronger as per 31.12.21 and all other variables were unchanged, this would have resulted in higher/lower profit before taxes of NOK 36 881 thousand (NOK 47 624 thousand). This is based on the management estimate for reasonably possibly for change in interest.

Credit risk

The credit risk represented by contracting parties not being able to meet their obligations is regarded as low. The majority of the Group's sales are to Northern/Central Europe, with the company selling to dealers and importers with whom it has a long-standing business relationship. The Group has guidelines to ensure that outstanding accounts conform to fixed credit limits. The Group has no major credit risk linked to one particular contracting party or several contracting parties who can be regarded as a group by virtue of similarities in the credit risk. The Group has guidelines to ensure that sales are only made to customers who have not previously had significant problems with payment and outstanding accounts do not exceed fixed credit limits.

MAXIMAL EXPOSURE FOR CREDIT RISK AS PER 31.12. OF FINANCIAL INSTRUMENT:

NOK (thousands)	2021	2020
Gross trade receivables (note 16)	457,915	387,520
Other receivables	36,737	36,731
Cash and cash equivalents	733,918	818,834
Total	1,228,570	1,243,085



Liquidity risk

The Group's activities are not capital intensive and the past years, the annual investment represents 3-6% of the Group's sales. The Group regards its liquidity as good. Attention is given to the Group's liquidity throughout the year, in terms of both working capital elements and operational activities. The working capital elements have been in focus for several years and the Group has strategies, key figures and action plans that are continuously followed up on during the year. The Group

carefully considers the effects on liquidity of operational activities, projects, and investments before these are initiated, in order to retain predictability in liquidity development. The Group's focus on operational effectiveness in all parts of the value chain and close follow-up on working capital ensure that there is satisfactory liquidity for further investment in product development and market development and for servicing debt. No decision has been made to implement any measures that will change the liquidity risk.

THE GROUP'S LIABILITIES AND MATURITY PROFILE

NOK (thousands)	31/12/21	Maturity profile					2026 and later
		Total maturity	2022	2023	2024	2025	
Interest-bearing liabilities							
Bank loans	3,592,221	3,592,221	50,000	63,000	3,479,221		
Interest on bank loans		383,032	141,747	138,470	102,815		
Lease liabilities ¹⁾	226,167	252,685	54,616	44,208	37,551	26,486	89,824
Sum of interest-bearing liabilities	3,818,388	4,227,938	246,363	245,678	3,619,587	26,486	89,824
Non-interest-bearing liabilities							
Trade payables	321,369	321,369					
Other short term liabilities and provisions	347,496	347,496					
Other long term liabilities	489	489	122	122		123	
Sum of non interest-bearing liabilities	669,354	669,354	668,987	122	122	123	
Total	4,487,742	4,897,292	915,350	245,800	3,619,709	26,609	89,824

NOK (thousands)	31/12/20	Maturity profile				2025 and later
		Total maturity	2021	2022	2023	
Interest-bearing liabilities						
Bank loans	3,909,428	3,909,428	220,698	50,000	63,000	3,575,730
Interest on bank loans		570,847	154,979	152,894	150,844	112,130
Lease liabilities ¹⁾	229,790	258,170	57,759	41,973	33,247	26,880
Sum of interest-bearing liabilities	4,139,218	4,738,445	433,436	244,867	247,091	3,714,740
Non-interest-bearing liabilities						
Trade payables	258,329	258,329				
Other short term liabilities and provisions	287,192	287,192				
Other long term liabilities	1,047	1,047	262	262	262	261
Sum of non interest-bearing liabilities	546,568	546,568	545,783	262	262	261
Total	4,685,786	5,285,013	979,219	245,129	247,353	3,715,001

¹⁾ See note 22 for further reconciliation of lease liabilities.

Use of fair value

The value of cash and overdraft facility recognised in statement of financial position is approximated to fair value based on such instruments having a short repayment period. Similarly, the book value of trade receivables and trade payables is approximated to the fair value as they are included on normal conditions.

31.12.21, the fair value of forward currency exchange contracts amounted to NOK 0 (1 882) thousand. Value change recognised for 2021 was a gain of NOK 1 882 (5 224) thousand.

The Group does not practice hedge accounting. Financial derivatives are recognised at fair value. Fair value is based on statements from credit institutions. As at



FAIR VALUE HIERARCHY

NOK (thousands)	Category	Fair Value	Book Value	Fair Value	Fair Value Level *
2021					
Non-current assets					
Shares in other companies	B	205	205	205	3
Total		205	205	205	
Current assets					
Trade receivables	A		451,543	451,543	
Cash and cash equivalents			733,918	733,918	
Total			1,185,461	1,185,461	
Long-term liabilities					
Long-term interest-bearing loans	A		3,542,173	3,542,173	
Total			3,542,173	3,542,173	
Short-term liabilities					
Short-term interest-bearing loans	A		50,048	50,048	
Trade payable	A		321,369	321,369	
Total			371,417	371,417	
2020					
Non-current assets					
Shares in other companies	B	206	206	206	3
Total		206	206	206	
Current assets					
Trade receivables	A		378,911	378,911	
Derivatives	B	1,882	1,882	1,882	2
Cash and cash equivalents			818,834	818,834	
Total		1,882	1,199,505	1,199,505	
Long-term liabilities					
Long-term interest-bearing loans	A		3,688,730	3,688,730	
Total			3,688,730	3,688,730	
Short-term liabilities					
Short-term interest-bearing loans	A		220,698	220,698	
Trade payable	A		258,329	258,329	
Total			479,027	479,027	

Category:

A: Assets/liabilities at amortised cost

B: Assets/liabilities at fair value through profit and loss

*) The following hierarchy is used for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.



NOTE 9 – LOANS, MORTGAGES AND GUARANTEES

NOK (thousands)	2021	2020
Long-term interest bearing loans		
Bank loans	3,542,173	3,688,730
Borrowing costs	(26,828)	(43,726)
Shareholder loan including accrued interest	214,180	198,115
Total	3,729,525	3,843,119
Short-term interest bearing loans		
Bank loans	50,048	220,698
Borrowing costs	(14,647)	(14,647)
Total	35,401	206,051
Maturity dates down payment, interests and borrowing costs		
Within 1 year	176,363	190,332
From 2 to 5 years	3,756,467	4,060,680
5 years or later		
Interest rate and currency rates as per 31.12. is used for calculating future amortisation and interests.		
Carrying amount of loans per currency:		
NOK	113,000	163,000
EUR	2,597,088	2,722,278
USD	881,940	853,260
Total long-term	3,592,028	3,738,538
USD - Drawdown revolving credit facility		170,652
CZK - car financing	193	238
Total	3,592,221	3,909,428
Changes interest-bearing liabilities		
Per 01.01.	3,909,428	3,831,224
Down payments	(216,426)	(50,968)
Car financing	(45)	238
Loan in purchased business		968
Exchange differences on translation of loans in foreign currency	(100,736)	127,966
Per 31.12.	3,592,221	3,909,428

Changes in shareholder loan relate to accrued interest and have no cash flow effect in 2021 and 2020.

Per 31 December 2021, the loan is drawn in NOK, EUR and USD and is due in 2024. In May 2021, the drawdown of revolving credit facility of USD 20 million was repaid. The borrowing costs are capitalised and expensed over the lifetime of the loan.

The assets pledged as security are all shares in some subsidiaries, and in addition, some properties are pledged.

The loan interests are floating and have in 2021 been tied for six months at a time. The average interest rates in 2021 before margin was for the NOK-loan 0.49%, the EUR-loan 0% and USD-loan 0.22%. The interest rates correspond to the sum of relevant IBOR, and an interest margin based on the key figure NIBD/EBITDA, EBITDA/Total Net Finance Charges, and an investment limit. The margin is set every quarter according to an incremental scale in relation to key performance indicators (covenants) achieved.

At the end of 2021, the Group had a total credit facility of NOK 3 959 221 thousand (NOK 4 104 468 thousand), consisting of bank debt of NOK 3 592 221 thousand (NOK 3 909 428 thousand) and an unused bank overdraft limit of NOK 367 000 thousand (NOK 195 278 thousand). At the end of 2021, the Group also has a shareholder loan of NOK 210 256 thousand.

The bank overdraft facility is NOK 400 000 thousand. Of this, NOK 33 000 thousand has been converted into a guaranteed framework. Available funds in the form of unused credit facilities of NOK 367 000 thousand and cash at bank per 31 December 2021 of NOK 733 911 thousand, amounted to NOK 1 100 911 thousand, which constitutes about 33.8% of the sales revenues (NOK 1 013 990 thousand in 2020). The Group is currently experiencing sound profitability. The external borrowing carried out in the Group is based on the Group continuing to be profitable and solid. One goal is therefore to maintain the Group's profitability, and measures are continuously implemented to adapt cost levels to the changing income picture.



Besides the Group's strategy for future growth and profitability, the management specifically follows up the specific requirements stipulated in the agreement with the Group's main banker. Those parts of the business that particularly influence the development of these requirements (covenants) are subject to special follow up. In case of a decline in demand for Flokk's products, the Group has processes and contingency plans for rapid changes the activity levels, investments, and general

expenses to secure covenant levels. Forecasts are reviewed frequently. The bank covenants are the ratios NIBD/EBITDA, EBITDA/Total Net Finance Charges, and an investment limit. Bank covenants are calculated at the end of every quarter but monitored monthly. A renegotiation of the bank agreement was completed in December 2020 with new levels of the NIBD/EBITDA covenant going forward. The company fulfilled the covenants in the loan agreement as of 31 December 2021.





NOTE 10 – PERSONNEL EXPENSES AND AUDITOR'S FEES

NOK (thousands)	1.1-31.12.2021	1.1-31.12.2020
Personnel expenses		
Salaries	722,565	686,950
Social security contributions	102,216	104,664
Pension expenses, see note 11	14,957	37,260
Other benefits	23,101	19,812
Total personnel expenses	862,839	848,686
Average number of full-time equivalent employees	1,778	2,023
The Group has received government grants related to the Covid-19 pandemic.		
Covid 19-support	13,413	46,540
Received government grants are recognized in the income statement as a reduction in the personnel expenses.		
Loans to employees		
One employee was given a loan of USD 1 582.5 thousand in 2019. The loan is due on 26 November 2029 and free of interest. The amount is presented as other long term receivable in the statement of financial position. No other loans have been provided to employees in the Group as of 31 December 2021.		
	13,957	13,503
Audit fee - NOK (thousands) excl. VAT		
Audit fee	5,821	7,595
Other assurance fees	196	319
Tax services fees	877	2,017
Other fees	465	1,306
Total	7,359	11,237

NOTE 11 - PENSIONS

The Group provides pension plans for all employees. The pension schemes of the Norwegian companies in the Group follow the requirements in the Act on Mandatory company pensions.

On 01.12.2012, the pension agreements of all Norwegian employees were changed from a defined benefit plan to a defined contribution plan. As of 01.12.2012, employees with partial disability still have a defined-benefit scheme, the main elements of which are 60% of final pay and a 30-year earning period. The scheme also covers survivors and full disability pension. As of 31.12.2021, the defined benefit plan covered no active and 16 retired members. The Group has not provided any guarantees to employees should National Insurance benefits change. The defined benefit plan have been funded by the accumulation of funds with an insurance company. The fund invests in shares, bonds, the capital market, real estate, and hedge funds. Future return is estimated based on historical return on these investments. The future return is uncertain and is dependent of interest level, development on the stock exchange and administration of the risks. The pension liability has been calculated using a straight-line pension-earning basis. Unrealised gains and losses resulting from changes in

actuarial assumptions are distributed over the estimated remaining average pension-earning period.

For the Group's companies in other countries, defined contribution pension plans for all employees are established. Provisions have been made for the group's share of under-coverage of the old occupational pension scheme.

AFP is a benefit-based multi-employer plan in which the financing share attached to the premium is included as a defined contribution scheme. The own share linked to the scheme is booked as a cost on a current basis. The pension earning period coincides with the period of employment. The discount rate tracks the interest rate for government bonds.

The Group's employees in Switzerland have a pension scheme that falls under the provisions for defined benefit pension in accordance with IAS 19. The scheme includes all employees of Flokk AG. Pension funds are managed by a private pension fund which is independent of the companies. Following the closure of the Switzerland production site in Koblenz in December 2021, the assets and liabilities were transferred to a public pension insurance company. Following this transfer, Flokk AG was released from all obligations to retirees. The



settlement resulted in an income of NOK 18 190 thousand recognized in personnel expenses in the consolidated income statement. Prior to the settlement, an amount of NOK 23 514 thousand was contributed to the fund as an extraordinary payment.

The Pension Insurance Company guarantees under Swiss law, a minimum return on funds. As of 31.12.2021, this scheme had 21 members.

ASSUMPTIONS USED TO DETERMINE DEFINED BENEFIT OBLIGATIONS AS OF 31 DECEMBER

NOK (thousands)	2021		2020	
	CH	NO	CH	NO
Discount rate	0.35%	1.50%	0.15%	1.50%
Future salary increase	1.00%	2.00%	0.50%	2.00%
Future increase in G-multiplier		2.00%		2.00%
Return on plan assets	9.70%	1.50%	0.90%	5.60%

Parameters such as salary growth, increase in the basic amount (G) and inflation are determined in accordance with recommendations in the different countries.

The mortality estimate is based on tables for the different countries that are as up to date as possible. In Norway, the K2013 life table is used. In Switzerland, the BVG2015 GT is used. The actuarial gains and losses are recognised in other comprehensive income and are essentially related to changes in economic assumptions.

Return on pension funds are expected to be on same level in 2022. Future returns are uncertain and dependent on interest rates, stock market fluctuations and risk management. Contributions to the pension scheme for 2022 are calculated to NOK 1 907 thousand.

For the group's companies in other countries, defined contribution pension plans for all employees are established.

COMPONENTS OF NET PENSION COST

NOK (thousands)	2021		2020	
	Covered	Not covered	Covered	Not covered
Pension costs defined-contribution plan	36,546		43,530	
Pension costs defined benefit plan	(20,102)		5,215	
Net pension costs	16,444		48,744	
Changes in gross pension obligation				
Pension obligations 1 January	530,775		477,496	
Interest expenses on pension obligations	727		1,363	
Net change in social security expenses	4,690		6,330	
Contribution by plan participants	2,337		3,660	
Benefits paid during the year	(17,150)		(16,340)	
Administration costs	261		251	
Other	(3,413)		29,498	
Actuarial gains/losses	817		28,517	
(Gains) and losses on settlement	(472,242)			
Pension obligations 31 December	46,801	-	530,775	-
Changes in gross pension fund assets				
Pension plan assets (fair value) 1 January	432,720		408,711	
Return on pension plan asset	41,724		1,168	
Premium payments	5,556		9,016	
Benefits paid during the year	(17,150)		(16,340)	
Other	(817)		26,839	
Actuarial gains/losses	(16)		3,326	
Gains and (losses) on settlement	(426,743)			
Pension plan assets (fair value) 31 December	35,274		432,720	-
Net pension plan assets/(-obligations)	(11,527)	-	(98,056)	-



WEIGHTED AVERAGE ASSET ALLOCATIONS AS OF 31 DECEMBER 2021, BY ASSET CATEGORY

	2021
NOK (thousands)	
Cash	9%
Equity instruments	10%
Debt instruments	33%
Real estate	39%
Other	9%
Total	100%

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

NOK (thousands)	Land, buildings and other property	Machinery and equipment	Furniture and fittings	Assets under construction	Total
Fiscal year 2020					
Carrying amount 01.01.20	209,686	85,773	154,368	97,027	546,854
Investments	10,388	310	16,817	60,437	87,952
Acquisitions through business combinations		354	63		417
Disposals	(4,096)	(688)	(4,327)		(9,111)
Transferred assets under construction	10,037	16,506	18,343	(92,206)	(47,320)
Reclassifications	12,624	(4,331)	(19,684)	13,737	2,346
Recognised as an expense			(10,225)	(126)	(10,351)
Depreciation	(19,014)	(19,883)	(31,302)		(70,199)
Translation differences	7,005	1,755	5,507	2,546	16,813
Carrying amount 31.12.20	226,630	79,796	129,560	81,415	517,401
Per 31.12.2020					
Initial cost	558,103	706,005	643,244	81,415	1,988,767
Accumulated depreciation /write-downs	(331,473)	(626,209)	(513,684)		(1,471,366)
Carrying amount 31.12.20	226,630	79,796	129,560	81,415	517,401
Fiscal year 2021					
Carrying amount 01.01.21	226,630	79,796	129,560	81,415	517,401
Investments	2,855	724	11,524	115,964	131,067
Disposals	(74,246)	(2,951)	(7,942)	(308)	(85,447)
Transferred assets under construction	25,925	11,194	24,555	(61,674)	-
Reclassifications		517			517
Recognised as an expense			(163)	(939)	(1,102)
Depreciation	(17,002)	(19,026)	(35,441)		(71,469)
Translation differences	(10,030)	(5,329)	(4,224)	(3,692)	(23,275)
Carrying amount 31.12.21	154,132	64,925	117,869	130,766	467,692
Per 31.12.2021					
Initial cost	287,172	298,973	616,945	131,003	1,334,093
Accumulated depreciation /write-downs	(133,040)	(234,047)	(499,076)		(866,163)
Carrying amount 31.12.21	154,132	64,926	117,869	131,003	467,930
Useful life	10-25 years	6-8 years	3-10 years		

The Group has property, plants and equipment in use that are fully depreciated.

1) In furniture and fittings, tools and fixtures for the production of the Group's products are included.



NOTE 13 – OTHER OPERATING EXPENSES

NOK (thousands)	1.1 - 31.12.2021	1.1 - 31.12.2020
Premises expenses	54,584	48,325
Marketing expenses	46,749	46,753
Travelling expenses	8,619	11,046
Fees	84,244	84,078
Business acquisition expenses	-	6,852
External freight expenses	208,266	176,314
Royalty	45,469	19,931
Car expenses	11,891	12,273
IT-expenses	54,128	46,792
Other operating expenses	77,192	113,750
Total other operating expenses	591,142	566,114

The Group has received government grants related to the Covid-19 pandemic.

Covid 19-support	674	3,870
Received government grants are recognized in the consolidated income statement as a reduction in the operating expenses.		

NOTE 14 – TAXES

The major components of income tax expense are:

NOK (thousands)	2021	2020
Taxes payable on this years result, Norway	39,400	7,776
Taxes payable on this years result, abroad	49,147	40,656
Changes in deferred tax and deferred tax benefit, Norway	(5,368)	(11,549)
Changes in deferred tax and deferred tax benefit, abroad and Group	(5,883)	15,316
Taxes previous years	2,411	3,423
Income tax expense reported in the income statement	79,707	55,623

Reconciliation of the Group's tax rate.

In the following table, reported taxes are reconciled with the tax expense based on the Norwegian tax rate of 22% (22% in 2020).

The main components are:

Profit before tax	373,129	41,368
Norwegian tax rate (22%)	82,088	9,101
Change of assessment previous years 2)	310	25,372
Permanent differences	(2,105)	19,866
Effect of change in tax rate 1)	(15)	(26)
Other: differences in tax rates, currency etc.	(572)	1,310
Income tax expense	79,707	55,623
Effective tax rate	21%	134%

¹⁾ The tax rate in Sweden changed from 21.4% to 20.8% from 01.01.2021. Revaluation of deferred tax is included in change in deferred tax and deferred tax benefit, abroad and Group.

²⁾ The amount consists of changes in Income tax expenses, deferred tax and expired tax loss carry forward.

Tax rates outside Norway that deviate from 22%:



The largest effects are related to 9to5 Seating LLC. (US 29.8%) and Flokk GmbH (Germany 30%) which have higher nominal tax rates than the nominal tax rate in Norway, while Flokk AG (Switzerland 19%) and Flokk Sp. Z.o.o. (Poland 19%) have lower nominal tax rates.

Tax effect of temporary differences and tax loss carried forward as of December 31

NOK (thousands)	2021		2020	
	Temporary Difference	Deferred tax recognized in the income statement	Temporary Difference	Deferred tax recognized in the income statement
Property, plant and equipment	(474,741)	(9,350)	(524,574)	20,573
Intangible assets	(201,444)	17,597	(142,536)	22,107
Current assets	6,686	587	10,180	3,366
Liabilities and other differences	339,162	(9,233)	265,739	(36,644)
Tax loss carried forward	341,705	(19,344)	295,283	(7,659)
Pension obligations not covered	11,006	8,491	97,440	2,024
Total	22,373	(11,251)	1,532	3,767

Deferred tax are presented at gross value in the statement of financial position.

Deferred tax asset	182,143	173,873
Deferred tax	(166,417)	(165,446)
Net deferred tax	15,725	8,427

Deferred tax assets are mainly linked to temporary differences in non-current assets, intangible assets and tax losses carried forward. NOK 3,384 thousand of tax losses carried forward is due in 2023, NOK 2,299 thousand is due in 2024. Deferred tax assets on tax losses carried forward are only capitalized to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognized. For the Group, all tax-reducing temporary differences have been recognized. The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

NOK (thousands)	2021	2020
Reconciliation of deferred tax		
Opening net balance as of 01.01.	8,427	9,646
Deferred tax acquired in business combinations	-	(1,729)
Tax expense during the period recognised in consolidated income statement	11,251	(3,768)
Tax expense during the period recognised in OCI	(7,280)	4,705
Other: differences in tax rates, currency etc.	3,327	(427)
Closing net balance 31.12.	15,725	8,427
Reconciliation of taxes payable for the year ended 31.12.		
Current income tax charge	88,581	48,432
Tax payment, not settled	33,280	35,368
Prepaid income tax	(22,882)	(10,608)
Other changes	(1,261)	(3,424)
Closing balance 31.12.	97,718	69,768



NOTE 15 – INVENTORIES

The Group's total inventories include the following:

NOK (thousands)	2021	2020
Raw materials	355,431	243,059
Work in progress	43,993	50,848
Finished products	90,711	84,395
Total inventories	490,135	378,302
Inventory movements, in house production	539	31,797
Provision for obsolete inventories	13,576	23,031

An assessment of realisable value was carried out after deducting selling costs. This resulted in a total write down in inventories as at 31 December 2021 of NOK 5 330 thousand (NOK 7 277 thousand in 2020.)

NOTE 16 – TRADE RECEIVABLES AND OTHER RECEIVABLES

NOK (thousands)	2021	2020
Carrying amount	457,915	387,520
Provisions for bad debt	6,372	8,609
Total trade receivables	451,543	378,911
Prepaid expenses	31,237	29,001
Deposits	1,772	553
Other receivables	3,728	7,177
Total other receivables per 31.12	36,737	36,731
Total receivables per 31.12	488,280	415,642
Change in provision for bad debt:		
Provision per 01.01.	8,606	4,133
Change in provision during the year	(2,234)	4,476
Provision per 31.12.	6,372	8,609
Realized losses	101	372

BREAKDOWN OF TRADE RECEIVABLES BY DUE DATE

NOK (thousands)	2021	2020
Trade receivables not due	382,851	325,726
Overdue receivables 1-30 days	48,502	42,410
Overdue receivables 31-60 days	13,955	7,967
Overdue receivables over 60 days	12,607	11,417

Provisions are made for expected losses on receivables based on relevant information available at the time of reporting, including historical, current and future information in accordance with a simplified expected loss model. The provision is to be based on objective criteria.

Further, the Group utilizes external and internal credit ratings, as well as a comprehensive assessment of each individual customer.



NOTE 17 – FINANCIAL ITEMS

NOK (thousands)	1.1 - 31.12.2021	1.1 - 31.12.2020
Financial income		
Interest income	1,190	1,800
Foreign exchange gain derivatives	41,898	62,982
Other foreign exchange gain 1)	1,007,121	1,603,804
Other financial income	62	17
Total	1,050,271	1,668,603
Financial expenses		
Interest expenses	166,528	205,882
Interest expense on lease liabilities	6,150	5,163
Foreign exchange loss derivatives	41,821	67,530
Other foreign exchange loss 1)	917,936	1,692,824
Other financial expenses	23,904	18,079
Total	1,156,339	1,989,478
Net financial income/(expenses)	(106,068)	(320,875)

1) Includes currency deviation on loan in foreign currency, see note 9.

NOTE 18 – LIST OF GROUP COMPANIES

The following companies have been consolidated:

Company	Country of origin	Ownership %	Voting rights
Flokk Holding II AS	Norway		
Flokk Holding AS	Norway	100%	100%
Flokk AS	Norway	100%	100%
Flokk USA Holding AS	Norway	100%	100%
Sundveien AS	Norway	100%	100%
Malmstolen AS	Norway	100%	100%
Trispin Acquico AB	Sweden	100%	100%
Flokk AB	Sweden	100%	100%
Fastighets AB Stolhuset	Sweden	100%	100%
Malmstolen AB	Sweden	100%	100%
OFFECCT AB	Sweden	100%	100%
Flokk A/S	Denmark	100%	100%
Flokk Holding ApS	Denmark	100%	100%
Flokk GmbH	Germany	100%	100%
Flokk Holding GmbH	Germany	100%	100%
Flokk B.V.	the Netherlands	100%	100%
Flokk Limited	UK	100%	100%
Flokk Sarl	France	100%	100%
Flokk AG	Switzerland	100%	100%
Flokk NV	Belgium	100%	100%
Flokk Sp. Z o.o.	Poland	100%	100%
Flokk Asia Pte Ltd	Singapore	100%	100%
Flokk Asia Pte Ltd, Hong Kong Branch	Hong Kong	100%	100%
Habitat Ltd	Hong Kong	95.45%	95.45%
Flokk Trading (Shanghai) Co., Ltd	China	100%	100%
Zhongshan Habitat Furniture Co. Ltd	China	100%	100%
Flokk Australia Pty Ltd	Australia	100%	100%
Flokk USA, Inc.	USA	100%	100%
Flokk USA Holding LLC	USA	100%	100%
9to5 Seating LLC	USA	95.45%	95.45%
Flokk Furniture Inc.	Canada	100%	100%
SIA Ring ChairTech Baltic	Latvia	100%	100%
Flokk Česko s.r.o.	Czech Republic	100%	100%
Flokk Austria GmbH	Austria	100%	100%



NOTE 19 – SHARE CAPITAL

The company's share capital is NOK 448,097.88 divided into 2,599,375 preference shares, 100,000 preference B-shares and 27,173,817 ordinary shares, each share with a nominal value of NOK 0.015.

With the exception of the rights in § 7 in the company's articles of associations, the preference shares, preference B-shares and the ordinary shares give equal rights in the company.

Triton and Innova are shareholders in Flokk Holding II AS through their ownership in the company Spinnaker Bidco S.å.r.l. Management and Board of Directors are shareholders in Flokk Holding II AS through their ownership in the companies Spinnaker Norway MipCo AS and Spinnaker Norway Mipco 2 AS.

Overview of shareholders in Flokk Holding II AS as per 31 December 2021:

Shareholder	Ordinary shares	Preference shares	Preference B-shares
Spinnaker Bidco S.å.r.l.	21,272,728	2,515,375	100,000
Spinnaker Norway Mipco AS	3,439,924	84,000	
Spinnaker Norway MipCo 2 AS	2,461,165		
Total	27,173,817	2,599,375	100,000

NOTE 20 – EARNINGS PER SHARE

	2021	2020
Earnings per share (NOK)	9.79	(0.51)
Diluted earnings per share (NOK)	9.79	(0.51)
Profit for the year attributable to equity holders of the parent (NOK thousands)	292,458	(15,322)
Weighted average of number of shares outstanding	29,873,192	29,873,192
Weighted average of number of shares outstanding (diluted)	29,873,192	29,873,192

NOTE 21 – RELATED PARTIES

Note 18 provides information about the Group's structure, including details of the subsidiaries and the holding company.

Transactions with subsidiaries have been eliminated on consolidation and do not represent related party transactions. See note 4 in the financial statements of Flokk Holding II AS for further details.

Flokk Holding II AS owns shares in Flokk Holding AS which have been pledged as security for financing relating to Flokk Holding AS.

For compensation to key management personnel, please refer to note 25.



NOTE 22 – LEASES

The Group's lease agreements mainly relate to the lease of buildings, machinery and equipment and vehicles.

Right-of-use assets

The Group leases several assets such as offices and other facilities, machinery and equipment and vehicles.

The Group's right-of-use assets are categorised and presented in the table below:

NOK (thousands)				
Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Carrying amount of right-of-use assets 31 December 2020	196,620	6,308	21,538	224,466
Additions	25,207	1,337	6,564	33,108
Depreciation for the year	(41,590)	(2,582)	(12,434)	(56,606)
Adjustments	22,769	(51)	183	22,901
Translation differences	(1,707)	(55)	(187)	(1,949)
Carrying amount of right-of-use assets 31 December 2021	201,299	4,958	15,664	221,921
Lower of lease term or useful life	0-72 years	0-5 years	0-5 years	
Depreciation method	Linear	Linear	Linear	

Lease term of useful life of buildings are normally in the range of 5-10 year. The Group's production facility in Poland has a long term leasing agreement with a remaining life of 72 years.

Lease liabilities

Maturity analysis contractual undiscounted cash flows	2021	2020
Less than 1 year	54,616	57,759
1-2 years	44,208	41,973
2-3 years	37,551	33,247
3-4 years	26,486	26,880
4-5 years	23,094	17,214
More than 5 years	66,730	81,096
Total undiscounted lease liabilities at 31.12.	252,685	258,170
Discounting effect	(26,518)	(28,380)
Lease liabilities at 31.12	226,167	229,790
Summary of the lease liabilities		
Total lease liabilities at 01.01.	229,789	146,483
New lease liabilities recognised in the year	53,278	133,141
Cash payments for the principal portion of the lease liability	(61,034)	(61,943)
Interest expense on lease liabilities	6,150	5,163
Currency translation differences	(2,016)	6,945
Total lease liabilities at 31.12.	226,167	229,789
Current lease liabilities	53,747	57,690
Non-current lease liabilities	172,420	172,100
Total cash outflows for leases	61,034	61,943

The leases do not contain any restrictions on the Group's dividend policy or financing
The Group does not have significant residual value guarantees related to its leases to disclose.

Summary of other lease expenses recognised in the consolidated income statement

Payments of variable, short term and low value leases	55	266
Total lease expenses included in other operating expenses	55	266

Practical expedients applied

The Group also leases personal computers, IT equipment and machinery with contract terms of 1 to 3 years. The Group has elected to apply the practical expedient of low value assets for some of these leases and does not recognise lease liabilities or right-of-use assets. The

leases are instead expensed when they incur. The Group has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases, presented in the table above.



Variable lease payments

In addition to the lease liabilities above, the Group is committed to pay variable lease payments for some of their leases. The variable lease payments are expensed as incurred and not included in lease liability.

Extension options

The Group's lease of buildings has lease terms that vary from 0 years to 72 years, and several agreements involve a right of renewal which may be exercised during the last

period of the lease terms. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right.

Purchase options

The Group leases machinery and equipment and vehicles with lease terms of 3 to 5 years. None of these contracts includes a right to purchase the assets at the end of the contract term.

NOTE 23 – WARRANTY PROVISIONS

NOK (thousands)	2021	2020
Balance 01.01.	11,660	11,798
Provisions arising during the year	6,386	5,415
Provisions used	(7,020)	(5,857)
Translation difference	(394)	304
Balance 31.12.	10,632	11,660

The Group has a provision of NOK 10 632 thousand for warranty claims per 31 December 2021 for chairs sold in the past five years. The warranty costs are estimated to be paid out over the next five years. Approximately 40% of the amount is expected to be paid out within one year.

The Group has a warranty period of five years on certain Profim products, specifically the Standard series and certain Classic products. For the remaining products in the Classic series, the Group has a warranty period of three years.

The Group has a warranty period of 10 years on spare-parts for HÅG, RH and BMA products, and a warranty period of six years on RBM spare-parts. The Group has a three-year warranty period on products sold which are intended for 24/7 use.

The 9to5 products have a lifetime warranty, with the exception of the @NCE Series, the Logic Plus Large Occupant series, and products with HD (Heavy Duty) options where the Group has a warranty period of five to 10 years.

NOTE 24 – OTHER SHORT-TERM LIABILITIES

NOK (thousands)	2021	2020
Accrued salary expenses	100,567	71,454
Other accrued expenses	148,521	120,361
Total other short-term liabilities	249,088	191,815



NOTE 25 – REMUNERATION TO EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS

Payments to executives NOK (thousands)	CEO	Other members of Group Management ¹⁾	Board
2021			
Board of Directors fee			1,688
Salaries	4,727	22,180	
Bonuses	1,200	6,003	
Other benefits	144	1,505	
Pension expenses	190	5,817	
¹⁾ Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Piotr Chelmiński, Trond Langeland, Rene Sitter, Jonas Allers Wismer, Henning Karlsrud			
2020			
Board of Directors fee			1,827
Salaries	4,596	21,410	
Bonuses	360	1,522	
Other benefits	144	1,713	
Pension expenses	183	1,421	
¹⁾ Eirik Kronkvist, Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Piotr Chelmiński, Trond Langeland, Rene Sitter, Jonas Allers Wismer			

No remuneration has been paid to the Board in Flokk Holding II AS.

The CEO has an agreement for full pay for up to 24 months in the event of termination of employment by the company. There is no agreement for any remuneration in the event of the chair of the board leaving the position.

In accordance with the current bonus scheme for management and senior employees, the Group has accrued an amount of NOK 15 184 thousand in the consolidated income statement as of 31.12.21. The bonus will be due for payment in 2022. There are no option programs or agreements of share-based payment in the company.

Shares owned by management and board members in the parent company Flokk Holding II AS through the company Spinnaker Norway MipCo AS per 31.12.21:	Ordinary Shares	Preference Shares
Group Management		
Lars Ivar Røiri (Røiri Invest AS)	400,000	10,000
Lillevi Ivarson (Tunset AS)	160,000	4,000
Patrik Röstlund	80,000	2,000
René Sitter	80,000	2,000
Christian Lodgaard	48,000	1,200
Frederik Fogstad	16,000	400
Shares owned by management and board members in the parent company Flokk Holding II AS through the company Spinnaker Norway MipCo 2 AS per 31.12.21:		
Board		
Aromi Invest Oy (Esko Mikael Aro)	255,000	4,500
Pemille Stafford	34,000	600
Kristine Landmark	7,095	558
Group Management		
Piotr Chelmiński	195,500	3,450
Lars Ivar Røiri (Røiri Invest AS)	140,426	2,694
Patrik Röstlund	140,426	2,694
Aiguille AS (Henning Karlsrud)	138,565	2,985
Frederik Fogstad	127,500	2,250
Cross Invest AS (Trygve Aasland)	127,500	2,250
Zoute Invest GmbH (Rene Sitter)	83,139	1,791
Trolan AS (Trond Langeland)	65,863	3,227
Christian Lodgaard	42,500	750
Jonas Allers Wismer	42,500	750



NOTE 26 – OTHER INCOME

RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

NOK (thousands)	2021	2020
Insurance payment after fire in Turek	-	88,025
Profit from sale of property	92,218	
Net effect on consolidated income statement	92,218	88,025

NOTE 27 – EVENTS AFTER THE REPORTING DATE

No events have occurred after the balance sheet date, with or without accounting consequences, which are of such significance they could affect the presented accounts.

The Flokk group does not have any assets nor employees in Russia, Belarus, and Ukraine. Revenues from these three countries represented less than 1% of the Group's revenues, primarily supplied out of Flokk Sp. z.o.o in Poland. The situation in Ukraine will as such, not have any effects on the Group's 2021 accounts.

The Group is monitoring the ongoing war in Ukraine. The Group does not have any suppliers in any of the

countries, but the Group is monitoring the raw material prices, as the involved countries are significant producers of raw material, of which especially wood and steel are relevant to Flokk Group.

The Group's presentation currency and Flokk Holding II AS' functional currency is NOK (Norwegian Krone. In 2021, this currency fluctuation affected the consolidated income statement and consolidated statement of financial position. Please see note 8 and 9 for further information about Flokk Groups exposure and sensitivity related to changes in foreign exchange rates.



Flokk

Annual Report 2021

Flokk Holding II AS

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HÅG • PROFIM • RH • GIROFLEX • BMA • OFFECCT • RBM



Flokk Holding II AS Income statement

NOK (thousands)	Notes	2021	2020
Other operating expenses		686	682
Total operating expenses		686	682
Operating profit		(686)	(682)
Financial income	6	1 101	502
Financial expense	6	16 074	14 980
Net financial income/(expense)		(14 974)	(14 477)
Profit before tax		(15 660)	(15 159)
Income tax expense	2	(3 445)	(3 257)
Profit for the year		(12 215)	(11 903)
Information concerning:			
Transferred to other equity		(12 215)	(11 903)
Total distribution		(12 215)	(11 903)



Flokk Holding II AS - Balance Sheet

NOK (thousands)	Notes	2021	2020
ASSETS			
Deferred tax benefit		21 511	17 998
Shares in subsidiaries	<u>3, 5</u>	755 825	755 825
Total non-current assets		777 336	773 823
<hr/>			
Group contribution	<u>4</u>	1 100	500
Cash and cash equivalents		7	122
Total current assets		1 107	622
Total assets		778 443	774 445
<hr/>			
EQUITY AND LIABILITIES			
Share capital	<u>7</u>	448	448
Other paid-in equity	<u>7</u>	656 031	656 031
Total paid-in equity		656 479	656 479
Retained earnings	<u>7</u>	(92 905)	(80 690)
Total other equity		(92 905)	(80 690)
Total equity		563 574	575 789
<hr/>			
Shareholder loan	<u>4, 5</u>	214 184	198 115
Total long-term liabilities		214 184	198 115
<hr/>			
Taxes payable	<u>2</u>	68	-
Trade payable		-	63
Group payable	<u>4</u>	617	479
Total current liabilities		684	541
Total liabilities		214 868	198 656
Total equity and liabilities		778 443	774 445

31 December 2021
Oslo, 30 June 2022

Thomas Hofvenstam
Chair of the Board

Henning Karlsrud
Board member

Lars I. Røiri
CEO



Flokk Holding II AS
Cash Flow Statement

NOK (thousands)	1.1-31.12 2021	1.1-31.12 2020
Profit before tax	(15 660)	(15 159)
Group contribution not received	(1 100)	(500)
Change in payables	76	(1 208)
Accrued interest shareholder loan	16 069	14 975
Cash flow from operating activities	(615)	(1 892)
Received group contribution	500	2 000
Cash flow from financing activities	500	2 000
Cash flow for the year	(115)	108
Cash and cash equivalents at the beginning of the period	122	14
Cash and cash equivalents at the end of the period	7	122



Note 1 Accounting policies

The financial statements have been prepared in accordance with the provisions of the Accounting Act and good accounting practice in Norway. The company was founded on 28.04.2014.

Use of estimates

The management has used estimates and assumptions that have affected the income statement and the valuation of assets and liabilities, as well as assets and liabilities that are uncertain on the balance sheet date, in the preparation of the annual accounts pursuant to good accounting practice.

Currency

Transactions in foreign currencies are translated at the exchange rate at the time of the transaction. Foreign currency changes are recognised through profit and loss during the accounting period.

Tax

Tax consists of payable tax and changes in deferred tax. Deferred tax/tax assets are calculated for all differences between the accounting and tax related values of assets and liabilities. Deferred tax is calculated using 22% of the basis of the temporary differences that exist between accounting and tax related values, as well as the tax related deficit that can be carried forward at the end of the accounting year. Net deferred tax assets are recognised to the extent it is probable they can be used in the future. Payable tax and deferred tax are recognised directly against equity to the extent that the tax items relate to equity transactions.

Classification and stating of balance sheet items

Current assets and current liabilities encompass items that fall due for payment within one year of the acquisition date, and items linked to the product cycle. Other items are classified as non-current assets/non-current liabilities.

Current assets are stated at the lower of cost and fair value. Current liabilities are recognised at their nominal amount on the date they were established.

Non-current assets are stated at acquisition cost less depreciation and write-downs. Non-current liabilities are recognised in the balance sheet at their nominal amount on the date they were established.

Subsidiaries

Subsidiaries are valued in accordance with the cost method in the financial statements. Investments are stated at the cost of the shares unless they have had to be written down. They are written down to fair value when the fall in value is due to causes that it cannot be assumed will be transient and this is regarded as necessary pursuant to good accounting practice. Impairment charges are reversed when the basis for impairment no longer exists.

Dividends, group contributions and other contributions are recognised in the same year they are allocated in the subsidiary.

Cash flow statement

The cash flow statement was prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term, liquid placements.

Consolidation

Flokk Holding II AS is 100% owned by Spinnaker Bidco S.á.r.l. The group's supreme parent company is Spinnaker Holdco S.á.r.l (former Triton IV No. 10 S.á.r.l.), an investment company registered in Luxembourg. Flokk Holding II AS and subsidiaries presents consolidated financial statements for the group. The consolidated financial statements can be obtained upon request to Flokk Holding II AS, P.O.box 45 Skøyen, 0212 Oslo.



Note 2 Taxes

NOK (thousands)

Income tax expense	2021	2020
Taxes payable this years result	68	-
Change deferred tax	(3 513)	(3 257)
Income tax expense	(3 445)	(3 257)

Taxes payable

Profit before tax	(15 660)	(15 159)
Permanent differences	-	-
Carry forward losses	-	185
Waiver deduction for interest	15 967	14 975
Basis taxes payable	307	(0)
22% taxes payable	68	(0)

Profit before tax	(15 660)	(15 159)
22% taxes	(3 445)	(3 335)

Taxes due to:

Permanent differences		
Change in tax rate	-	-
Change in previous years		78
Group contribution		-
Income tax expense reported in the income statement	(3 445)	(3 257)

Specification of the basis of deferred taxes

Carry forward losses	(66 834)	(66 834)
Unutilized interest deductibility	(30 942)	(14 975)
Total temporary differences	(97 776)	(81 809)
Net deferred tax	21 511	17 998

Deferred tax benefit for 2021 is calculated by using a tax rate of 22%.



Note 3 Shares in subsidiaries

NOK (thousands)

Company	Business location	Time of acquisition	Ownership	Company's share	Equity	Profit for the year
Flokk Holding AS	Oslo	October 2014	100 %	100 %	1 856 807	130 714

Flokk Holding AS (former Scandinavian Business Seating Group Co AS) was founded in April 2014. Booked equity and net income is based on the annual accounts per 31 December 2021.



Note 4 Receivables and debts with companies within the same group and with related companies

NOK (thousands)

Liabilites	Flokk AS		Flokk Holding AS		Total	
	2021	2020	2021	2020	2021	2020
Loan to subsidiaries	492	109	125	370	617	479
Total	492	109	125	370	617	479

Liabilites	Spinnaker Norway Mipco AS		Triton Managers IV Limited		Spinnaker Bidco Sarl	
	2021	2020	2021	2020	2021	2020
Shareholder loan	960	888	205 708	190 275	3 531	3 268
Accrued interest shareholder loan	17	16	3 840	3 552	127	116
Total	978	904	209 548	193 826	3 659	3 384

Liabilites	Total	
	2021	2020
Shareholder loan	210 200	194 431
Accrued interest shareholder loan	3 985	3 684
Total	214 184	198 115

Receivables	Flokk AS	
	2021	2020
Group contribution	1 100	500
Total	1 100	500

Shareholder loan is provided by a group of investors in Triton Fund IV (LP), as well as an investment company owned by the board and management. The shareholder loan must be repaid within 10 days after written notice.



Note 5 Receivables and debts

NOK (thousands)

	2021	2020
Long term debt with maturity later than 5 years		
Shareholder loan	214 184	198 115
Total	214 184	198 115

Assets mortgaged

Shares in subsidiaries	755 825	755 825
Total	755 825	755 825

The shares in Flokk Holding AS are provided as security for financing related to Flokk Holding AS.



Note 6 Aggregated financial income/expense

NOK (thousands)	2021	2020
Financial income		
Interest income	-	0
Other financial income	1	2
Group contribution	1 100	500
Total	1 101	502
Financial expense		
Interest expense	16 069	14 975
Other financial expenses	5	5
Total	16 074	14 980
Net financial income/(expense)	(14 974)	(14 477)



Note 7 Equity

NOK (thousands)	Share capital	Other paid-in equity	Retained earnings	Sum Equity
Equity per 31.12.19	447	652 794	(68 787)	584 454
Capital increase	2	3 237		3 238
Profit for the year			(11 903)	(11 903)
Equity per 31.12.20	448	656 031	(80 690)	575 789
Profit for the year			(12 215)	(12 215)
Equity per 31.12.21	448	656 031	(92 905)	563 574

The company's share capital is NOK 448,097.88 divided into 2,599,375 preference shares, 100,000 preference B-shares and 27,173,817 ordinary shares, each share with a nominal value of NOK 0.015. With the exception of the rights in § 7 in the company's articles of associations, the preference shares, preference B-shares and the ordinary shares give equal rights in the company.

On the extraordinary general meeting on 16 April 2020, the share capital is increased by NOK 1,500 from NOK 446,597.88 to NOK 448,097.88 by issuing 100,000 preference B-shares, each with a nominal value of NOK 0.015.

Shareholders in Flokk Holding II AS at year end	No. of shares		
	Ordinary	Preference	Preference B-shares
Spinnaker Bidco S.à.r.l.	21 272 728	2 515 375	100 000
Spinnaker Norway Mipco AS	3 439 924	84 000	
Spinnaker Norway MipCo 2 AS	2 461 165		
Total	27 173 817	2 599 375	100 000



Note 8 Compensations to executives

There are no employees in Flokk Holding II AS. The company is not obliged to have compulsory collective pension plans according to the Norwegian law of compulsory collective pension. No remuneration has been paid to the CEO or the Board.

Auditor	2021	2020
NOK (thousands) excl. VAT		
Audit fee	195	263
Other assurance fees	-	94
Other fees	-	175



Note 9 Events after the balance sheet date

No events have occurred after the balance sheet date, with or without accounting consequences, which are of such significance they could affect the presented accounts.

Referring also to note 27 in the consolidated financial statements.

The annual financial statements were approved by the Board of Flokk Holding II AS on the 30 June 2022.



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Flokk Holding II AS

Opinion

We have audited the financial statements of Flokk Holding II AS (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as of 31 December 2021 and the income statement, statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as of 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.



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We have nothing to report in this regard, and in our opinion, the board of directors' report and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report - Flokk Holding II AS 2021

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 30 June 2022
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)