Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap 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:	Morten Johannessen
Dato for fastsettelse av årsregnskapet:	30.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 16.07.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		2 281 000	686 000
Sum kostnader		**2 281 000**	**686 000**
Driftsresultat		**-2 281 000**	**-686 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	2	2 240 000	1 101 000
Sum finansinntekter		**2 240 000**	**1 101 000**
Annen rentekostnad	2	17 404 000	16 075 000
Sum finanskostnader		**17 404 000**	**16 075 000**
Netto finans		**-15 164 000**	**-14 974 000**
Ordinært resultat før skattekostnad		**-17 445 000**	**-15 660 000**
Skattekostnad på ordinært resultat	3	7 253 000	-3 445 000
Ordinært resultat etter skattekostnad		**-24 698 000**	**-12 215 000**
Årsresultat		**-24 698 000**	**-12 215 000**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	3	14 715 000	21 511 000
Sum immaterielle eiendeler		**14 715 000**	**21 511 000**
Finansielle anleggsmidler			
Investering i datterselskap	4,5	755 825 000	755 825 000
Sum finansielle anleggsmidler		**755 825 000**	**755 825 000**
Sum anleggsmidler		**770 540 000**	**777 336 000**
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	6	2 240 000	1 100 000
Sum fordringer		**2 240 000**	**1 100 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		4 000	7 000
Sum bankinnskudd, kontanter og lignende		**4 000**	**7 000**
Sum omløpsmidler		**2 244 000**	**1 107 000**
SUM EIENDELER		**772 784 000**	**778 443 000**
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	2022	2021
Opptjent egenkapital			
Annen egenkapital	7	-117 603 000	-92 905 000
Sum opptjent egenkapital		**-117 603 000**	**-92 905 000**
Sum egenkapital		**538 876 000**	**563 574 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Ansvarlig lånekapital	5,6	231 557 000	214 184 000
Sum annen langsiktig gjeld		**231 557 000**	**214 184 000**
Sum langsiktig gjeld		**231 557 000**	**214 184 000**
Kortsiktig gjeld			
Leverandørgjeld		113 000	0
Betalbar skatt	3	0	68 000
Kortsiktig konserngjeld	6	2 238 000	617 000
Sum kortsiktig gjeld		**2 351 000**	**685 000**
Sum gjeld		**233 908 000**	**214 869 000**
SUM EGENKAPITAL OG GJELD		**772 784 000**	**778 443 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	6	3 719 507 000	3 260 417 000
Annen driftsinntekt	6,26		92 218 000
Sum inntekter		**3 719 507 000**	**3 352 635 000**
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer	15	-873 000	-539 000
Varekostnad		1 511 126 000	1 245 583 000
Lønnskostnad	10	893 284 000	862 839 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	7,12-22	170 250 000	174 521 000
Annen driftskostnad	10,13	744 150 000	591 143 000
Sum kostnader		**3 317 937 000**	**2 873 547 000**
Driftsresultat		**401 570 000**	**479 088 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	17	4 207 000	1 190 000
Annen finansinntekt	17	1 252 566 000	1 049 081 000
Sum finansinntekter		**1 256 773 000**	**1 050 271 000**
Annen rentekostnad	17	197 544 000	172 678 000
Annen finanskostnad	17	1 403 325 000	983 662 000
Sum finanskostnader		**1 600 869 000**	**1 156 340 000**
Netto finans		**-344 096 000**	**-106 069 000**
Ordinært resultat før skattekostnad		**57 474 000**	**373 019 000**
Skattekostnad på ordinært resultat	14	80 178 000	79 707 000
Ordinært resultat etter skattekostnad		**-22 704 000**	**293 312 000**
Årsresultat		**-22 704 000**	**293 312 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4,14	197 239 000	182 142 000
Goodwill	4,7	3 365 799 000	3 197 570 000
Andre immatrielle eiendeler	4,7	329 034 000	313 492 000
Leieavtaler	22	282 583 000	221 921 000
Sum immaterielle eiendeler		**4 174 655 000**	**3 915 125 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	12	257 313 000	154 132 000
Maskiner og anlegg	12	82 844 000	64 926 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	12	130 273 000	117 869 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	12	114 062 000	131 003 000
Sum varige driftsmidler		**584 492 000**	**467 930 000**
Finansielle anleggsmidler			
Andre fordringer	10	27 010 000	15 524 000
Sum finansielle anleggsmidler		**27 010 000**	**15 524 000**
Sum anleggsmidler		**4 786 157 000**	**4 398 579 000**
Omløpsmidler			
Varer			
Varer	15	511 385 000	490 135 000
Sum varer		**511 385 000**	**490 135 000**
Fordringer			
Kundefordringer	16	484 505 000	451 543 000
Andre fordringer	16	108 832 000	36 737 000
Sum fordringer		**593 337 000**	**488 280 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9	599 235 000	733 918 000
Sum bankinnskudd, kontanter og lignende		**599 235 000**	**733 918 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
Sum omløpsmidler		**1 703 957 000**	**1 712 333 000**
SUM EIENDELER		**6 490 114 000**	**6 110 912 000**
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		498 576 000	470 398 000
Minoritetsinteresser	3	46 610 000	44 838 000
Sum opptjent egenkapital		**545 186 000**	**515 236 000**
Sum egenkapital		**1 201 665 000**	**1 171 715 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	4,11	7 264 000	11 528 000
Utsatt skatt	14	207 349 000	166 417 000
Andre avsetninger for forpliktelser	23	3 549 000	3 020 000
Sum avsetninger for forpliktelser		**218 162 000**	**180 965 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8,9	3 710 746 000	3 515 345 000
Ansvarlig lånekapital	8,9	231 850 000	214 180 000
Øvrig langsiktig gjeld		294 000	489 000
Øvrig langsiktig gjeld	22	222 276 000	172 420 000
Sum annen langsiktig gjeld		**4 165 166 000**	**3 902 434 000**
Sum langsiktig gjeld		**4 383 328 000**	**4 083 399 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	8,9	48 353 000	35 401 000
Leasing forpliktelser	22	70 036 000	53 747 000

Konsernets balanse

Beløp i: NOK	Note	2022	2021
Leverandørgjeld		353 083 000	321 369 000
Betalbar skatt	14	93 126 000	97 785 000
Skyldige offentlige avgifter		84 119 000	90 796 000
Garantiforpliktelser	23	9 208 000	7 612 000
Annen kortsiktig gjeld	24	247 196 000	249 088 000
Sum kortsiktig gjeld		**905 121 000**	**855 798 000**
Sum gjeld		**5 288 449 000**	**4 939 197 000**
SUM EGENKAPITAL OG GJELD		**6 490 114 000**	**6 110 912 000**

Flokk

Annual Report 2022

Flokk Holding II Group

Flokk Holding II AS

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

Board of Directors' Report 2022

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, Connection and Malmstolen. Flokk has been a leader in the development of sustainable 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 (Mirfield) and China (Zhongshan). In addition, Flokk has sales offices in Norway, Sweden, Denmark, Germany, Belgium, the Netherlands, UK, France, Switzerland, Poland, USA, 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 2022, the rebuilding of the Turek manufacturing site in Poland after the fire late 2019 was finalized. A new high storage warehouse is in place which increases the space for storing components and sub-assemblies used in production. A new production and warehouse hall of 11,500 square meters was completed late 2022. This building has five loading docks for trucks; warehouse with 3,161 pallet spaces, roller conveyor lines for finished products; two foam block cutting machines; seven gluing booths; 37 assembly stations and a modern powder paint shop with its own cleaning system.

In March 2022, the opening of the Røros manufacturing plant extension took place. This building accommodate an increased capacity of mechanical production.

Structural changes

In March 2022, Flokk acquired the company Connection Seating Limited in the UK, to strengthen Flokk's position in the UK. The company founded in 1997 designs and manufactures innovative commercial furniture and has a strong portfolio within collaborative furniture. In December 2022, the official opening of Connection Seating Limited's new manufacturing facility took place. The purpose-built state of the art building, located in Mirfield, UK encompasses a head office, showroom and manufacturing facility, and will play a critical role in achieving the Group's growth ambition in becoming a leading manufacturer of high-quality workplace furniture both in the UK and Europe.

In April 2022, Flokk divested its shares in the Latvian chair mechanism manufacturer RingBaltic SIA to allocate resources towards core operations. This important mechanism manufacturing related to Flokk products is now home sourced to the Røros site.

In December 2022, changes in the legal structure were completed in Sweden where the company Offecct AB merged into Flokk AB.

Markets

2022 has been a challenging year with supply chain obstacles, global pandemic disruptions, and economic uncertainty affecting many industries. Despite the macro situation, Flokk managed to grow the sales revenue of 14% compared to 2021. The underlying organic revenue growth remains positive at 8% for 2022. The key contributing markets for revenue growth are the USA, and the UK because of the acquisition of Connection Seating Limited. USA is the Group's largest market and saw an increase of 75% through 2022. Germany, the second largest market in the Group, had sales on the same level as 2021. The Netherlands and Belgium declined 5% and 16% respectively. France had a sales growth of 23%, Switzerland was on the same sales level as 2021, while other markets had about 18% sales growth compared to 2021.

Norway and Denmark delivered all time high sales in 2022. Denmark driven by strong performance on the HÅG brand, while Norway continues to grow soft seating business on top of a strong task chair position. Sweden experienced a decline in sales compared to 2021, however with a significant development in the RH brand. In the Scandinavian markets, Flokk continues to build position as a supplier of total business seating solutions utilizing the strength of the Flokk brand portfolio. Flokk is taking a more consultative role towards our customers and partners through investments in visualization- and project sales capabilities.

In Benelux countries, the focus has been on improving the profitability through improvements in the value chain and our distribution set-up combined with price increases. Development is promising and expected to impact 2023 positively.

Flokk continues to strengthen the distribution network with fewer and deeper partnerships, and we continue to develop relationship and grow together with selected online partners.

HÅG continues to be the largest and most profitable brand in the Group. Following a very strong sales development fuelled by home office demand during the corona period in 2020 and 2021, the brand decline 4% in sales compared to 2021. The Profim brand remains the second largest brand in the Group and grew 6% in sales compared to 2021. The 9to5 Seating brand, the Group third largest brand, increased its sales with of 75% compared to 2021, after recovering from the pandemic that impacted the sales in 2021.

The Group's results

Income statement

The Flokk Group had sales revenues of NOK 3 719.5 million compared to NOK 3 260.4 million in 2021, an increase of 14.0%. Total operating income was NOK 3 719.5 million compared to NOK 3 352.6 million in 2021. The operating profit for the period was NOK 401.6 million compared to NOK 479.1 million in 2021. The operating margin in 2022 was 10.8%. Net financial expenses amounted to NOK 344.1 million compared to NOK 106.1 million in 2021. The increase in financial expenses is mainly caused by higher interest expenses, and increased loss on foreign exchange deviation on loans in foreign currency due to weaker Norwegian krone at the end of 2022 than previous year. Profit before tax amounted to NOK 57.5 million, compared to NOK 373.0 million in 2021. Profit for the year amounted to NOK -22.7 million compared to NOK 293.3 million in 2021. Profit after tax is affected by a derecognition of tax assets for past non-deductible interest cost in Flokk Holding AS. Income tax expenses increased with NOK 43,8 million following the adjustment. During 2022, the Group's profitability has been under pressure due to increased costs related to freight, commodities, energy, and higher interest expenses in addition to changes in brand mix from the previous year.

Financial position

Total investments in the Group amounted to NOK 210.0 million covering purchase of property, plant, and equipment of NOK 185.9 million and capitalised development costs of NOK 24.0 million. Acquisition of Connection Seating Limited in the UK amounted to NOK 60.2 million. Most of the Group's investments in property, plant and equipment were at the production sites in Røros, Norway, Turek, Poland and Mirfield, UK.

Total cash flow for the Group derived from operating activities amounted to NOK 221.7 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 6 490.1 million, an increase of NOK 379.2 million from the end of 2021. The equity ratio was 18.5%, compared to 19.2% end of 2021. The Group's current liabilities at the end of the year was 17.1% of its total liabilities, compared to 17.3% the year before. The total debt ratio was 81.5% vs 80.8% in 2021.

At the end of 2022, the net interest-bearing liabilities amounted to NOK 3 185.1 million, an increase of 11.4% 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 2022 with good headroom. An extension of the financing until 2027 was completed in January 2023.

At the end of 2022, the Group had a total credit line of NOK 4 151.4 million, consisting of long-term loans of NOK 3 784.4 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 2022 amounted to NOK 966.2 million.

Financial risk

Approximately 90% of the Group's sales are invoiced in currencies other than Norwegian krone, and the financial is therefore exposed to exchange rate fluctuations, especially with respect to USD, DKK, EUR, CHF, GBP, PLN, and SEK. The Group's statement of financial position 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. 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 1.4 million in 2022. Gross trade receivables as of 31 December 2022 amounted to NOK 492.7 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
Several product launches were delivered throughout 2022, following the ramp up of capacity in new product development, the return of design events, -fairs and -festivals after the pandemic, and continued growth in impact of Flokk's marketing efforts.

The HÅG Tion, launched at the end of 2021, has already proved to be a success. The chair represents a breakthrough on sustainable design with a content of 75% post-consumer recycled material by weight and it attracts substantial attention among customers, architects, and the design community. A landmark in many respects, with positive impacts well beyond the product revenue itself.

Spun out of the same strategic foundation, came the launch of HÅG Celi in third quarter 2022, a 4-legged stackable chair with low CO2 footprint, like for the HÅG Tion thanks to hitherto unachieved contents of post-consumer recycled material. Strengthening Flokk's storytelling and reputation of sustainability at scale, the repurposing of discarded snowplow markers has also been scaled up, close to 20 metric tonnes were collected and processed through 2022. At end of the year the material is ready to be launched on HÅG Celi and HÅG Tion, adding to the HÅG Capisco Puls that came first.

The Profim Revo was launched, which is the second Profim product family designed according to Flokk philosophy, that includes the 5III circular design criteria, and the new design strategy for Profim. This features a substantially higher industrialization rate than what is commonplace for the soft seating category.

For the Offecct brand, the Pauline armchair was launched and later extended with two- and three-seater sofa siblings, the Thelma acoustic wall, the bar stool NomoLe and the modular sofa Sou.

Flokk launched the Giroflex G40, a mid-range task chair for the Giroflex brand, and the iconic wooden task chair G150, that celebrated 150 years of Giroflex produced in only 150 units. The latter was selected as one of 2022's most significant design items by the Monocle magazine, among a wide range of other media attention.

The above launches, as well as the philosophy & thought leadership behind them, have been extensively communicated on panel discussions, lectures, SoMe content, and events through 2022. Into 2023, Flokk expects to benefit from the strengthened position on design these developments and activities have created.

Manufacturing and procurement operations (MPO)
Like most industries, the Flokk Group was affected by the post covid disturbances, as well the negative effects of inflation and energy. With strong efforts from the operations team, Flokk successfully mitigated the impacts on logistic difficulties, material constraints and labour availability and managed to keep all our supply chains running while maintaining both lead time and service level at the highest standard towards the markets.

The re-establishment of the factory in Turek, Poland, has progressed according to plan during 2022. The new building was approved for usage, adhering to the various required permits, and in November 2022 the ramp up of the paint line operations started. During the first quarter of 2023 the soft seating production transfer from the current building to the new one will be completed.

At the Røros site, Norway, the facility was expanded to enable more storage and mechanical production capacity. Volume increases are expected since the Røros site will provide mechanisms for all sites in the future.

In 2023, Flokk will continue to streamline and optimize our total value chain, with the greatest focus on the Turek facility, to achieve profitability requirements and maintain customer satisfaction in all markets and brands. During the summer of 2023, the second Eton system in the Turek swivel chair facility will be launched. This will improve the efficiency in material handling and production planning. Flokk will establish a new distribution set up for the Giroflex brand, moving from fully assembled to knock down deliveries, which will harmonize with the lean assembly, packaging and distribution, already established on our other brands. During first quarter of 2023, all of the Flokk UK production and distribution activities are transferred from the facility in Brixton, London, to Mirfield.

A major initiative will be made in consolidating the entire supply base, focusing on the global footprint and reshoring most of our Asian suppliers to a more local supply base. The overall ambition is to further lower the material spend, reduce transportation lead times and minimize warehouse value. Furthermore, MPO will play an important role in the strategic initiatives that lie in increased market expansion and further acquisitions, which will be a contributing factor in our successful realization of identified potentials.

Working environment, equal opportunities, and discrimination
Flokk's legal 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 digital learning, competence development and training platform Learning@Flokk. The program is compulsory for all new employees and during 2022 the program has also been implemented in Flokk's Polish organisation. The Code of Conduct is compulsory for all new employees and was also introduced in the Polish organisation late 2022. In 2023 we aim to have this introduced and signed by all employees in Connection Seating Ltd. (UK), and in 9to5 Seating (USA).

The collaboration between Flokk and the trade unions (in total seven unions represented in the Group) is based on mutual trust, open dialogue, transparency, and good collaboration. A dedicated group committee works as an important forum to share relevant information in a timely manner and lift questions for solid discussions and opinion sharing. 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 team.

Following more than two years of pandemic impact on the organisation, 2022 did not imply any temporary layoffs for Flokk. The production sites operated as normal, and the value chains were able to deliver under less strained circumstances. The company introduced a Flokk wide policy relate to the use of Home Office – Remote Work, which was positively received by employees.

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 receive equal pay before their individual work performance is assessed. For new recruits and the composition of teams/departments, Flokk aims 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 2022 where we introduced a special DEI training program for all managers and later for all employees. The purpose has been to lift focus and create further awareness around the topic. The program was well received in all parts of Flokk and highly appreciated. A roadmap was put in place and a detailed further implementation plan is being rolled out in 2023 and into 2024. The DEI topic needs constant attention.

There were no major organisational restructuring activities taking place in 2022. However, some measures were taken late in the year following the acquisition of Connection Seating Ltd in the UK with plans to further integrate the two Flokk UK based activities into 2023. In total, the workforce, however, remained stable during 2022.

At year-end 2022, the Group had 1,829 employees, of whom 741 were women and 1,088 men. This gives a women's employment ratio of 40% and a men's employment ratio of 60%. The female percentage is on the same level as for 2021. 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 2022, the Group reported a Lost Time Frequency Rate (LTIFR) of 3.8 (number of incidents involving absence*1 million/number of completed hours) and a Recordable Case Frequency Rate (RCFR) 1,3 (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.

An account of the due diligence assessments according to the Transparency Act will be published on the company's web page www.flokk.com by the end of June 2023.

External environment

The Group continuously 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 2022, Flokk's new strategic environmental certification range was concluded, landing on Type I EU Ecolabel as Flokk main ecolabel for selected products, and EPD and GREENGUARD Gold as default for every product. Update of Environmental requirements to suppliers was processed accordingly, to be launched and distributed in 2023. Further, sustainability improvements towards Product Development have been prioritized, by establishing Sustainability

Coordinators in all R&D project teams and updating our 5-III circular design guidelines.

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. 93% of the Group's electricity is renewable, with 0.3% reduction in CO_2e 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 has launched two chairs over the last years containing 73% (HÅG Tion) and 82% (HÅG Celi) recycled materials excluding packaging indicating that the strategy and its activities will give tangible results. In 2022, Flokk used 1,298 tonnes recycled plastics in its products including Turek numbers (2021: 1,328 tonnes). With 74.6% of generated waste being material recycled (2021: 70.1%) Flokk considers the 2022 target of 75% as reached.

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 2022, Flokk still had to increase number of process chemicals with 4 at Røros due to increased activity in the mechanical workshop, now producing mechanisms for brands manufactured at other sites as well (target: to remove 3 each site), with an action plan to reduce this level in 2023. The main chemical reduction target at Nässjö is related to phasing out the use of glue in a few numbers of products in our existing portfolio. The Group uses EU 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) on 33 families of products documents the products' environmental performance throughout its lifecycle from cradle to gate, by quantifying energy consumption and associated greenhouse gas emissions in the value chain. 22 of the Group's families of products carry the Nordic Swan Ecolabel, which defines strict requirements for the use of chemicals and recycled materials. 28 families of 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, an important contribution to ensure compliance with the 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 economic, environmental, and social performance, the results achieved, and how the organisation handles its corporate social responsibility through dialogue with both internal and external stakeholders.

Management changes
Mr. Piotr Chełmiński left the Flokk Group on 31 July 2022. As of 1 January 2023, Mr. Trygve Aasland left the Group Management team and is currently temporary Country Manager in Norway and responsible for selected group projects.

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 2022. Its operating expenses amounting to NOK 2 281 thousand, consisted of fees and consultancy services. The company's income consists of Group contributions from its subsidiaries. Profit before tax amounted to NOK -17 445 thousand, compared to NOK -15 660 thousand in 2021. Profit for the year amounted to NOK -24 698 thousand compared to NOK -12 215 the previous year.

At year end, Flokk Holding II AS had total assets of NOK 772 784 thousand.

Allocation of profit of the year

The board proposes that the annual profit of the year of NOK -24.7 million in Flokk Holding II AS be allocated as follows:

Transferred to other equity	NOK -24.7 million

Future prospects

Flokk is expecting the market development to be more challenging during 2023 which may cause reduced demand. To meet the challenging times, the Group is taking targeted actions to push initiatives that drives sales while at the same time implementing measures to reduce costs and safeguard liquidity. Flokk is well-positioned to continue gaining market shares in the future and our ambition is to continue to do so during 2023.

Oslo, 28 June 2023

Thomas Hofvenstam
Chair of the Board

Henning Karlsrud
Board member

Lars I. Røiri
CEO

Consolidated income statement

1 January - 31 December

NOK (thousands)	Notes	2022	2021
Sales revenues	6	3,719,507	3,260,417
Other income	6, 26	-	92,218
Total operating income		**3,719,507**	**3,352,635**
Cost of materials		1,511,126	1,245,583
Inventory movements, in-house production	15	(873)	(539)
Personnel expenses	10	893,284	862,839
Depreciation, amortization and impairment	7, 12, 22	170,250	174,521
Other operating expenses	10,13	744,150	591,143
Operating expenses		**3,317,937**	**2,873,547**
Operating profit		**401,570**	**479,088**
Financial income	17	1,256,773	1,050,270
Financial expenses	17	(1,600,869)	(1,156,339)
Net financial income (expense)		**(344,096)**	**(106,069)**
Profit before tax		**57,474**	**373,019**
Taxes	14	80,178	79,707
Profit for the year		**(22,704)**	**293,312**

Profit for the year attributable to:			
Equity holders of the parent		(24,331)	292,458
Non-controlling interests		1,627	854
Information concerning:			
Earnings per share	20	(0.81)	9.79
Diluted earnings per share	20	(0.81)	9.79

Consolidated statement of comprehensive income

1 January - 31 December

NOK (thousands)	Notes	2022	2021
Profit for the year		**(22,704)**	**293,312**
Exchange differences on translation of foreign operations		48,025	**(56,881)**
Items that may be reclassified subsequently to income		**48,025**	**(56,881)**
Remeasurement of defined benefit pension plans, net of taxes	11	4,629	31,701
Other changes		-	(15,930)
Items that will not be reclassified to income statement		**4,629**	**15,771**
Other comprehensive income, net of taxes		**52,654**	**(41,110)**
Total comprehensive income		**29,950**	**252,202**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	19	29,948	252,201
Non-controlling interests		2	1

Consolidated statement of financial position

31 December

NOK (thousands)	**Notes**	**2022**	**2021**
Assets			
Deferred tax assets	4, 14	197 239	182 142
Goodwill	4, 7	3 365 799	3 197 570
Other intangible assets	4, 7	329 034	313 492
Right-of-use assets	22	282 583	221 921
Property, plant and equipment	12	584 492	467 930
Other long term receivables	10	27 010	15 524
Total non-current assets		**4 786 157**	**4 398 579**
Inventories	15	511 385	490 135
Trade receivables	16	484 505	451 543
Other short-term receivables	16	108 833	36 737
Cash and cash equivalents	9	599 235	733 918
Total current assets		**1 703 958**	**1 712 333**
Total assets		**6 490 114**	**6 110 912**
Equity and Liabilities			
Share capital	19	448	448
Share premium		656 031	656 031
Total paid in capital		**656 479**	**656 479**
Retained earnings		498 576	470 398
Non-controlling interests	3	46 610	44 838
Total other equity		**545 186**	**515 236**
Total equity		**1 201 665**	**1 171 715**
Pension obligations	4, 11	7 264	11 528
Deferred tax liabilities	14	207 349	166 417
Warranty provisions	23	3 549	3 020
Long-term interest-bearing loans	8, 9	3 942 596	3 729 526
Lease liability	22	222 276	172 420
Other long-term liabilities		294	489
Total non-current liabilities		**4 383 328**	**4 083 399**
Short-term interest-bearing loans	8, 9	48 353	35 401
Derivatives	8	-	-
Lease liability	22	70 036	53 747
Trade payables		353 083	321 369
Taxes payable	14	93 126	97 785
Accrued liabilities		84 119	90 796
Warranty provisions	23	9 208	7 612
Other short-term liabilities	24	247 195	249 088
Total current liabilities		**905 121**	**855 798**
Total liabilities		**5 288 449**	**4 939 196**
Total equity and liabilities		**6 490 114**	**6 110 912**

31 December 2022
Oslo, 28 June 2023

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	2022	2021
Operating activities			
Profit before tax *)	7,12,22	57,474	373,019
Depreciation, amortization and impairment		170,250	174,521
Unrealised exchange rate differences		56,813	(112,177)
Profit sales assets included in profit before tax			(86,320)
Settlement pension agreement in Switzerland	11		(18,190)
Accrued interest shareholder loans		17,373	16,069
Accrued interest loans		14,039	(4,307)
Capitalised borrowing costs		16,514	16,899
Other		89	
Taxes paid	14	(77,091)	(58,670)
Cash flow from operating activities before change in working capital		**255,461**	**300,844**
Cash flow from change in working capital:			
Change in inventories		5,789	(123,877)
Change in current receivables		1,769	(95,590)
Change in payables		(2,830)	73,017
Change in current liabilities		(39,590)	84,518
Cash flow from operating activities		**220,599**	**238,912**
Investing activities			
Acquisition of business, net of cash acquired	3	(60,163)	
Purchase of property, plant and equipment	12	(185,943)	(131,048)
Capitalised development expenditures	7	(24,035)	(35,339)
Sale of shares in subsidiary		454	
Sale of intangible assets		3,022	
Sale of tangible assets		2,939	159,426
Sale of financial assets		115	15
Cash flow from investing activities		**(263,611)**	**(6,946)**
Financing activities			
Other long-term liabilities		(9,016)	(1,020)
Down payment of interest-bearing loans	9	(54,758)	(216,471)
Settlement to pension agreement in Switzerland	11		(23,514)
Payment of principal portion of lease liabilities (IFRS 16)		(62,706)	(54,884)
Cash flow from financing activities		**(126,480)**	**(295,889)**
Cash flow for the year		**(169,492)**	**(63,923)**
Cash and cash equivalents at the beginning of the period		733,918	818,834
Exchange rate differences in cash and cash equivalents		34,809	(20,993)
Cash and cash equivalents at the end of the period		**599,235**	**733,918**
Cash and cash equivalents booked as bank deposit		599,235	733,918
*) Includes			
Interest income received		4,207	1,190
Interest expenses paid		157,651	155,080
Interest portion of lease liabilities (IFRS 16)		8,457	6,150

Unrealised exchange rate difference includes NOK 0 thousand in gain (loss of NOK 1 882 thousand) on unrealised forward exhange contracts.

Consolidated statement of changes in equity

For the years ended 31 December 2021 and 2022

NOK (thousands)	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Non-controlling Interests	Total other equity	Total equity
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**
Equity 01.01.22	**448**	**656,031**	**(74,216)**	**544,614**	**44,838**	**515,236**	**1,171,715**
Profit for the year				(24,331)	1,627	(22,704)	(22,704)
Other comprehensive income			47,880	4,629	145	52,654	52,654
Equity 31.12.22	**448**	**656,031**	**(26,336)**	**524,912**	**46,610**	**545,186**	**1,201,665**

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 UK (Mirfield) 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 28 June 2023.

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 2022.

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. See note 8 for a specification of financial instruments. 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 2022

No changes in IFRS effective for the 2022 financial statement are relevant this financial year.

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 recourses 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 of 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 2014-2022. 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 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 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:

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.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies

Following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed, IASB has issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, regulated in IAS 12.15 and IAS 12.24, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations - transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after 1 January 2023.

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

On 1 March 2022 100% of the shares in Connection Seating Ltd was acquired by Flokk Ltd, a company controlled by Flokk Holding II AS. Connection Seating Ltd. is a UK based manufacturer of collaborative furniture. Head office and manufacturing operations are in Mirfield, and the vast majority of sales is in UK. By acquiring Connection Seating Ltd, the group have strengthened the UK foothold and also increased the portfolio of collaborative furniture.

The fair value of identifiable assets and liability in Connection Seating Ltd at the date of acquisition were:

NOK (thousands)	Fair Value
Intangible assets	5,461
Property, plant and equipment (note 12)	10,126
Right-of-use assets	68,921
Deferred tax assets	17,230
Inventory	17,085
Trade receivables	25,216
Other receivables	5,314
Cash	23,143
Total assets	**172,496**
Deferred tax liabilities	18,927
Long-term-debt	2,900
Lease liability	68,921
Trade payable	31,714
Short-term-debt	15,592
Total liabilities	**138,054**
Total identifiable net assets at fair value	34,442
Cash Payment	81,473
Sellers credit	2,202
Goodwill	**49,233**

The excess value, represented by purchase price minus net fair value of assets and liabilities have been allocated to Goodwill and represents the future cashflow of acquired access to new market segments for Flokk. Flokk's UK operations will be combined in one company in mid-2023. The combined business with a broader portfolio of products will create more market value than the total of the two businesses separated.

Cash flows from Connection are in British pound sterling (GBP). Goodwill on 31 December is converted to the current closing rate. A total of NOK 6 863 thousand was expensed in acquisition cost in 2022 and is included in other operating expenses.

Analysis of cash flow on acquisition (in NOK thousands):

Cash holding in Connection	23,143
Cash payment	(81,473)
Net cash flow	**(58,330)**

Connection contributed NOK 151 487 thousand to the Group's revenues and NOK 3 794 thousand to the Group's operating profit for the period 01.03.2022 - 31.12.2022.

If Connection was acquired as of 1 January 2022, this company would be included in the Group's financial statement with a total turnover of NOK 184 663 thousand and an operating profit of NOK 11 587 thousand.

Disposal in 2022
In April 2022, the group entered into an agreement for the sale of all the shares in the company Ring Chairtech Baltic SIA(Ring). Ring was acquired in 2020. The company has never been a part of Flokks core business and was acquired for the sole purpose of securing the supply chain for one of the groups most successful product. The company was sold to a group of investors for NOK 10 504 thousand. In return for the shares, the group issued a sellers note to the buyers. Cash in Ring was NOK 7 536 thousand at date of disposal. Net cash effect was NOK -7 536 thousand. In 2022 the group recorded a a gain of NOK 512 thousand related to the sale. Rings has contributed NOK 7 064 thousand to the Groups operating revenues and NOK 2 587 to the Groups operating profit for the period 01.01.2022 – 31.03.2022

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. Recessionary 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 3,366 million (NOK 3,198 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 197 million (NOK 182 million).

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 7 million (NOK 12 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

Per 31.12.2022	**Northern Europe**	**Central Europe**	**International**	**Other**	**Unallocated**	**Consolidated**
Sales revenues	1,265,220	1,539,448	904,419	10,421	-	3,719,507
Total operating income	**1,265,220**	**1,539,448**	**904,419**	**10,421**	**-**	**3,719,507**
Operating costs	-	-	-	-	3,317,937	3,317,937
Operating profit						**401,570**

Per 31.12.2021	**Northern Europe**	**Central Europe**	**International**	**Other**	**Unallocated**	**Consolidated**
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					2,873,547	2,873,547
Operating profit						**479,088**

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. Standard credit time is 30 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)	2022	2021
Sum of regions and unallocated	401,570	479,088
Financial income	1,256,773	1,050,271
Financial expenses	-1,600,869	-1,156,339
Income tax expense	-80,178	-79,707
Profit for the year	**-22,704**	**293,312**

Geographic information

NOK (thousands)	2022	2021
Revenues from external customers		
Germany	564,918	563,059
USA	709,099	404,379
Norway	365,647	353,690
Sweden	291,849	331,868
Other countries	333,406	282,288
The Netherlands	246,791	261,025
Denmark	243,094	244,949
Poland	194,988	242,668
Switzerland	179,543	178,654
Belgium	117,830	141,030
United Kingdom	317,836	130,950
France	154,507	125,856
Total sales revenues	**3,719,507**	**3,260,416**

Distribution of revenue per brand

NOK (thousands)	2022	2021
HÅG	1,016,165	1,062,980
RH	501,628	460,091
RBM	130,212	107,134
BMA	185,559	245,783
Giroflex	255,034	225,000
Malmstolen	105,211	94,363
Offecct	68,669	70,838
Profim	678,364	639,460
9to5 Seating	627,632	354,766
Connection	151,487	-
Total revenue from the brands	3,719,960	3,260,417
Other revenue	(452)	-
Total	**3,719,507**	**3,260,417**

Fixed assets	2022	2021
Poland	348,655	244,691
Norway	199,433	205,292
Sweden	99,748	107,139
USA	32,246	27,388
China	19,188	24,505
Switzerland	28,496	24,096
Germany	13,759	18,153
Belgium	9,267	10,039
Denmark	6,484	7,688
Latvia	-	7,251
UK	86,424	5,979
The Netherlands	6,742	3,709
Czech Republic	2,572	1,502
France	12,259	1,311
Australia	1,803	632
Singapore	0	477
Total	**867,075**	**689,851**

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

NOTE 7 – INTANGIBLE ASSETS

NOK (thousands)	Goodwill	Capitalised development costs	Other intangible assets	Total
Fiscal Year 2021				
Carrying amount 01.01.2021	3,205,282	92,752	238,107	3,536,141
Investments	-	18,629	16,710	35,339
Translation differences	(7,727)	(4,238)	(9,620)	(21,585)
Sold/Disposed	-	(81)	(528)	(610)
Depreciation/amortization	0	(16,853)	(21,386)	(38,239)
Carrying amount 31.12.2021	**3,197,555**	**90,209**	**223,283**	**3,511,046**
Per 31.12.2021				
Initial cost	3,197,555	228,397	318,886	
Accumulated depreciation /write-downs		(138,187)	(95,603)	
Fiscal Year 2022				
Carrying amount 01.01.2022	3,197,555	90,209	223,283	3,511,046
Investments		12,339	11,696	24,035
Additions through acquisitions1)	49,232	5,434	-	54,666
Translation differences	118,997	521	5,705	125,223
Sold/Disposed	-	(838)	-	(838)
Reclassifications	-	240	23,220	23,460
Depreciation/amortization	0	(18,576)	(24,200)	(42,776)
Carrying amount 31.12.2022	**3,365,784**	**89,330**	**239,703**	**3,694,818**
Per 31.12.2022				
Initial cost	3,365,784	265,380	362,510	
Accumulated depreciation /write-downs		(176,050)	(122,806)	
Useful life	Indefinite	6-15 years	4-10 years	

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

OTHER INTANGIBLE ASSETS
Other intangible assets contain 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 2022, the Group had 22 R&D projects ongoing of which 8 will be launched during 2023.

The Group receives government grants for research and development.

NOK (thousands)	2022	2021
Skattefunn (tax deduction of R&D)	-	660
Training grant	462	439
Grant from EU	75	-
Sum	**537**	**1,099**
Research and development recognised in the consolidated income statement	73,100	58,185

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	14,723
Offecct AB	2017	53,485
Flokk Sp. Z.o.o.	2018	538,451
Connection Seating Ltd.	2022	49,022
Flokk		**2,330,989**
Malmstolen	**2017**	**47,653**
9to5	**2019**	**987,158**
Total goodwill		3,365,799

The group has accumulated goodwill of NOK 3 365 799 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 2022. See note 3 for allocation of Goodwill.

The Group has identified three cash generating units (CGUs). Flokk consisting of the brands HÅG, RH, RBM, BMA, Giroflex Offecct, Profim and Connection. During 2023 the Connection activities will be fully integrated into the Flokk matrix organisation. The manufacturing site in Mirfield is supporting all of the Flokk brands.
Management is not able to report separate cash flows from fully integrated brands as they are combined in the total 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 CGUs, the following assumptions are considered to be the most sensitive:

Revenues
Revenue development is based on the budget for 2023, and management's revenue forecast for the growth in the period 2024-2026, backed by the company's strategic plan for the latter years. Revenue estimates both in budgets and forecast which have a material effect on figures in the consolidated income statement and statement of cash flows, have considered that the group is entering a recession and is expecting a decline in revenues for 2023. For the period 2024 to 2026 the management expect a growth above normal. The 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, the management has during 2022 continued to execute several cost saving initiatives throughout the group, also a significantly reduction in number of employees. These cost saving initiatives is expected to compensate the expected downturn in the revenues and 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% based on market research undertaken by the Norwegian Society of Financial Analysts and the recommendation from its members.
-Beta is 1.2 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	8,25%
United States	9,57%
Sweden	7,30%

Impairment tests of goodwill
As a result of the impairment test performed in 2022, 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 CGUs 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 2022 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 expected to continue into 2023 and is important in order to maintain the carrying value of Goodwill.
Cash flow projections are based on extrapolating figures for 2024-2026 from estimates in the company's and the group's senior management strategy plan for 2023.

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 2022 and other variables remained constant, it would have resulted in a higher or lower operating profit of NOK 37 195 thousand (NOK 32 604 thousand). If rebates on gross sales were 1% lower or higher in 2022 and other variables remained constant, it would have resulted in an increase or reduction in the operating profit of NOK 69 558 thousand (NOK 63 800 thousand). This is based on the managements estimates for reasonably possibly for change.

Foreign currency risk
NOK 3 370 million (NOK 2 939 million in 2021) 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 post Covid-19 pandemic uncertainty, no derivates have been entered into as per end of 2022. 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 December 2022 was 49% (47% in 2021) of the consolidated statement of financial position, the profit for the year is considerably exposed to the interest level. The liabilities primarily consists of floting-rate loans. In 2022, the Group's floating-rate loans have been in NOK, EUR, and USD. With net interest-bearing liabilities of NOK 3 185 140 thousand (2 858 310 thousand in 2021), 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 December 2022 and all other variables were unchanged, this would have resulted in higher/lower profit before taxes of NOK 36 775 thousand (NOK 36 881 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)	2022	2021
Gross trade receivables (note 16)	492,706	457,915
Other receivables	111,071	37,354
Cash and cash equivalents	599,231	733,911
Total	1,203,008	1,229,180

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.

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THE GROUP'S LIABILITIES AND MATURITY PROFILE

		Maturity profile					
NOK (thousands)	**31/12/22**	**Total maturity**	**2023**	**2024**	**2025**	**2026**	**2027 and later**
Interest-bearing liabilities							
Bank loans	3,784,371	3,784,371	63,000	332,371	128,794	147,193	3,113,013
Interest on bank loans		1,140,205	288,931	279,518	259,622	250,663	61,471
Lease liabilities*)	292,388	357,272	77,752	66,141	47,159	38,340	127,880
Sum of interest-bearing liabilities	**4,076,759**	**5,281,848**	**429,683**	**678,030**	**435,575**	**436,196**	**3,302,364**
Non-interest-bearing liabilities							
Trade payables	353,083	353,083	353,083				
Other short term liabilities and provisions	340,522	340,522	340,522				
Other long term liabilities	294	294	59	59	59	59	58
Sum of non interest-bearing liabilities	**693,899**	**693,899**	**693,664**	**59**	**59**	**59**	**58**
Total	**4,770,658**	**5,975,747**	**1,123,347**	**678,089**	**435,634**	**436,255**	**3,302,422**

		Maturity profile					
NOK (thousands)	**31/12/21**	**Total maturity**	**2022**	**2023**	**2024**	**2025**	**2026 and later**
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*)	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	321,369				
Other short term liabilities and provisions	347,496	347,496	347,496				
Other long term liabilities	489	489	122	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**

*) 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.

The Group does not practice hedge accounting. Financial derivatives are recognised at fair value. Fair value is based on statements from credit institutions. As of 31 December 2022, the fair value of forward currency exchange contracts amounted to NOK 0 (0). Value change recognised for 2022 was 0 (gain of NOK 1 882) thousand.

FAIR VALUE HIERARCHY

NOK (thousands)	Category	Fair Value	Book Value	Fair Value	Fair Value Level *
2022					
Non-current assets					
Shares in other companies	B	98	98	98	3
Total		**98**	**98**	**98**	
Current assets					
Trade receivables	A		484,505	**484,505**	
Cash and cash equivalents			599,231	599,231	
Total			**1,083,736**	**1,083,736**	
Long-term liabilities					
Long-term interest-bearing loans	A		3,721,371	3,721,371	
Total			**3,721,371**	**3,721,371**	
Short-term liabilities					
Short-term interest-bearing loans	A		63,000	63,000	
Trade payable	A		353,083	353,083	
Total			**416,083**	**416,083**	
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			733,911	733,911	
Total			**1,185,454**	**1,185,454**	
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**	

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)	2022	2021
Long-term interest bearing loans		
Bank loans	3,721,371	3,542,173
Borrowing costs	(10,332)	(26,828)
Shareholder loan including accrued interest	231,850	214,180
Total	**3,942,889**	**3,729,525**
Short-term interest bearing loans		
Bank loans	63,000	50,048
Borrowing costs	(14,647)	(14,647)
Total	**48,353**	**35,401**
Maturity dates down payment, interests and borrowing costs		
Within 1 year	337,284	176,363
From 2 to 5 years	4,560,261	3,756,467
Interest rate and currency rates as per 31.12. is used for calculating future amortisation and interests.		
Carrying amount of loans per currency:		
NOK	63,000	113,000
EUR	2,733,588	2,597,088
USD	985,730	881,940
Total long-term	**3,782,318**	**3,592,028**
GBP - Purchase for hire	1,896	
CZK - car financing	157	193
Total	**3,784,371**	**3,592,221**
Changes interest-bearing liabilities		
Per 01.01.	3,592,221	3,909,428
Down payments	(54,758)	(216,426)
Short or longterm borrowings	(9,016)	
Car financing	(36)	(45)
Purchase for hire loan	1,896	
Exchange differences on translation of loans in foreign currency	254,064	(100,736)
Per 31.12.	**3,784,371**	**3,592,221**

Changes in shareholder loan relate to accrued interest and have no cash flow effect in 2022 and 2021.

Per 31 December 2022, the loan is drawn in NOK, EUR and USD. An amendment and restatement bank agreement were signed in January 2023 with an extension of the maturity to 2027. 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 2022 been tied for six months at a time. The average interest rates in 2022 before margin was for the NOK-loan 1.91%, the EUR-loan 0.31% and USD-loan 1.59%. 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 2022, the Group had a total credit facility of NOK 4 151 371 thousand (NOK 3 959 221 thousand), consisting of bank debt of NOK 3 784 371 thousand (NOK 3 592 221 thousand) and an unused bank overdraft limit of NOK 367 000 thousand (NOK 367 000 thousand). At the end of 2022, the Group also has a shareholder loan of NOK 227 251 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 2022 of NOK 599 235, amounted to NOK 966 235 thousand, which constitutes about 26.0% of the sales revenues (NOK 1 100 911 thousand in 2021). 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 January 2023 with new levels of the covenants going forward. The company fulfilled the covenants in the loan agreement as of 31 December 2022.

NOTE 10 – PERSONNEL EXPENSES AND AUDITOR'S FEES

NOK (thousands)	1.1-31.12.2022	1.1-31.12.2021
Personnel expenses		
Salaries	729,319	722,565
Social security contributions	98,996	102,216
Pension expenses, see note 11	37,118	14,957
Other benefits	27,852	23,101
Total personnel expenses	**893,284**	**862,839**
Average number of full-time equivalent employees	1,842	1,788
The Group has received government grants related to the Covid-19 pandemic.		
Covid 19-support	-	13,413
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 2022	15,599	13,957
Audit fee - NOK (thousands) excl. VAT		
Audit fee	8,827	5,821
Other assurance fees	184	196
Tax services fees	1,092	877
Other fees	15,568	465
Total	**25,671**	**7,359**

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 31.12.2022, 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.

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 in 2021. 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 31.12.2022, this scheme had 23 members.

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.

ASSUMPTIONS USED TO DETERMINE DEFINED BENEFIT OBLIGATIONS AS OF 31 DECEMBER

	2022		2021	
NOK (thousands)	**CH**	**NO**	**CH**	**NO**
Discount rate	2.30%	3.00%	0.35%	1.50%
Future salary increase	2.00%	3.50%	1.00%	2.00%
Future increase in G-multiplier	1.50%	3.25%		2.00%
Future pension increases	0.00%	1.50%	0.00%	0.00%
Return on plan assets	2.00%	3.00%	9.70%	1.50%

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 2023. Future returns are uncertain and dependent on interest rates, stock market fluctuations and risk management. Contributions to the pension scheme for 2023 are calculated to NOK 2 096 thousand.

COMPONENTS OF NET PENSION COST

	2022		2021	
NOK (thousands)	**Covered**	**Not covered**	**Covered**	**Not covered**
Pension costs defined-contribution plan	38,381		36,546	
Pension costs defined benefit plan	(1,263)		(20,102)	
Net pension costs	**37,118**		**16,444**	
Changes in gross pension obligation				
Pension obligations 1 January	46,801		530,775	
Interest expenses on pension obligations	261		727	
Net change in social security expenses	2,518		4,690	
Contribution by plan participants	1,276		2,337	
Benefits paid during the year	(3,214)		(17,150)	
Administration costs	-		261	
Other	4,105		(3,413)	
Actuarial gains/losses	(8,596)		817	
(Gains) and losses on settlement			(472,242)	
Pension obligations 31 December	**43,152**	**-**	**46,801**	**-**
Changes in gross pension fund assets				
Pension plan assets (fair value) 1 January	35,274		432,720	
Return on pension plan asset	204		41,724	
Premium payments	3,335		5,556	
Benefits paid during the year	(3,214)		(17,150)	
Other	2,996		(817)	
Actuarial gains/losses	(2,707)		(16)	
Gains and (losses) on settlement	-		(426,743)	
Pension plan assets (fair value) 31 December	**35,888**		**35,274**	**-**
Net pension plan assets/(-obligations)	**(7,264)**	**-**	**(11,527)**	**-**

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

NOK (thousands)	2022
Cash	9%
Equity instruments	12%
Debt instruments	24%
Real estate	45%
Other	10%
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 2021					
Carrying amount 01.01.21	226,630	79,796	129,560	81,653	517,640
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	24,554	(61,674)	(1)
Reclassifications	-	517	-	-	517
Recognised as an expense	-	-	(163)	(939)	(1,102)
Depreciation	(17,002)	(19,026)	(35,441)		(71,468)
Translation differences	(10,030)	(5,329)	(4,225)	(3,692)	(23,276)
Carrying amount 31.12.21	**154,132**	**64,926**	**117,869**	**131,003**	**467,930**
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**
Fiscal year 2022					
Carrying amount 01.01.22	154,132	64,926	117,869	131,003	467,930
Investments	18,118	1,968	12,542	153,314	185,943
Acquisitions through business combinations	4,662	819	4,595	-	10,076
Sales of business	-	(188)	(90)	-	(278)
Disposals	(114)	(1,577)	(5,520)	-	(7,210)
Transferred assets under construction	82,593	31,823	31,329	(169,067)	(23,322)
Recognised as an expense	-	-	(2)	(1,989)	(1,991)
Depreciation	(10,946)	(16,601)	(31,861)	-	(59,408)
Translation differences	8,233	1,674	1,340	800	12,047
Carrying amount 31.12.22	**256,678**	**82,844**	**130,203**	**114,062**	**583,787**
Per 31.12.2022					
Initial cost	418,794	324,880	657,325	114,062	1,515,061
Accumulated depreciation /write-downs	(162,116)	(242,036)	(527,052)		(931,204)
Carrying amount 31.12.22	**256,678**	**82,844**	**130,273**	**114,062**	**583,857**
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)	1.1-31.12.2022	1.1-31.12.2021
Premises expenses	74,210	54,584
Marketing expenses	59,048	46,749
Travelling expenses	18,601	8,620
Fees	73,188	84,244
Business acquisition expenses	6,863	-
Sales comission	96,292	61,698
External freight expenses	247,084	208,266
Royalty	32,379	45,469
Car expenses	14,206	11,891
IT-expenses	56,661	54,128
Other operating expenses	65,619	15,494
Total other operating expenses	**744,150**	**591,142**

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

Covid 19-support	-	674

Received government grants are recognized in the consolidated income statement as a reduction in the operating expenses.
in the operating expenses.

NOTE 14 – TAXES

The major components of income tax expense are:

NOK (thousands)	2022	2021
Taxes payable on this years result, Norway	779	39,400
Taxes payable on this years result, abroad	53,371	49,147
Changes in deferred tax and deferred tax benefit, Norway	26,232	(5,368)
Changes in deferred tax and deferred tax benefit, abroad and Group	599	(5,883)
Taxes previous years	(802)	2,411
Income tax expense reported in the income statement	**80,178**	**79,707**

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 2021).
The main components are:

Profit before tax	57,474	373,129
Norwegian tax rate (22%)	12,644	82,088
Change of assessment previous years 2)	30,355	310
Permanent differences	4,747	(2,105)
Effect of change in tax rate 1)	1,938	(15)
Deferred tax not recognized	22,149	
Other: differences in tax rates, currency etc.	8,345	(572)
Income tax expense	**80,178**	**79,707**
Effective tax rate	**140%**	**21%**

[1)] The tax rate in United Kingdom changes from 19% to 25% in 2023. 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%:

Notes Group 38

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 31 December

NOK (thousands)	2022		2021	
	Temporary Difference	Deferred tax recognized in the income statement	Temporary Difference	Deferred tax recognized in the income statement
Property, plant and equipment	(550,830)	3,466	(474,741)	(9,350)
Intangible assets	(281,611)	18,096	(201,444)	17,597
Current assets	4,409	400	6,686	587
Liabilities and other differences	522,370	(27,026)	339,162	(9,233)
Tax loss carried forward	452,990	1,705	341,705	(19,344)
Pension obligations not covered	6,015	(24,197)	11,006	8,491
Not recognized in the statement of financial position	(247,211)	54,386		
Total	**(93,868)**	**26,830**	**22,373**	**(11,251)**

Deferred tax are presented at gross value in the statement of financial position.	2022	2021
Deferred tax asset	197,239	182,143
Deferred tax	(207,349)	(166,417)
Net deferred tax	**(10,110)**	**15,725**

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. 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. In 2022 an amount of NOK 32 237 thousand in deferred tax assets for capitalized interest expense was derecognized from the statement of financial position. An additional amount of NOK 22 149 thousand in deferred tax for non-deductible interest in 2022 was not capitalized. The total amount, NOK 54 386 thousand is included in income tax expenses in the consolidated income statement.

NOK (thousands)	2022	2021
Reconciliation of deferred tax		
Opening net balance as of 01.01.	15,725	8,427
Deferred tax acquired in business combinations	(1,299)	-
Tax expense during the period recognised in consolidated income statement	(26,830)	11,251
Tax expense during the period recognised in OCI	(1,295)	(7,280)
Other: differences in tax rates, currency etc.	3,589	3,327
Closing net balance 31.12.	**(10,110)**	**15,725**
Reconciliation of taxes payable for the year ended 31.12.		
Current income tax charge	54,150	88,581
Taxes payable acquired in business combinations	209	
Tax payment, not settled	80,535	33,280
Prepaid income tax	(44,559)	(22,882)
Other changes	186	(1,261)
Closing balance 31.12.	**90,521**	**97,718**

NOTE 15 – INVENTORIES

The Group's total inventories include the following:

NOK (thousands)	2022	2021
Raw materials	377,555	355,432
Work in progress	38,552	43,993
Finished products	95,278	90,711
Total inventories	**511,385**	**490,135**
Inventory movements, in house production	(873)	(539)
Provision for obsolete inventories	8,605	13,576

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 2022 of NOK 20 179 thousand (NOK 5 330 thousand in 2021.)

NOTE 16 – TRADE RECEIVABLES AND OTHER RECEIVABLES

NOK (thousands)	2022	2021
Carrying amount	492,706	457,915
Provisions for bad debt	8,201	6,372
Total trade receivables	**484,505**	**451,543**
Prepaid expenses	27,567	31,237
Deposits	3,477	1,772
Other receivables	77,789	4,345
Total other receivables per 31.12	**108,833**	**37,354**
Total receivables per 31.12	**593,338**	**488,897**
Change in provision for bad debt:		
Provision per 01.01.	6,372	8,606
Change in provision during the year	1,829	(2,234)
Provision per 31.12.	**8,201**	**6,372**
Realized losses	1,383	101

BREAKDOWN OF TRADE RECEIVABLES BY DUE DATE

NOK (thousands)	2022	2021
Trade receivables not due	383,521	382,851
Overdue receivables 1-30 days	67,083	48,502
Overdue receivables 31-60 days	14,394	13,844
Overdue receivables over 60 days	19,508	12,607

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)	1.1-31.12.2022	1.1-31.12.2021
Financial income		
Interest income	4,207	1,190
Foreign exchange gain derivatives	64,949	41,898
Other foreign exchange gain 1)	1,187,122	1,007,121
Other financial income	494	62
Total	**1,256,773**	**1,050,271**
Financial expenses		
Interest expenses	189,094	166,528
Interest expense on lease liabilities	8,450	6,150
Foreign exchange loss derivatives	63,505	41,821
Other foreign exchange loss 1)	1,315,451	917,936
Other financial expenses	24,369	23,904
Total	**1,600,869**	**1,156,339**
Net financial income/(expenses)	**(344,096)**	**(106,068)**

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%
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%
Connection Seating 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%
Flokk Česko s.r.o.	Czech Republic	100%	100%
Flokk Austria GmbH	Austria	100%	100%

NOTE 19 – SHARE CAPITAL

As of 31 December 2022, 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.à.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 2022:

Shareholder	Ordinary shares	Preference shares	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 20 – EARNINGS PER SHARE

NOK (thousands)	2022	2021
Earnings per share	(0.81)	9.79
Diluted earnings per share	(0.81)	9.79
Profit for the year attributable to equity holders of the parent	(24,331)	292,459
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 19 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 6 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 2021	**201,299**	**4,958**	**15,664**	**221,921**
Additions	96,028	-	17,914	113,942
Depreciation for the year	(54,265)	(2,217)	(11,630)	(68,113)
Adjustments	6,163	565	2,224	8,953
Translation differences	5,334	131	415	5,880
Carrying amount of right-of-use assets 31 December 2022	**254,558**	**3,438**	**24,587**	**282,583**
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	**2022**	**2021**
Less than 1 year	77,752	54,616
1-2 years	66,141	44,208
2-3 years	47,159	37,551
3-4 years	38,340	26,486
4-5 years	21,751	23,094
More than 5 years	106,129	66,730
Total undiscounted lease liabilities at 31.12.	**357,272**	**252,685**
Discounting effect	(64,884)	(26,518)
Lease liabilities at 31.12	**292,388**	**226,167**
Summary of the lease liabilities		
Total lease liabilities at 01.01.	226,167	229,789
New lease liabilities recognised in the year	122,147	53,278
Cash payments for the principal portion of the lease liability	(71,084)	(61,034)
Interest expense on lease liabilities	8,450	6,150
Currency translation differences	6,707	(2,016)
Total lease liabilities at 31.12.	**292,388**	**226,167**
Current lease liabilities	70,036	53,747
Non-current lease liabilities	222,276	172,420
Total cash outflows for leases	**71,171**	**61,034**

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	204	266
Total lease expenses included in other operating expenses	**204**	**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)	2022	2021
Balance 01.01.	10,632	11,660
Provisions arising during the year	14,861	6,386
Provisions used	(12,995)	(7,021)
Translation difference	260	(394)
Balance 31.12.	**12,758**	**10,632**

The Group has a provision of NOK 12 758 thousand for warranty claims per 31 December 2022 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 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 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 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)	2022	2021
Accrued salary expenses	86,646	100,567
Other accrued expenses	160,549	148,520
Total other short-term liabilities	**247,195**	**249,088**

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

Payments to executives NOK (thousands)	CEO	Other members of Group Management[1]	Board
2022			
Board of Directors fee			1,824
Salaries	5,639	23,155	
Bonuses	1,805	10,539	
Other benefits	236	1,422	
Pension expenses	211	1,801	
Severance pay		6,519	

[1] Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Trond Langeland, Rene Sitter, Jonas Allers Wismer, Henning Karlsrud, Piotr Chełmiński (until 31 July 2022).

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 Chełmiński, Trond Langeland, Rene Sitter, Jonas Allers Wismer, Henning Karlsrud

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 5 673 thousand in the consolidated income statement as of 31.12.22. The bonus will be due for payment in 2023. There are no option programs or agreements of share-based payment in the company.

Shares owned by management and board members in Flokk Holding II AS through the company Spinnaker Norway MipCo AS per 31.12.22:	Ordinary Shares	Preference Shares
Group Management		
Røiri Invest AS (Lars Ivar Røiri)	400,000	10,000
Tunset AS (Lillevi Ivarson)	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 Flokk Holding II AS through the company Spinnaker Norway MipCo 2 AS per 31.12.22:	Ordinary Shares	Preference Shares
Board		
Aromi Invest Oy (Esko Mikael Aro)	255,000	4,500
Pernille Stafford	34,000	600
Kristine Landmark	7,095	558
Group Management		
Røiri Invest AS (Lars Ivar Røiri)	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)	2022	2021
Profit from sale of property	-	92,218
Net effect on consolidated income statement	**-**	**92,218**

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 Group’s senior secured term and revolving facilities agreement made an amendment and restatement agreement in January 2023.

An agreement to purchase the minority part of the shares in 9to5 Seating LLC and Habitat Ltd is made and was carried out in April 2023.

The Flokk group does not have any assets nor employees in Russia, Belarus, and Ukraine. 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 situation in Ukraine will as such, not have any effects on the Group’s 2022 accounts.

The Group's presentation currency and Flokk Holding AS' functional currency is NOK (Norwegian Krone). In 2022, 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.

On 3 May, 2023, Flokk was acquired by Triton IV Continuation Fund, a fund managed by Triton. In connection with the acquisition, a portion of the group’s debt was converted to equity.

Annual Report 2022

Flokk Holding II AS

Org.no. 913 808 991

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

Flokk Holding II AS
Income statement

NOK (thousands)	Notes	2022	2021
Other operating expenses		2 281	686
Total operating expenses		**2 281**	**686**
Operating profit		**(2 281)**	**(686)**
Financial income	2	2 240	1 101
Financial expense	2	17 404	16 074
Net financial income/(expense)		**(15 164)**	**(14 974)**
Profit before tax		**(17 445)**	**(15 660)**
Income tax expense	3	7 253	(3 445)
Profit for the year		**(24 698)**	**(12 215)**

Information concerning:		
Transferred to other equity	(24 698)	(12 215)
Total distribution	(24 698)	(12 215)

Flokk Holding II AS - Balance Sheet

NOK (thousands)	Notes	2022	2021
ASSETS			
Deferred tax benefit	3	14 715	21 511
Shares in subsidiaries	4, 5	755 825	755 825
Total non-current assets		**770 540**	**777 336**
Group contribution	6	2 240	1 100
Cash and cash equivalents		4	7
Total current assets		**2 244**	**1 107**
Total assets		**772 784**	**778 443**
EQUITY AND LIABILITIES			
Share capital	7	448	448
Other paid-in equity	7	656 031	656 031
Total paid-in equity		**656 479**	**656 479**
Retained earnings	7	(117 603)	(92 905)
Total other ecquity		**(117 603)**	**(92 905)**
Total equity		**538 876**	**563 574**
Shareholder loan	5, 6	231 557	214 184
Total long-term liabilities		**231 557**	**214 184**
Taxes payable	3	-	68
Trade payable		113	-
Group payable	6	2 239	617
Total current liabilities		**2 352**	**684**
Total liabilities		**233 908**	**214 868**
Total equity and liabilities		**772 784**	**778 443**

31 December 2022
Oslo, 28 June 2023

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 2022**	**1.1-31.12 2021**
Profit before tax	(17 445)	(15 660)
Paid taxes	(525)	
Group contribution not received	(2 240)	(1 100)
Change in payables	1 735	76
Accrued interest shareholder loan	17 373	16 069
Cash flow from operating activities	**(1 103)**	**(615)**
Received group contribution	1 100	500
Cash flow from financing activities	**1 100**	**500**
Cash flow for the year	(3)	(115)
Cash and cash equivalents at the beginning of the period	7	122
Cash and cash equivalents at the end of the period	**4**	**7**

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 Aggregated financial income/expense

NOK (thousands)	2022	2021
Financial income		
Interest income	0	-
Other financial income	0	1
Group contribution	2 240	1 100
Total	**2 240**	**1 101**
Financial expense		
Interest expense	17 393	16 069
Other financial expenses	11	5
Total	**17 404**	**16 074**
Net financial income/(expense)	**(15 164)**	**(14 974)**

Note 3 Taxes
NOK (thousands)

Income tax expense	**2022**	**2021**
Taxes payable this years result	-	68
Change previous years	457	
Change deferred tax	**6 796**	**(3 513)**
Income tax expense	**7 253**	**(3 445)**
Taxes payable		
Profit before tax	(17 445)	(15 660)
Permanent differences	20	-
Carry forward losses	52	-
Waiver deduction for interest	17 373	15 967
Basis taxes payable	0	307
22% taxes payable	**0**	**68**
Profit before tax	(17 445)	(15 660)
22% taxes	(3 838)	(3 445)
Taxes due to:		
Permanent differences	4	
Change in previous years	457	
Change in interest deductibility	10 629	
Income tax expense reported in the income statement	**7 253**	**(3 445)**
Specification of the basis of deferred taxes		
Carry forward losses	(66 887)	(66 834)
Unutilized interest deductibility	-	(30 942)
Total temporary differences	(66 887)	(97 776)
Net deferred tax	14 715	21 511

Deferred tax benefit for 2022 is calculated by using a tax rate of 22%.

Note 4 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 %	1 784 157	72 651

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 2022.

Note 5 Receivables and debts

NOK (thousands)

	2022	2021
Long term debt with maturity later than 5 years		
Shareholder loan	231 557	214 184
Total	231 557	214 184

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

NOK (thousands)

	Flokk AS		Flokk Holding AS		Total	
Liabilites	2022	2021	2022	2021	2022	2021
Loan to subsidiaries	2 239	492	-	125	2 239	617
Total	2 239	492	-	125	**2 239**	**617**

	Spinnaker Norway Mipco AS		Triton Managers IV Limited		Spinnaker Bidco Sarl	
Liabilites	2022	2021	2022	2021	2022	2021
Shareholder loan	1 038	960	222 393	205 708	3 820	3 531
Accrued interest shareholder loan	19	17	4 151	3 840	135	127
Total	1 057	978	226 545	209 548	3 955	3 659

	Total	
Liabilites	2022	2021
Shareholder loan	227 251	210 200
Accrued interest shareholder loan	4 305	3 985
Total	**231 557**	**214 184**

	Flokk AS	
Receivables	2022	2021
Group contribution	2 240	1 100
Total	**2 240**	**1 100**

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 7 Equity

NOK (thousands)	Share capital	Other paid-in equity	Retained earnings	Sum Equity
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**
Profit for the year			(24 698)	**(24 698)**
Equity per 31.12.22	**448**	**656 031**	**(117 603)**	**538 876**

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 acticles 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.

		No. of shares	
Shareholders in Flokk Holding II AS at year end 31.12.2022	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	**2022**	**2021**
NOK (thousands)		
Audit fee	224	195
Audit related services	865	-
Other fees	532	-

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 28.06.2023.

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Flokk Holding II AS

Report on the audit of the financial statements

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 at 31 December 2022 and the income statement and statement of cash flows 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 statement of financial position as at 31 December 2022, 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 at 31 December 2022 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 at 31 December 2022 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 the 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 contains 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is 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.

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- 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.
- 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, 29 June 2023
ERNST & YOUNG AS

Anja Maan
State Authorised Public Accountant (Norway)

Skatteetaten

Our date	Din/Your date	Inquiries to
09.12.2019	23.10.2019	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

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

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.