



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Morten Johannessen
Dato for fastsettelse av årsregnskapet: 18.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 21.07.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		682 000	575 000
Sum kostnader		682 000	575 000
Driftsresultat		-682 000	-575 000
Finansinntekter og finanskostnader			
Annen renteinntekt	6	502 000	2 008 000
Sum finansinntekter		502 000	2 008 000
Annen rentekostnad	6	14 980 000	16 885 000
Sum finanskostnader		14 980 000	16 885 000
Netto finans		-14 478 000	-14 877 000
Ordinært resultat før skattekostnad		-15 160 000	-15 452 000
Skattekostnad på ordinært resultat	2	-3 257 000	235 000
Ordinært resultat etter skattekostnad		-11 903 000	-15 687 000
Årsresultat		-11 903 000	-15 687 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	2	17 998 000	14 741 000
Sum immaterielle eiendeler		17 998 000	14 741 000
Finansielle anleggsmidler			
Investering i datterselskap	3,5	755 825 000	755 825 000
Sum finansielle anleggsmidler		755 825 000	755 825 000
Sum anleggsmidler		773 823 000	770 566 000
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	4	500 000	2 000 000
Sum fordringer		500 000	2 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		122 000	15 000
Sum bankinnskudd, kontanter og lignende		122 000	15 000
Sum omløpsmidler		622 000	2 015 000
SUM EIENDELER		774 445 000	772 581 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	7	448 000	447 000
Annen innskutt egenkapital	7	656 031 000	652 794 000
Sum innskutt egenkapital		656 479 000	653 241 000



Balanse

Beløp i: NOK	Note	2020	2019
Opptjent egenkapital			
Annen egenkapital	7	-80 690 000	-68 787 000
Sum opptjent egenkapital		-80 690 000	-68 787 000
Sum egenkapital		575 789 000	584 454 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Ansvarlig lånekapital	4,5	198 115 000	186 378 000
Sum annen langsiktig gjeld		198 115 000	186 378 000
Sum langsiktig gjeld		198 115 000	186 378 000
Kortsiktig gjeld			
Leverandørgjeld		62 000	
Kortsiktig konserngjeld	4	479 000	1 749 000
Sum kortsiktig gjeld		541 000	1 749 000
Sum gjeld		198 656 000	188 127 000
SUM EGENKAPITAL OG GJELD		774 445 000	772 581 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	6	2 929 347 000	3 015 477 000
Annen driftsinntekt	26	88 025 000	146 773 000
Sum inntekter		3 017 372 000	3 162 250 000
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer	15	-31 797 000	11 457 000
Varekostnad		1 093 663 000	1 178 318 000
Lønnskostnad	10	848 686 000	915 148 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	7,12,2 2	178 463 000	232 709 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4,7		2 977 000
Annen driftskostnad	10,13	566 114 000	547 115 000
Sum kostnader		2 655 129 000	2 887 724 000
Driftsresultat		362 243 000	274 526 000
Finansinntekter og finanskostnader			
Annen renteinntekt	17	1 800 000	2 026 000
Annen finansinntekt	17	1 666 803 000	473 634 000
Sum finansinntekter		1 668 603 000	475 660 000
Annen rentekostnad	17	211 045 000	144 847 000
Annen finanskostnad	17	1 778 433 000	466 075 000
Sum finanskostnader		1 989 478 000	610 922 000
Netto finans		-320 875 000	-135 262 000
Ordinært resultat før skattekostnad		41 368 000	139 264 000
Skattekostnad på ordinært resultat	14	55 623 000	17 609 000
Ordinært resultat etter skattekostnad		-14 255 000	121 655 000
Årsresultat		-14 255 000	121 655 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4,14	173 873 000	128 571 000
Goodwill	4,7	3 205 297 000	3 248 482 000
Andre immaterielle eiendeler	4,7	330 860 000	305 163 000
Leieavtaler	22	224 466 000	144 598 000
Sum immaterielle eiendeler		3 934 496 000	3 826 814 000
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	12	226 630 000	209 686 000
Maskiner og anlegg	12	79 796 000	85 774 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	12	129 560 000	154 368 000
Anlegg under utførelse	12	81 415 000	97 027 000
Sum varige driftsmidler		517 401 000	546 855 000
Finansielle anleggsmidler			
Finansielle anleggsmidler		14 675 000	15 475 000
Sum finansielle anleggsmidler		14 675 000	15 475 000
Sum anleggsmidler		4 466 572 000	4 389 144 000
Omløpsmidler			
Varer			
Varer	15	378 302 000	336 583 000
Sum varer		378 302 000	336 583 000
Fordringer			
Kundefordringer	16	378 911 000	401 794 000
Andre fordringer	16	36 731 000	184 218 000
Sum fordringer		415 642 000	586 012 000
Investeringer			
Andre finansielle instrumenter	8	1 882 000	
Sum investeringer		1 882 000	



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		818 834 000	497 500 000
Sum bankinnskudd, kontanter og lignende		818 834 000	497 500 000
Sum omløpsmidler		1 614 660 000	1 420 095 000
SUM EIENDELER		6 081 232 000	5 809 239 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	19	448 000	447 000
Annen innskutt egenkapital		656 031 000	652 794 000
Sum innskutt egenkapital		656 479 000	653 241 000
Opptjent egenkapital			
Annen egenkapital		218 832 000	307 913 000
Minoritetsinteresser	3	43 811 000	
Sum opptjent egenkapital		262 643 000	307 913 000
Sum egenkapital		919 122 000	961 154 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	4,11	98 056 000	68 785 000
Utsatt skatt	14	165 446 000	118 925 000
Garantiforpliktelser	23	3 312 000	4 126 000
Sum avsetninger for forpliktelser		266 814 000	191 836 000
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	8,9	3 645 004 000	3 557 914 000
Ansvarlig lånekapital	9	198 115 000	186 378 000
Øvrig langsiktig gjeld		1 047 000	23 701 000
Leasing forpliktelser	22	172 100 000	97 025 000
Sum annen langsiktig gjeld		4 016 266 000	3 865 018 000
Sum langsiktig gjeld		4 283 080 000	4 056 854 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	8,9	206 051 000	210 959 000
Finansielle instrumenter	8		3 342 000
Leasing forpliktelser	22	57 690 000	49 459 000
Leverandørgjeld		258 329 000	211 462 000
Betalbar skatt	14	69 768 000	4 279 000
Skyldige offentlige avgifter		87 029 000	75 251 000
Garantiforpliktelser	23	8 348 000	7 672 000
Annen kortsiktig gjeld	24	191 815 000	228 807 000
Sum kortsiktig gjeld		879 030 000	791 231 000
Sum gjeld		5 162 110 000	4 848 085 000
SUM EGENKAPITAL OG GJELD		6 081 232 000	5 809 239 000



Flokk

Annual Report 2020

Flokk Holding II Group

Flokk Holding II AS - Org.no. 913 808 991

Flokk Holding II AS
P o Box 45, Skøyen
NO-0212 Oslo, Norway
Tel: +47 22 59 59 00
E-mail: info-no@flokk.com
flokk.com

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



Flokk

Annual Report 2020

Flokk Holding II Group

Flokk Holding II AS
P o Box 45, Skøyen
NO-0212 Oslo, Norway
Tel: +47 22 59 59 00
E-mail: info-no@flokk.com
flokk.com

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



Board of Directors' Report 2020

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, and Malmstolen. Flokk has been a leader in the development of sustainable furniture for decades with a focus on creating environmentally friendly 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 and Tibro), Poland (Turek), USA (Hawthorne), Switzerland (Koblenz), Latvia (Ogre) and China (Zhongshan). In addition, Flokk has sales offices in Norway, Sweden, Denmark, Germany, Belgium, the Netherlands, UK, France, Switzerland, Singapore, USA, Canada, 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 2020, the Group was affected by both the Covid-19 pandemic, as well as the consequences of the fire the factory in Turek, Poland in late November 2019, where parts of the production facility was damaged.

Starting from March, Flokk's core markets were impacted by the global spread of Covid-19 virus. The Group reacted swiftly by adjusting the cost base to the new conditions, but also in terms of taking advantage of new sales opportunities in the home office segment and through digital channels which contributed significantly to the development during the year.

In the course of 2020, the Group executed several major projects. These most significant were implementing new ERP system in Profim, starting to rebuild of the Turek manufacturing site, moving the production of the Malmstolen brand to the production site in Nässjö, strengthening the digital commercial communication, making the digital dealer portal ready for launch, as well as moving into new corporate headquarters at Skøyen in Oslo.

ACQUISITION OF SIA RING CHAIRTECH BALTIC

In September 2020, Flokk acquired the company Ring Chairtech Baltic SIA in Latvia. Ring Chairtech has a long and proud legacy of producing chair mechanisms of high quality to some of the leading seating manufacturers in the world and has been an important supplier for the Flokk Group over many years, as the seating mechanisms from Ring are used in some of Flokk's most successful chairs in the RH portfolio. Flokk Group acquired all relevant IP, machines, tools, and production of Ring Chairtech's chair mechanism assortment. Through this acquisition, Flokk gained full control of the value chain related to production of the RH brand.

STRUCTURAL CHANGES

In the course of 2020, Flokk made structural changes to optimize its portfolio and leverage economies of scale benefits where possible. Changes in the legal structure were completed in the Netherlands where BMA Ergonomics B.V. merged into Flokk B.V.

MARKETS

After a solid start of 2020, Flokk experienced a drop in order entry towards end of first quarter 2020 as the effect of the pandemic started to impact most of Flokk's markets. At the same time, the Work-From-Home segment showed healthy growth, and this segment has been a strong contributor to the sales achieved in 2020. As face-to-face sales meetings and international travel became difficult, the Flokk sales teams shifted to digital platforms and found new ways to interact and cooperate with partners and customers.



In total, the Group's sales revenues declined with 2.9% compared to 2019 caused by both the fire at the Turek production facility, and the Covid-19 pandemic. HÅG continues to be the largest and most profitable brand in the Group and saw growth in net sales of 4.7% compared to 2019. This was mainly driven by an increase in the Work-From-Home segment and good growth for products like HÅG Capisco, HÅG Capisco Puls and HÅG Creed. The Profim brand was significantly impacted by both the factory fire in late 2019 and the pandemic through 2020 and experienced a decline in net sales of 33% compared to 2019. The Profim brand remains the second largest brand in the Group. 9to5 Seating in the US was impacted by the pandemic through 2020, with lock downs and strict restrictions in the major states leading to a decline in net sales of 16% compared to 2019.

Germany continues to be the largest market in the Group and saw a 10% decline through 2020 due to the pandemic and factory-fire impact. USA is the Group's second largest market and saw a mixed performance through 2020 – the online and Work-From-Home segment saw 80% growth in 2020, while the dealer driven business of 9to5 Seating saw a decline. The Scandinavian markets saw varying impacts from the pandemic, Denmark and Norway declined 9%, while Sweden was down 16% through 2020. Switzerland had growth of 8%, UK & Ireland grew 7%, while we saw a mixed development in Asia; Australia with growth of 35%, Shanghai grew 25% and Singapore saw a decline of 25%. The business with IKEA was heavily impacted by both factory-fire and the pandemic and saw a decline of 56% through 2020.

THE GROUP'S RESULTS

INCOME STATEMENT

The Flokk Group had sales revenues of NOK 2 929,3 million compared to NOK 3 015,5 million in 2019. The decrease in sales was caused by Covid-19 pandemic and the reduction in of the order intake in most markets where Flokk operate. The fire in Turek late November 2019 affected the sale of the Profim brand in 2020. Total operating income was NOK 3 017,4 million compared to NOK 3 162,3 million in 2019. The operating profit for the period was NOK 362,2 million compared to NOK 274,5 million in 2019. The operating margin in 2020 was 12.0%. Net financial expenses amounted to NOK 320,9 million compared to NOK 135,3 million in 2019. The increase financial expenses are mainly caused by higher interest expenses from increase bank loan facilities following the 9to5 Seating acquisition late 2019. Profit before tax amounted to NOK 41,4 million, compared to NOK 139,3 million in 2019. Profit for the year amounted to NOK -14,3 million compared to NOK 121,7 million in 2019.

Currently the Flokk Group has one Alternative Performance Measure: Adjusted EBITA. This is EBITA adjusted for M&A and integration activities, and normalised for full year inclusion of acquired companies, as if the Group had owned the company from 1st of January. For 2020 this APM, Adjusted EBITA, ended at NOK 465,9 million compared to NOK 510,8 million in 2019. The adjusted EBITA margin was 15.8% in 2020 compared to 14.8% in 2019.

FINANCIAL POSITION

Total investments in the Group amounted to NOK 102,8 million covering purchase of property, plant, and equipment of NOK 88,0 million and capitalised development costs of NOK 8,4 million. Purchase of business amounted to NOK 6,5 million. Many of the planned investments were set on hold when the Covid-19 pandemic hit Flokk's markets. Most of the Group's investments in property, plant and equipment were in production equipment and IT systems for digitalisation, as well as the implementing of the EPR system M3 at the Turek plant in Poland. A major part of the investments was also in the new headquarter at Skøyen in Oslo.

Total cash flow for the Group derived from operating activities amounted to NOK 514,1 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 6 081,2 million, an increase of NOK 272,0 million from the end of 2019. The equity ratio was 15.1% compared to 16.5% in 2019. The Group's



current liabilities at the end of the year was 17.0% of its total liabilities vs. 16.3% in 2019. The total debt ratio was 84.9% vs. 83.5% in 2019.

The Group monitored its liquidity closely throughout the year. At the end of 2020, the net interest-bearing liabilities¹⁾ amounted to NOK 3 090,6 million, a decrease of 7.3% 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 2020.

At the beginning of 2020, the Group had a total credit line of NOK 4 104,7 million, consisting of long-term bank loans of NOK 3 909,2 million, and an unused overdraft limit of NOK 195,3 million. At the end of 2020, the Group also has a shareholder loan of NOK 194,4 million. Available funds in the form of unused credit facilities and cash and cash equivalents as of 31 December 2020 amounted to NOK 1 014,1 million.

FINANCIAL RISK

Approximately 91% of the Group's sales are invoiced in currencies other than Norwegian krone. A large share of the company's financial risk is therefore linked to exchange rate fluctuations, especially with respect to SEK, DKK, EUR, PLN, and USD. Currency derivatives are used to reduce currency risk. The Group's balance sheet is exposed to exchange rate fluctuations in EUR and USD, as loans in EUR and USD exceed receivables in these currencies. This exposure is not hedged.

Credit risk associated with counterparties being unable to meet their financial obligations is regarded as acceptable. The majority of the Group's sales are in Northern and Central Europe. Sales are made to dealers and importers with whom the Group has been working for some time. Historically, losses from receivables have been limited and amounted to NOK 0,4 million in 2020. Gross trade receivables as at 31 December 2020 amounted to NOK 387,5 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

The speed of development on products, sustainability and marketing going into 2020, was affected by the pandemic. While certain new product development and upgrades, as well as new marketing development were paused, strategic activities were shielded. Digital marketing efforts were upheld and strengthened, drawing on already developed content, as well as in house competencies to produce webinars and panel discussions that lead to a sharp rise in online traffic and followers.

Flokk's website visits increased 100% vs 2019 and our social media community grew by 58%, generating more leads for the sales force. In 2020, Flokk continued the development of our dealer portal, a back-to-front digitally integrated platform for e-commerce, leading to the launch of the first storefront in the beginning of 2021. A new pricelist tool was completed, giving increased efficiency and quality gains.

Home office campaigns were launched and as the Group regained commercial traction, activities in new product development were picked up in early fall of 2020. These include strong new products for home office, tailored for digital distribution and the future of work.

The Covid-19 pandemic has impacted the future of work. For Flokk it renders the launches planned for 2021 and into 2022 even more relevant. Sustainability performance has become more important and is spreading as purchasing criteria, which is in line with Flokk's long term sustainability focus. The digitalization of business in general makes Flokk's e-commerce developments valuable and helps differentiate Flokk from many competitors in the office furniture industry.

¹⁾ See note 8 and 9 in the consolidated financial statement what is included in the net interest bearing liabilities.



MANUFACTURING AND PURCHASING OPERATIONS (MPO)

The manufacturing and purchasing were affected by the Covid-19 pandemic situation during 2020 and have mitigated almost all impacts on logistic difficulties, material constraints and labour availability, but the delivery performance has, for some brands, been affected by the situation. No manufacturing site have been forced to close in whole or parts due to pandemic. In parallel to integration projects, MPO put focus in meeting high demands on lead time, quality, direct salary, and outbound logistics at all of Flokk's sites, while at the same time reducing total material cost more than expected.

During summer 2020, the Group transferred all manufacturing of the Malmstolen products to the Nässjö site in Sweden and closed the facility in Hunnebostrand, Sweden. This facility was sold in January 2021. The transfer of the production was done successfully without any operational challenges. Due the major fire at the Turek facility at the end of 2019, efforts and resources have been spent into rebuilding the portfolio during 2020. By the end of 2020, 90% of the total portfolio had been re-introduced.

WORKING ENVIRONMENT, EQUAL OPPORTUNITIES, AND DISCRIMINATION

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

Flokk's vision is to "Inspire great work", and core values are human-centred, sustainable, and innovative. The Flokk Value Program is kept alive through the learning, competence development and training platform Learning@Flokk. In addition to a separate value learning program, an e-learning course focusing attitude and behaviour related to Flokk's values as part of an overall Code of Conduct program was introduced in 2020.

The collaboration between Flokk and the trade unions is based on trust, open dialogue, and good collaboration. This is also an important forum to share relevant information in a timely manner. At Flokk's site in Poland, there is also a close dialogue with the internal union with representatives from various parts of the value chain.

The organisation was severely affected by the Covid-19 pandemic during 2020. Many white-collar employees were on temporary leave, and some permanently laid off, due to the negative business effects. At the end of 2020, all furloughed employees were fully back to work again. In September 2020, Flokk's head office was moved to Skøyen, a location centrally placed in Oslo. The move to new attractive surroundings has had a very positive effect on the organisational culture. Within Flokk, everyone has equal opportunities for employment and development, regardless of gender, age, ethnicity, religion, and all other diversity factors in general. In addition, women and men who perform the same job should receive equal pay before their individual work performance is assessed. For new recruits and the composition of teams/departments, Flokk aim for a working environment with variations in age, gender, background etc. taking several diversity factors into account. Flokk work actively to prevent discrimination based on age, gender, disability, ethnic background, national origin, skin colour or personal beliefs. Flokk will lift the focus even further in 2021 and select the most relevant diversity factors for the Group.

Following the acquisition of the Polish company Profim in 2018, a comprehensive synergy and improvement program has been carried out to improve the efficiency of the operations, which has led to a reduction in personnel in 2019 and 2020. In addition, the fire in its production plant in Turek in November of 2019 led to further staff reductions. In total, the workforce was reduced by 503 employees during 2020.

9to5 Seating, the US-based office seating company acquired in November 2019, de-manned 63 positions during 2020 to adjust the cost base to lower volumes. At year-end 2020, the Group had 1,840 employees, of whom 711 women and 1,129 men. This gives a women's employment ratio of 38.6% and a men's employment ratio of 61.3%. There are no women in the company's board of directors. There is one woman in the Group's Management team.



After 2020, the Group reported a Lost Time Frequency Rate (LTIFR) of 5.3 (number of incidents involving absence * 1 million/number of completed hours) and a Recordable Case Frequency Rate (RCFR) of 1.4 (number of injuries without absence * 1 million/number of hours worked).

EXTERNAL ENVIRONMENT

The Group strives to minimise its overall environmental impact globally, with a comprehensive strategy to position itself internationally in the top tier within the area of ESG. The Group has succeeded in being a leader in the sector for development of eco-effective products, through a structured focus on climate, resources, and health. Flokk's sustainability strategy in the years ahead will be 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 materials throughout the value chain, both internally and from its joint venture partners.

In 2020, focus has been on securing sales through difficult times providing required environmental documentation and support, aligning energy management efforts and prepare for launching colour sorted recycled post-consumer plastics. 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 carbon intensity 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 integrated brands' electricity is renewable, leading to 9% reduction in CO₂e emissions per unit and 56% reduction in CO₂e emissions per revenue since 2015. As the Group is ISO 50001:2018 certified, it complies with EU's EED – Energy Efficiency Directive.

Resources - with the long-term target of an average of 60% recycled materials in its products by 2030, the Group contributes to the UN's Sustainable Development Goal number 12, designed to "Ensure sustainable consumption and production". Flokk's three latest launched office chairs contain 61-63% recycled materials (HÅG Capisco Puls Black, RH New Logic and BMA Axia Vision), assuring that the strategy and its activities give tangible results. In 2020, Flokk used 735 tonnes recycled plastics in its products (2019: 664 tonnes) and reached the target of 80% of our waste being material recycled (2019: 77%). We are launching new initiatives and commercial pilots in 2021 to further develop the circular business model development.

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 2020, we did not reach our target to remove three chemicals at each site, as two were added at Røros and two were removed in Nässjö. The Group uses REACH as basis when imposing environmental requirements on itself, its partners, and suppliers.

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

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



Compact, which includes human rights, working conditions, bribery, corruption, and animal welfare. The company is a member of the Initiative for Ethical Trade (IEH). 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 a positive contributor to society for its employees, partners, and subcontractors. A great deal of work is put into maintaining a good dialogue with the responsible authorities and other important opinion makers. In the future, much of the work will be focused on streamlining and gaining control over the increased supply chain following new acquisitions.

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

MANAGEMENT CHANGES

As of 1 March 2021, Mr. Henning Karlsrud joined Flokk as the Group's new CFO. Mr. Eirik Kronkvist will leave in June 2021.

FLOKK HOLDING II AS

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

Flokk Holding II AS had no operating revenues in 2020. Its operating expenses amounting to NOK 682 thousand, consisted of fees and consultancy services. The company's income consists of Group contributions from its subsidiaries. Profit before tax amounted to NOK -15 159 thousand, compared to NOK -15 452 thousand in 2019. Profit for the year amounted to NOK -11 903 thousand compared to NOK -15 688 the previous year. At year end, Flokk Holding II AS had total assets of NOK 774 445 thousand.

ALLOCATION OF PROFIT FOR THE YEAR

The board proposes that the annual profit for the year of NOK -11 903 thousand in Flokk Holding II AS be allocated as follows:

Transferred to other equity NOK -11 903 thousand

FUTURE PROSPECTS

The ongoing pandemic stemming from Covid-19 affected the Group's top line significantly in 2020. In response to this situation, management quickly implemented measures to reduce cost and to safeguard liquidity. For the Group, the health of employees continues to be the top priority, and the management continues to follow the national guidelines for local measures in all markets, as we have done since the outbreak of the pandemic.

Impacts from the pandemic is expected to continue to affect the Group's results in 2021, especially during the first half of 2021. In second half of 2021, the Group expect to see increase in demand as more markets is believed to return to a more normal level of business. In the start of 2021, there are several of the Group's markets where the authorities continue to have strict measures that affect the Group's sales activities. As a response to this, the Group will continue exploring digital sales campaigns, launching sales efforts to tap in de-mand in the work-from-home segment and utilizing dealer web shops to fulfil customer demands.



It is also important to keep the Group's value chain operating as normal, and several measures have been put in place to ensure that the Group's factories can continue to produce. Management is monitoring the development closely and is continuously evaluating if further actions are required.

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

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

Oslo, 11 June 2021

Thomas Hofvenstam
Chairman of the Board

Eirik Kronkvist
Board member

Lars I. Røiri
CEO



Statement of comprehensive income

NOK (thousands)	Notes	1.1-31.12 2020	1.1-31.12 2019
Sales revenues	<u>6</u>	2 929 347	3 015 477
Other income	<u>26</u>	88 025	146 773
Total operating income		3 017 372	3 162 250
Cost of materials		1 093 663	1 178 318
Inventory movements, in-house production	<u>15</u>	(31 797)	11 457
Personnel expenses	<u>10</u>	848 686	915 148
Depreciations, amortization and impairment	<u>7, 12, 22</u>	178 463	235 686
Other operating expenses	<u>10, 13</u>	566 114	547 115
Operating expenses		2 655 129	2 887 724
Operating profit		362 243	274 526
Financial income	<u>17</u>	1 668 604	475 660
Financial expense	<u>17</u>	(1 989 479)	(610 923)
Net financial income/(expense)		(320 875)	(135 263)
Profit before tax		41 368	139 264
Taxes	<u>14</u>	55 623	17 609
Profit for the year		(14 255)	121 655
Other comprehensive income			
Exchange differences on translation of foreign operations		(10 379)	(34 669)
Items that may be reclassified subsequently to income statement		(10 379)	(34 669)
Remeasurement of defined benefit pension plans, net of taxes	<u>11</u>	(20 635)	(11 600)
Items that will not be reclassified to income statement		(20 635)	(11 600)
Other comprehensive income, net of taxes		(31 014)	(46 269)
Total comprehensive income		(45 269)	75 386
Profit for the year attributable to:			
Equity holders of the parent		(15 322)	121 488
Non-controlling interests		1 067	167
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	<u>19</u>	(44 943)	75 220
Non-controlling interests		(326)	167
Information concerning:			
Earnings per share (NOK)	<u>20</u>	(0,51)	4,08
Diluted earnings per share (NOK)	<u>20</u>	(0,51)	4,08



Consolidated statement of financial position

NOK (thousands)	Notes	31.12.2020	31.12.2019
Assets			
Deferred tax assets	<u>4, 14</u>	173 873	128 571
Goodwill	<u>4, 7</u>	3 205 297	3 248 482
Other intangible assets	<u>4, 7</u>	330 860	305 163
Right-of-use assets	<u>22</u>	224 466	144 597
Property, plant and equipment	<u>12</u>	517 401	546 855
Non-current financial assets		14 675	15 475
Total non-current assets		4 466 572	4 389 143
Inventories	<u>15</u>	378 302	336 583
Trade receivables	<u>16</u>	378 911	401 794
Other short-term receivables	<u>16</u>	36 731	184 218
Derivatives	<u>8</u>	1 882	
Cash and cash equivalents		818 834	497 501
Total current assets		1 614 660	1 420 096
Total assets		6 081 232	5 809 239
Equity and Liabilities			
Share capital	<u>19</u>	448	447
Share premium		656 031	652 794
Total paid in capital		656 479	653 241
Retained earnings		218 832	263 776
Non-controlling interests	<u>3</u>	43 811	44 137
Total other equity		262 643	307 913
Total equity		919 122	961 154
Pension obligations	<u>4, 11</u>	98 056	68 785
Deferred tax liabilities	<u>14</u>	165 446	118 925
Warranty provisions	<u>23</u>	3 312	4 126
Long-term interest-bearing loans	<u>8, 9</u>	3 843 119	3 744 292
Leasing liability	<u>22</u>	172 100	97 025
Other long-term liabilities		1 047	23 701
Total non-current liabilities		4 283 080	4 056 854
Short-term interest-bearing loans	<u>8, 9</u>	206 051	210 959
Derivatives	<u>8</u>	-	3 342
Leasing liability	<u>22</u>	57 690	49 459
Trade payables		258 329	211 461
Taxes payable	<u>14</u>	69 768	4 279
Accrued liabilities		87 029	75 251
Warranty provisions	<u>23</u>	8 348	7 672
Other short-term liabilities	<u>24</u>	191 815	228 807
Total current liabilities		879 030	791 230
Total liabilities		5 162 110	4 848 085
Total equity and liabilities		6 081 232	5 809 239

31 December 2020

Oslo, 11 June 2021

Thomas Hofvenstam
Chairman of the Board

Eirik Kronkvist
Board member

Lars I. Røiri
CEO



Consolidated statement of changes in equity

NOK (thousands)	Notes	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Non-controlling Interests	Total other equity	Total equity
Equity 31.12.18		447	652 794	42 886	145 670		188 556	841 797
Profit for the year					121 488	167	121 655	121 655
Other comprehensive income				(34 669)	(11 600)		(46 269)	(46 269)
Business combination	<u>3</u>					43 970	43 970	43 970
Equity 31.12.19		447	652 794	8 217	255 558	44 137	307 912	961 153
Profit for the year					(15 322)	1 067	(14 255)	(14 255)
Other comprehensive income				(8 986)	(20 635)	(1 393)	(31 014)	(31 014)
Capital increase	<u>19</u>	2	3 237				0	3 238
Equity 31.12.20		448	656 031	(769)	219 601	43 811	262 643	919 122



Consolidated statement of cash flows

NOK (thousands)	Notes	1.1-31.12 2020	1.1-31.12 2019
Operating activities			
Profit before tax *)		41 368	139 264
Depreciations, amortization and impairment	<u>7, 12, 22</u>	178 463	235 686
Unrealised exchange rate difference		92 084	(59 139)
Accrued interest shareholder loans		14 975	16 879
Accrued interest loans		33 209	7 019
Capitalised borrowing costs		14 340	10 715
Taxes paid	<u>14</u>	(7 720)	(28 842)
Cash flow from operating activities before change in working capital		366 719	321 581
Cash flow from change in working capital:			
Change in inventories		(28 924)	29 813
Change in current receivables		188 353	(55 348)
Change in payables		39 233	(57 612)
Change in current liabilities		(51 240)	44 458
Cash flow from operating activities		514 141	282 893
Investing activities			
Acquisition of business, net of cash acquired	<u>3</u>	(6 448)	(981 127)
Purchase of intangible assets			(230)
Purchase of property, plant and equipment	<u>12</u>	(87 952)	(150 322)
Capitalised development expenditures	<u>7</u>	(8 397)	(29 270)
Sale of tangible assets		4 021	
Sale of financial assets		290	
Cash flow from investing activities		(98 486)	(1 160 948)
Financing activities			
Proceeds from interest-bearing loans	<u>9</u>		1 094 776
Borrowing costs paid		(10 361)	(20 766)
Down payment of interest-bearing loans	<u>9</u>	(50 968)	(50 000)
Long term receivable shareholder			(13 895)
Payment of principal portion of lease liabilities (IFRS 16)		(56 498)	(39 115)
Cash flow from financing activities		(117 827)	971 000
Cash flow for the year			
Cash and cash equivalents at the beginning of the period		497 501	406 610
Exchange rate difference in cash and cash equivalents		23 505	(2 054)
Cash and cash equivalents at the end of the period		818 834	497 501
Cash and cash equivalents booked as bank deposit			
		818 834	497 501
*) Includes			
Interest income received		1 800	2 026
Interest expenses paid		157 698	120 346
Interest portion of lease liabilities (IFRS 16)		5 163	3 031

Unrealised exchange rate difference includes a profit of NOK 1 882 thousand (NOK 676 thousand) on unrealised forward exchange contracts.



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, Tibro), Switzerland (Koblentz), Poland (Turek), United States (Los Angeles), China (Zhongshan) and Latvia (Ogre). 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 11 June 2021.

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 2020.

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Flokk Holding II AS and its subsidiaries (the Group). The accounting policies as set out below have been consistently applied to all reporting periods presented, except for the implementation of IFRS 16 as stated below. 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 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.



CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES IMPLEMENTED WITH EFFECT FROM 1 JANUARY 2020

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. Below amendments in IFRS which have been applicable for the Group's 2020 consolidated financial statements are listed, as well as the effect of the amendments.

IFRS 16 LEASES

Effective 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach. See also note 22 Leases.

As at 1 January 2019, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019. Further, the Group recognized right-of-use assets at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less).
- Exemption for low value assets.
- Excluded any initial direct costs from the measurement of the right-of-use assets.
- Applied hindsight when determining the lease term for contracts containing options.

On the transition to IFRS 16, the Group elected to not reassess whether a contract is, or contains a lease, as a practical expedient. The Group applied IFRS 16 only to contracts that were previously identified as leases.

The following table reconciles the operating leases commitments as of 31 December 2018 with the lease liability recognized upon implementation of IFRS 16:

Reconciliation, NOK thousand	
Operating lease commitments as of 31 December 2018	112 137
Practical expedient related to short-term leases	- 2 382
Practical expedient related to low-value leases	- 134
Effect of discounting using the Group's weighted average incremental borrowing rate of 3 %	- 11 666
Lease liability recognized upon recognition of IFRS 16 as of 1 January 2019	97 955
Of which:	
Non-current lease liabilities ¹⁾	60 795
Current lease liabilities ²⁾	37 160
Total lease liability as of 1 January 2019	97 956

¹⁾ Non-current lease liabilities are presented within "total non-current liabilities"

²⁾ Current lease liabilities are presented within "total current liabilities"

The following tables shows the impact on the consolidated statement of financial position and the statement of comprehensive income.



Consolidated statement of financial position	01.01.2019	31.12.2019
Right of use asset	97 955	144 598
Leasing liability (Long-term)	60 795	49 459
Leasing liability (Short-term)	37 160	97 025
Consolidated income statement		
Other operating expenses	-	42 146
Depreciation		41 085
Financial expenses		3 031

Short-term and low-value leases are presented within "other operating expenses".

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 has three segments: Flokk (HÅG, RH, RBM, BMA, Giroflex, Offecct and Profim), Malmstolen and 9to5. These are segments where risk and returns for the brands in the markets differ significantly and the management regularly receive detailed financial information that are the basis for allocation of resources.

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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income.



Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. A CGU is the smallest identifiable group of assets that generate incoming cash flows, and which is essentially independent of incoming cash flows from other assets or groups of assets. The Group has assigned goodwill to three CGUs that each have an independent value chain (See note 5). 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 statement of comprehensive income and is not reversed in a subsequent period.

The Group's goodwill is linked to the acquisitions done in the period 2014-2020. A specification of goodwill is shown in note 6.

RESEARCH AND DEVELOPMENT COSTS (INTERNAL DEVELOPMENT)

Expenses related to research activities are recognized in the statement of comprehensive income 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.



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 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income as costs of materials, while instalment costs are recognised through statement of comprehensive income 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 statement of comprehensive income. 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 year 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 statement of comprehensive income 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 it is 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 freight of 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 statement of comprehensive income 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 statement of comprehensive income for the year after non-controlling interests by the average number of outstanding shares during the period. The diluted earnings per share is the profit attributable to the equity holders of the parent divided by the average number of outstanding shares in the period, adjusted for any diluting effects.

NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- The Conceptual Framework for Financial Reporting (effective on or after 1 January 2020)
- Amendments to IFRS 3 – Definition of a Business (effective on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective on or after 1 January 2020)

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

ACQUISITION IN 2020

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

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

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

The purchase price allocation for the acquisition of Ring is not finalized as of 31 December 2020. Cash flows from Ring are in Euro (EUR). Goodwill on 31 December is converted to the current closing rate. A total of NOK 886 thousand was expensed in acquisition cost in 2020 and is included in other operating expenses.

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

Cash holding in Ring	313
Cash payment	(4 459)
Net cash flow	(4 146)

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

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



ACQUISITION IN 2019

9to5 Seating

On 25 November 2019, 95.45% of the interests in 9to5 Seating LLC was acquired by Flokk USA Holding LLC, a company controlled by Flokk Holding II AS. 9to5 Seating LLC is a US company, incorporated in Los Angeles, California. Prior to the acquisition of 9to5 Seating LLC, all underlying assets and liabilities of D3 Inc, the past owner of the 9to5 activity, was acquired through an asset purchase agreement by 9to5 Seating LLC.

As a part of the acquisition, Flokk Holding II AS also acquired 95.45% of the shares in Habitat Ltd, a Hong Kong based company, which in turn holds all shares in Zhongshan Habitat Furniture Ltd, incorporated in Zhongshan, China. By acquiring 9to5 Seating, the Group has production capacity in both North - America and in China. It is expected that this capacity can be utilized to reduce delivery time for other brands distributed by the Group in North - America and China.

Zhongshan Habitat Furniture Ltd is a sub-supplier to 9to5 Seating LLC. Over 95% of the revenues in Zhongshan Habitat Furniture Ltd is from deliveries to 9to5 Seating assembly plant in LA and the company is a main part of 9to5 Seating's value chain. The two acquisitions are considered to represent one cash generating unit. 9to5 Seating LLC and Zhongshan Habitat Furniture Ltd (hereinafter referred to as 9to5) develop, manufacture, market and distribute the 9to5 brand in North America. 9to5 offers seating solutions, mainly in the task seating segment with an innovative and design-oriented portfolio.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair value of identifiable assets and liabilities in 9to5 as at the date of acquisition were:

NOK (Thousands)	Fair value
Intangible assets	5,971
Property plant and equipment	22,350
Right-of-use assets	39,290
Financial assets	356
Inventory	74,497
Trade receivables	49,094
Other receivables	11,916
Cash	36,855
Total assets	240,329
Deffered tax liability	1,717
Long term debt	53,320
Trade payables	20,963
Short term debt	45,403
Total liabilities	121,404
Total identifiable net assets at fair value	118,925
Cash Payment	-1,017,981
Non-controlling interest	-46,005
Goodwill	945,061



The purchase price allocation (PPA) was completed in 2020, and the updated PPA gave an increased net value of assets of NOK 2,4 million, correspondingly decreasing the goodwill. Cash flows from 9to5 are in United States Dollar (USD). Goodwill and non-controlling interests (NCI) on 31 December are converted to the current closing rate.

RECONCILIATION OF GOODWILL AND NCI ON 31 DECEMBER 2020

	Goodwill	NCI
Preliminary PPA on acquisition date	947,474	46,005
Total comprehensive income for the year		167
Currency translation	(43,322)	(2,035)
Carrying value on 31 December 2019	904,152	44,137
PPA adjustment	(2,413)	
Total comprehensive income for the year		(326)
Currency translation	(47,243)	
Carrying value on 31 December 2020	854,496	43,811

A total of NOK 44 522 thousand was expensed in acquisition cost in 2019 and is included in other operating expenses.

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

Cash holding in 9to5	36 855
Cash payment	(1 063 986)
Cash payment from external shareholder (4.55% of the shares)	46 005
Net cash flow	(981 126)

Goodwill identified upon the acquisition was associated with the expected future synergies from the business and access to the US market that was identified in the conducted acquisition analysis. There were no events during the period that affected the value of the companies during the period 25.11.2019 - 31.12.2020. Goodwill is tax deductible for 9to5 Seating LLC.

9to5 contributed NOK 386 506 (36 425) thousand to the Group's revenues, and NOK 27 980 (-17 653) thousand (including acquisition cost) to the Group's operating profit for the period 01.01.2020 - 31.12.2020 (25.11.2019 - 31.12.2019).

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 on the basis of acknowledged valuation methods, and goodwill is the residual in this type of purchase price allocation. Errors in estimates and assumptions can lead to an error in the 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 exists. 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 3 205 million (NOK 3 248 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 173 873 thousand (NOK 128 571 thousand).

NET PENSION OBLIGATIONS

Defined benefit plans are calculated based on a set of selected financial and actuarial assumptions. Changes in parameters such as discount rates, future salary adjustment, etc. could have substantial impacts on the estimated pension obligation. Similarly, changes in the selected assumptions for the return on pension assets could affect the amount of the pension assets. Significant variability in particularly the level of interest rates can have a material effect on the estimated pension obligation and expenses. The carrying value of net pension obligations is NOK 98.1 million (NOK 68.8 million).



Note 5 Management of capital and financial risks

The Group's capital consist of equity. The Group's goal of sound financial capacity is met with this financing structure. See note 9.

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 to top-market conditions for comparable borrowers and securities. The Group shall keep good relations with at least two sources of financing.

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. See also reference to interest rate risk in note 8.

Currency exposure associated with the Group's operations is 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 business areas based on degree of integration. When acquiring businesses, the extent to which the acquired business is to be integrated with the existing business, is determined. Fully integrated business areas have one common value chain, separated from the non-integrated business areas. Management reporting is based on the Group's operating segments subject to reporting:

Flokk

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 business areas 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 our customers varies significantly. Integrated brands consist of the part of the group that is fully integrated, i.e., it is followed up as a separate segment with a similar value chain.

To further strengthen the efficiency and performance of the group, two more brands were added to the Flokk segment Flokk during 2020, Offecct and Profim. Offecct and Profim were separate segments in the 2019 Annual report. During 2020 all parts of the Profim and Offecct value chain have been integrated into the Flokk segment. The manufacturing plant in Turek is absorbing production activities for all the brands within the Flokk portfolio and all supporting functions in Profim and Offecct is organized within the Flokk Matrix organisation, hence, it is not possible to measure the Profim and Offecct performance separately. Rebuilding the plant to include Giroflex and Offecct portfolio is ongoing and start of production will take place in the fourth quarter of 2021. Flokk segment includes the brands HÅG, RH, RBM, BMA, Giroflex Profim and Offecct.

Malmstolen

Malmstolen produces ergonomic work chairs from own factory in Sweden. The segment has its own management, and the value chain is completely separate and is managed by a separate organization. There are no cross functions or integration with other parts of the group. Malmstolen consists of the Malmstolen brand.

9to5

When acquiring 9to5 Seating in 2019, Flokk established production capacity in both North America and in China. The assembly site in Los Angeles, CA is supported by a production site in China. 9to5 develops, distributes, and markets ergonomic office seating in the mid and low range price segment. The products are distributed through dealers by using independent sales representatives in North America, mainly in the US.

Management follows up segments based on revenues and costs. All costs related to M&A activities and integration of business are reported as extraordinary as part of the groups M&A strategy. Management monitor extraordinary cost, project by project separated from the segment performance.



Per 31.12.2020	Flokk	Malmstolen	9to5	Other/ Eliminations	Consolidated
Sales revenues	2 480 727	61 977	386 643		2 929 348
Other income, see note 26	88 025				88 025
Total operating income	2 568 753	61 977	386 643		3 017 372
Operating costs	2 234 214	61 486	359 428		2 655 129
Operating profit	334 538	491	27 214	-	362 243
Integration costs	(57 921)	425	19 587		(37 909)
Adjusted income	276 617	916	46 802	-	324 334

Per 31.12.2019	Flokk	Malmstolen	9to5	Other/ Eliminations	Consolidated
Sales revenues	2 911 452	67 600	36 425		3 015 477
Other income, see note 26	146 773				146 773
Total operating income	3 058 225	67 600	36 425	-	3 162 250
Operating costs	2 775 911	57 735	54 078		2 887 724
Operating profit	282 314	9 865	(17 653)	-	274 526
Integration costs	225 227	856	23 535		249 618
Adjusted income	507 541	10 721	5 882	-	524 144

9to5Seating included from 25 Nov 2019

Other information

All operating cost are allocated to the segment when occurred. Transactions between the segments are priced on market terms.

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

Sales revenues

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

Reconciliation to profit for the year

NOK (thousands)

	2020	2019
Segment operating profit	362 243	274 526
Financial income	1 668 604	475 660
Financial expense	(1 989 479)	(610 923)
Income tax expense	(55 623)	(17 609)
Group operating profit	(14 255)	121 655



Geographic information

NOK (thousands)

Revenues from external customers	2020	2019
Poland	232 753	268 170
Scandinavia	703 361	875 844
Germany	528 754	597 337
The Netherlands	190 956	251 496
Belgium	130 956	144 292
Switzerland	170 617	159 600
France	96 625	130 034
UK	135 124	138 895
USA	487 388	64 562
Other countries	252 812	385 247
Total sales revenues	2 929 347	3 015 477

Distribution of revenue per brand

NOK (thousands)

	2020	2019
HÅG	858 505	798 634
RH	383 694	402 020
RBM	94 772	101 936
BMA	203 122	209 979
Giroflex	255 063	268 065
Malmstolen	61 977	67 600
Offecct	86 760	125 321
Profim	598 810	1 008 322
9to5 Seating	386 643	36 425
Total revenue from the brands	2 929 347	3 018 302
Derivatives		(2 825)
Total	2 929 347	3 015 477

Fixed assets

	2020	2019
Poland	209 700	228 775
Scandinavia	350 646	268 112
Germany	21 843	17 071
The Netherlands	5 707	9 017
Belgium	12 939	11 130
Switzerland	74 943	79 682
France	1 806	3 030
UK	9 580	13 742
Latvia	9 204	
Czech Republic	2 711	
Singapore	439	1 130
China	6 583	9 972
Australia	1 271	1 775
USA	34 495	48 016
Total	741 867	691 452

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



Note 7 Intangible assets

NOK (thousands)	Goodwill	Internal development	Other intangible assets	Total
Fiscal year 2019				
Carrying amount 01.01.2019	2 290 776	106 921	198 060	2 595 757
Investments		29 270	230	29 500
Additions through acquisitions ¹⁾	947 474	-	206	947 680
Adjustment of purchase price allocation ²⁾	54 874			54 874
Translation differences	(44 642)	570	251	(43 821)
Impairment ³⁾		(7 044)		(7 044)
Reclassifications		(198)	400	202
Depreciation/amortization		(14 761)	(8 742)	(23 503)
Carrying amount 31.12.2019	3 248 482	114 758	190 405	3 553 645
Per 31.12.2019				
Initial cost	3 248 482	239 475	246 153	
Accumulated depreciation /write-downs		(124 716)	(55 748)	
Fiscal year 2020				
Carrying amount 01.01.2020	3 248 482	114 758	190 405	3 553 645
Investments		7 993	403	8 397
Additions through acquisitions ¹⁾	23		5 442	5 465
Adjustment of purchase price allocation ²⁾	(24 150)			(24 150)
Translation differences	(19 058)	5 167	(1 128)	(15 019)
Impairment ³⁾		(2 397)		(2 397)
Reclassifications		(13 375)	60 476	47 101
Depreciation/Amortization		(19 395)	(17 492)	(36 887)
Carrying amount 31.12.2020	3 205 297	92 752	238 107	3 536 154
Per 31.12.2020				
Initial cost	3 205 297	218 926	335 973	
Accumulated depreciation / Write downs		(126 174)	(97 865)	
Useful life	Indefinite	6-15 years	4-10 years	

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

²⁾ See note 3 for information on adjustment to purchase price allocation.

³⁾ An amount of NOK 2 397 (7 044) thousand related to discontinued product is recognized as depreciation in the statement of comprehensive income on 31 December 2020 (31 December 2019).



Other intangible assets

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

Research and development and public grants

The Group performs its own research and development within the field of seating solutions. External parties within a number of fields are often used as part of this work. The Group has several external designers who are engaged in product development. In most cases the designers are compensated for their work in the form of royalties on sales of the individual product. The Group also have some designers who receive a one-time payment for their services. In both cases, the cost is presented as other operating expenses in the income statement. A not inconsiderable proportion of the total R&D costs are royalties from sales that are recognised as costs in the individual year. Development costs incurred in the period and which satisfy the criteria for asset recognition are recognised in the statement of financial position. An impairment test is performed every year. The test uses the same preconditions for growth and return on investment and WACC as for goodwill. Costs for ongoing Development activities as per 31 December are expected to have future earnings that exceed the value recognised in the statement of financial position and expected future costs. As per 31 December 2020, the Group had 66 R&D projects ongoing of which 34 will be launched during 2021.

The Group receives government grants for research and development.

NOK (thousands)	2020	2019
Skattefunn (tax deduction of R&D)	712	3 609
Training grant	496	603
The Research Council of Norway	2 612	3 514
Grant from EU	419	-
Sum	4 238	7 727

Research and development recognised in statement of comprehensive income	55 760	43 521
--	--------	--------



The group has accumulated goodwill of NOK 3 205 297 thousand. Goodwill is the residual value consisting of the difference between the purchase price and the capitalized value of an acquired company. Goodwill is allocated in connection with acquisitions in 2014, 2015, 2017, 2018, 2019 and 2020. See note 3 for allocation of Goodwill.

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

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

Goodwill is tested for impairment annually and if impairment indicators are identified. Goodwill is tested by comparing the present value of the discounted value of future cash flows and the carrying amount.

Assumptions

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

Revenues

Revenue development is based on the budget for 2021 and management's revenue forecast for the growth in the period 2022-2024. Expected growth is equal share of volume and price growth. Budgets and forecasts are approved by the Board of Directors. Revenue estimates, which have a material effect on figures in the statement of comprehensive income and statement of cash flows, have taken into account that the group is entering a post-covid period with an expected growth rate above normal. The management have during 2020 executed several cost saving initiatives throughout the group. The cost saving initiatives in combination with the expected increase in market demand post the Covid19 pandemic is expected to impact the EBITA significantly in the next 3-4 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. 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.

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 5% based on market research undertaken by the Norwegian Society of Financial Analysts and the recommendation from its members.
- Beta is 1.5 due to the cyclical nature of the industry
- Corporate Spread is 4.0%, where 1.25% reflects the current uncertainty in the borrowing market plus the NIBOR/STIBOR spread against a long-term risk-free interest rate.

Impairment tests of goodwill

As a result of the impairment test performed in 2020, no impairment has been recognised. It is the management's opinion that the assumptions used in the tests are the best estimate for long term market development combined with the development of the Group.

Sensitivity

Sensitivity calculations were conducted for the CGU's with different parameters, Weighted average cost of capital (WACC) added 2%, long-term growth equal to zero and the cash flows are also extrapolated using Earnings before interest, taxes and amortisation (EBITA) at 2020 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 changes in WACC. If WACC increases with 2%, the carrying value of Goodwill will be less than the value in use. A good performance in 2021 for the 9to5 CGU is important in order to maintain the carrying value of Goodwill.

Cash flow projections are based on extrapolating figures for 2022-2024 from estimates in the company's and the group's senior management strategy plan for 2021. A constant growth rate has been applied throughout the time period of the cash flow projections.



Note 8 Financial instruments and risks

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 2020 and other variables remained constant, it would have resulted in a higher or lower operating profit of NOK 29 293 thousand (NOK 30 155 thousand). If rebates on gross sales were 1% lower or higher in 2020, and other variables remained constant, it would have resulted in an increase or reduction in the operating profit of NOK 54 213 thousand (NOK 57 320 thousand).

Foreign currency risk

NOK 2 685 million (NOK 2 743 million in 2019) 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 and net investments in subsidiaries abroad. In order 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. 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 statement of comprehensive income 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.

Effects of increase/reduction in foreign currency:

If NOK compared to other currencies was 10% weaker/stronger as per 31.12.20 and all other variables were consistent,

Foreign currency risk:	+/- NOK (thousands)
10% change in currency rate EUR/NOK	5 235
10% change in currency rate DKK/NOK	4 221
10% change in currency rate GBP/NOK	1 398

Foreign currency derivatives made to secure future cash flow as per 31.12.20

Figures in NOK (thousands)	EUR	DKK	GBP
Payments due in 2021 (nominal amounts)	52 352	42 213	13 975

Interest rate risk

The Group's interest rate risk is primarily connected to long-term liabilities. As the net interest bearing liabilities per 31.12.20 was 51% (58% in 2019) of the consolidated statement of financial position, the profit for the year is considerably exposed to the interest level. The liabilities primarily consists of floating-rate loans. In 2020, the Group's floating-rate loans have been in NOK, EUR and USD. With net interest-bearing liabilities of NOK 3 090 478 thousand (NOK 3 333 738 thousand in 2019), the level of interest rates significantly affects the financial expenses.

Effects of increase/reduction in interest:

If the interest was 1% weaker/stronger as per 31.12.20 and all other variables were unchanged, this would have resulted in higher/lower profit before taxes of NOK 47 624 thousand (NOK 28 751 thousand).



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)	2020	2019
Gross trade receivables (note 16)	387 520	405 927
Other receivables	36 731	184 218
Cash and cash equivalents	818 834	497 501
Total	1 243 085	1 087 646

Liquidity risk

The Group's activities are not capital intensive and normal 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.

Maturity profile of the Group's liabilities:

NOK (thousands)	31.12.2020	2021	2022	2023	2024	2025 →
Interest-bearing liabilities						
Bank loans	3 909 428	220 698	50 000	63 000	3 575 730	
Lease liabilities	229 790	57 690	41 973	33 247	17 214	79 666
Sum of interest-bearing liabilities	4 139 218	278 388	91 973	96 247	3 592 944	79 666
Non-interest-bearing liabilities						
Trade payables	258 329	258 329				
Other short term liabilities and provisions	287 192	287 192				
Other long term liabilities	1 047	262	262	262	262	
Sum of non interest-bearing liabilities	546 568	545 783	262	262	262	
Total	4 685 786	824 171	92 235	96 509	3 593 206	79 666

In addition to liabilities included in the table above, the group has a shareholder loan of NOK 194 431 thousands, which falls due in its entirety in the event of an exit.

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 at 31.12.20, the fair value of forward currency exchange contracts amounted to NOK 1 882 (-3 342) thousand. Value change recognised for 2020 was a gain of NOK 5 224 (1 476) thousand.



Fair value hierarchy

NOK (thousands)

	Category	Fair value	Book value	Fair value	Fair value level *)
2019					
Non-current assets					
Shares in other companies	B	759	759	759	3
Total		759	759	759	
Current assets					
Trade receivables	A		401 794	401 794	
Cash and cash equivalents			497 501	497 501	
Total			899 295	899 295	
Long-term liabilities					
Long-term interest-bearing loans	A		3 605 618	3 605 618	
Total			3 605 618	3 605 618	
Short-term liabilities					
Cash and cash equivalents	A		225 606	225 606	
Trade payable	A		211 461	211 461	
Derivatives	B	3 342	3 342	3 342	2
Total		3 342	440 409	440 409	
2020					
Non-current assets					
Shares in other companies	B	206	206	206	3
Total		206	206	206	
Current assets					
Trade receivables	A		378 911	378 911	
Derivatives	B	1 882	1 882	1 882	2
Cash and cash equivalents			818 834	818 834	
Total		1 882	1 199 627	1 199 627	
Long-term liabilities					
Long-term interest-bearing loans	A		3 688 730	3 688 730	
Total			3 688 730	3 688 730	
Short-term liabilities					
Short-term interest-bearing loans	A		220 698	220 698	
Trade payable	A		258 329	258 329	
Total			479 027	479 027	

Category:

A: Assets/liabilities at amortised cost

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

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

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

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

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



Note 9 Loans, mortgages and guarantees

NOK (thousands)	2020	2019
Long-term interest bearing loans		
Bank loans	3 688 730	3 605 618
Borrowing costs	(43 726)	(47 704)
Shareholder loan including accrued interest	198 115	186 378
Total	3 843 119	3 744 292
Short-term interest bearing loans		
Bank loans	220 698	225 606
Borrowing costs	(14 647)	(14 647)
Total	206 051	210 959

Maturity dates down payment, interests and borrowing costs

Within 1 year	190 332	207 330
From 2 to 5 years	4 060 680	3 288 348
5 years or later		

Interest rate and currency rates as per 31.12. is used for calculating future amortisation and interests.

Carrying amount of loans per currency excluding shareholder loan:

NOK	163 000	213 000
EUR	2 722 278	2 564 588
USD	853 260	878 030
Total long-term	3 738 538	3 655 618
USD - Drawdown revolving credit facility	170 652	175 606
CZK - car financing	238	
Total	3 909 428	3 831 224

Changes interest-bearing liabilities excluding shareholder loan

Per 01.01	3 831 224	2 849 610
Down payments	(50 968)	(50 000)
New loans		919 170
Car financing	238	
Loan in purchased business	968	
Drawdown revolving credit facility		175 606
Exchange differences on translation of loans in foreign currency	127 966	(63 162)
Per 31.12	3 909 428	3 831 224

Changes in shareholder loan relate to accrued interest, and have no cash flow effect in 2020 and 2019.



Per 31 December 2020, the loan is drawn in NOK, EUR and USD and is due in 2024. In 2019, the bank loan increased with USD 100 million and a drawdown of the revolving credit facility of USD 20 million, in connection with the purchase of the US entity 9to5 Seating. 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 normally tied for three months at a time. The average interest rates in 2020 before margin was for the NOK-loan 0.91%, the EUR-loan 0% and USD-loan 0.75%. 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 2020, the Group had a total credit facility of NOK 4 104 468 thousand (NOK 4 012 480 thousand), consisting of bank debt of NOK 3 909 190 thousand (NOK 3 831 244 thousand) and an unused bank overdraft limit of NOK 195 278 thousand (NOK 195 000 thousand). At the end of 2020, the Group also has a shareholder loan of NOK 194 431 thousand.

The bank overdraft facility is NOK 400 000 thousand, but parts have been converted into a guarantee framework. Available funds in the form of unused credit facilities and cash at bank per 31.12.20 amounted to NOK 1 014 112 thousand, which constitutes about 34.6% of the sales revenues (NOK 678 742 thousand in 2019). The Group is currently experiencing good 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 on a monthly basis. A renegotiation of the bank agreement was completed in December 2020 with new levels of the NIBD/EBITDA covenant going forward. The company fulfilled the covenants in the loan agreement as at 31.12.2020.



Note 10 Personnel expenses and auditor's fees

NOK (thousands)	1.1-31.12	1.1-31.12
Personnel expenses	2020	2019
Salaries	686 950	728 033
Social security contributions	104 664	116 381
Pension expenses, see note 11	37 260	36 305
Other benefits	19 812	34 429
Total personnel expenses	848 686	915 148
Average number of full-time equivalent employees	2023	2 622

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

NOK (thousands)

Covid 19-support	46 540
------------------	--------

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

Loan to employees

One employee was given a loan of USD 1 582 thousand in 2019. The loan is due on 26 November 2029 and free of interest. The amount is presented as non-current financial assets in the statement of financial position. No other loans have been provided to employees in the Group as of 31 December 2020.

Audit fee - NOK (thousands) excl. VAT

Audit fee	7 595	5 522
Other assurance fees	319	
Tax services fees	2 017	4 284
Other fees	1 306	933
Total	11 237	10 739



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 31.12.2020, 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.

The company's unsecured scheme comprises an agreement-based early retirement scheme (AFP) and a former President & CEO's pension agreement, which is financed via the company's operations. For the Group's companies in other countries, defined contribution pension plans for all employees are established. Provisions have been made for the group's share of under-coverage of the old occupational pension scheme.

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

The Group's employees in Switzerland have a pension scheme that falls under the provisions for defined benefit pension in accordance with IAS 19. The scheme includes all employees of Flokk AG. Pension funds are managed by a private pension fund which is independent of the companies. The Pension Fund has an independent board that is responsible for the sound management of the pension funds. The Pension Fund guarantees under Swiss law, a minimum return on funds. As of 31.12.2020, this scheme had 76 active and 120 retired members.

Assumptions used to determine defined benefit obligations as of 31 December

	2020		2019	
	CH	NO	CH	NO
Discount rate	0,15 %	1,50 %	0,25 %	1,80 %
Future salary increase	0,50 %	2,00 %	0,50 %	2,25 %
Future increase in G-multiplier		2,00 %		2,00 %
Future pension increases	0,00 %	0,00 %	0,00 %	0,70 %
Return on plan assets	0,90 %	5,60 %	3,40 %	6,10 %

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 2021. Future returns are uncertain and dependent on interest rates, stock market fluctuations and risk management. Contributions to the pension scheme for 2020 are calculated to NOK 4 877 thousand.

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



NOK (thousands)	2020		2019	
	Covered	Not covered	Covered	Not covered
Components of net pension cost				
Pension costs defined-contribution plan	43 530		30 797	
Pension costs defined benefit plan	5 215		3 732	
Net pension costs	48 744	-	34 530	
Changes in gross pension obligation				
Pension obligations 1 January	477 496		441 200	108
Interest expenses on pension obligations	1 363		4 091	
Net change in social security expenses	6 330		4 742	
Contribution by plan participants	3 660		3 711	
Benefits paid during the year	(16 340)		(31 046)	
Administration costs	251		224	
Other	29 498		10 856	(108)
Actuarial gains/losses	28 517		43 718	
Pension obligations 31 December	530 775	-	477 496	0
Changes in gross pension fund assets				
Pension plan assets (fair value) 1 January	408 711		387 671	
Return on pension plan asset	1 168		3 580	
Premium payments	9 016		7 914	
Benefits paid during the year	(16 340)		(31 046)	
Other	26 839		11 240	
Actuarial gains/losses	3 326		29 351	
Pension plan assets (fair value) 31 December	432 720	-	408 711	
Net pension plan assets/(-obligations)	(98 056)		(68 785)	(108)

Weighted average asset allocations as of 31 December 2020, by asset category

Cash	14 %
Equity instruments	28 %
Debt instruments	47 %
Real estate	11 %
Other	1 %
Total	100 %



Note 13 Other operating expenses

NOK (thousands)	1.1-31.12 2020	1.1-31.12 2019
Premises expenses	48 325	50 590
Marketing expenses	46 753	72 412
Travelling expenses	11 046	31 746
Fees	84 078	88 562
Business acquisition expenses	6 852	23 665
External freight expenses	176 314	144 904
Royalty	19 931	35 125
Car expenses	12 273	16 653
IT-expenses	46 792	39 527
Other operating expenses	113 750	43 931
Total other operating expenses	566 114	547 115

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

NOK (thousands)

Covid-19 support	3 870
------------------	-------

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



Note 14 Taxes

The major components of income tax expense are:

NOK (thousands)	2020	2019
Taxes payable on this years result, Norway	7 776	163
Taxes payable on this years result, abroad	40 656	31 922
Changes in deferred tax and deferred tax benefit, Norway	(11 549)	23 960
Changes in deferred tax and deferred tax benefit, abroad and Group	15 316	(41 550)
Taxes previous years	3 423	3 114
Income tax expense reported in the income statement	55 623	17 609

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 2019). The main

Profit before tax	41 368	139 265
Norwegian tax rate (22%)	9 101	30 638
Change in assessment previous years ²⁾	25 372	(4 820)
Permanent differences	19 866	(4 715)
Effect of change in tax rates ¹⁾	(26)	-
Other: differences in tax rates, currency etc.	1 310	(3 494)
Income tax expense	55 623	17 609
Effective tax rate	134 %	13 %

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

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

Tax rates outside Norway that deviate from 22%:

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

Effective tax rate in 2020 is negatively affected by Polish tax regulations for Insurance payments.

Deferred tax on temporary differences:

Property, plant and equipment	(524 574)	(411 379)
Intangible assets	(142 536)	(68 420)
Current assets	10 180	27 362
Liabilities and other differences	265 739	77 979
Tax loss carried forward	295 283	323 045
Pension obligations not covered	97 440	68 785
Total temporary differences	1 532	17 372
Net deferred tax	8 427	9 646



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

Deferred tax asset	173 873	128 571
Deferred tax	(165 446)	(118 925)
Net deferred tax	8 427	9 646

Deferred tax assets are mainly linked to temporary differences in non-current assets, intangible assets and tax losses carried forward. Deferred tax assets on tax losses carried forward are only capitalized to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognized. For the Group, all tax-reducing temporary differences have been recognized.

Reconciliation of deferred tax

Opening net balance as of 01.01.	9 646	49 055
Deferred tax acquired in business combinations	(1 729)	-
Tax expense during the period recognised in comprehensive income	(3 768)	17 590
Tax expense during the period recognised in OCI	4 705	(2 653)
Reclassification in purchase price allocation, see note 3		(54 770)
Other: differences in tax rates, currency etc.	(427)	424
Closing net balance 31.12.	8 427	9 646

Reconciliation of taxes payable for the year ended 31.12.

Current income tax charge	48 432	32 085
Tax payment, not settled	35 368	3 554
Prepaid income tax	(10 608)	(31 553)
Other changes	(3 424)	193
Closing balance 31.12.	69 768	4 279



Note 15 Inventories

The Groups's total inventories include the following:

NOK (thousands)	2020	2019
Raw materials	243 059	233 137
Work in progress	50 848	42 304
Finished products	84 395	61 142
Total inventories	378 302	336 583
Inventory movements, in house production	31 797	(11 457)
Provision for obsolete inventories	23 031	37 329

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 2020 of NOK 7 277 thousand (NOK 28 798 thousand in 2019. Of this amount, NOK 20 333 thousand refers to the fire incident at Profim). The amount is classified as cost of material. See note 26.



Note 16 Trade receivables and other receivables

NOK (thousands)	2020	2019
Carrying amount	387 520	405 927
Provisions for bad debt	(8 609)	(4 133)
Total trade receivables	378 911	401 794
Prepaid expenses	29 001	29 478
Deposits	553	1 052
Other receivables	7 177	153 688
Total other receivables per 31.12	36 731	184 218
Total receivables per 31.12	415 642	586 012

Change in provision for bad debt:

Provision per 01.01.	4 133	6 837
Change in provision during the year	4 476	(2 704)
Provision per 31.12.	8 609	4 133
Realized losses	372	1 810

Breakdown of trade receivables by due date:

NOK (thousands)

Trade receivables not due	325 726	331 137
Overdue receivables 1-30 days	42 410	58 386
Overdue receivables 31-60 days	7 967	8 865
Overdue receivables over 60 days	11 417	7 539

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

	1.1-31.12	1.1-31.12
NOK (thousands)	2020	2019
Financial income		
Interest income	1 800	2 026
Foreign exchange gain derivatives	62 982	16 859
Other foreign exchange gain ¹⁾	1 603 804	456 606
Other financial income	17	168
Total	1 668 603	475 659
Financial expenses		
Interest expenses	205 882	141 816
Interest expense on lease liabilities	5 163	3 031
Foreign exchange loss derivatives	67 530	21 946
Other foreign exchange loss ¹⁾	1 692 824	426 430
Other financial expenses	18 079	17 696
Total	1 989 478	610 919
Net financial income/(expense)	(320 875)	(135 260)

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



Note 18 List of Group companies

The Group has consolidated subsidiaries where the Group has control, see table below. In 2020, the Group also had ownership interest in two companies, Vzór Sp. z.o.o. (22.66% ownership), and BMA Sales B.V. (25% ownership).

The Group's shares in Vzór Sp. z.o.o. was sold in December 2020. In 2020, the Group has not received any income from these companies.

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 %
Malmstolen Produktion AB	Sweden	100 %	100 %
OFFECCT AB	Sweden	100 %	100 %
Flokk A/S	Denmark	100 %	100 %
Flokk Holding ApS	Denmark	100 %	100 %
Flokk GmbH	Germany	100 %	100 %
Flokk Holding GmbH	Germany	100 %	100 %
Flokk B.V.	the Netherlands	100 %	100 %
Flokk Limited	UK	100 %	100 %
Flokk Sarl	France	100 %	100 %
Flokk AG	Switzerland	100 %	100 %
Flokk NV	Belgium	100 %	100 %
Profim sp. z o.o.	Poland	100 %	100 %
Flokk Asia Pte Ltd	Singapore	100 %	100 %
Flokk Asia Pte Ltd, Hong Kong Branch	Hong Kong	100 %	100 %
Habitat Ltd	Hong Kong	95,45 %	95,45 %
Flokk Trading (Shanghai) Co., Ltd	China	100 %	100 %
Zhongshan Habitat Furniture Co, Ltd	China	100 %	100 %
Flokk Australia Pty Ltd	Australia	100 %	100 %
Flokk USA, Inc.	USA	100 %	100 %
Flokk USA Holding LLC	USA	100 %	100 %
9to5 Seating LLC	USA	95,45 %	95,45 %
Flokk Furniture Inc.	Canada	100 %	100 %
SIA Ring ChairTech Baltic	Latvia	100 %	100 %
Flokk Česko s.r.o.	Czech Republic	100 %	100 %



Note 19 Share Capital

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

On the extraordinary general meeting on 16 April 2020, the share capital was 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.

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 2020:

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

	2020	2019
Earnings per share (NOK)	(0,51)	4,08
Diluted earnings per share (NOK)	(0,51)	4,08
Profit for the year attributable to equity holders of the parent (NOK thousands)	(15 322)	121 488
Weighted average of number of shares outstanding	29 873 192	29 773 192
Weighted average of number of shares outstanding (diluted)	29 873 192	29 773 192



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 4 in the financial statements of Flokk Holding II AS for further details.

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

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



Note 22 Leases

The Group has adopted IFRS 16 Leases as of 1 January 2019. Prior to 2019, the Group held no assets classified as financial leases under IAS 17.

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	Machinery			Total
	Buildings	and	Vehicles	
Carrying amount of right-of-use assets 31.12.19	117 310	1 973	25 314	144 598
Addition through acquisition	9 565			9 565
Additions	115 059	6 464	9 950	131 472
Depreciation for the year	(43 063)	(2 201)	(14 606)	(59 869)
Adjustments	(6 501)	-	(36)	(6 537)
Translation differences	4 249	71	917	5 237
Carrying amount of right-of-use assets 31.12.20	196 620	6 308	21 538	224 466

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	2020	2019
Less than 1 year	57 759	50 338
1-2 years	41 973	37 202
2-3 years	33 247	21 637
3-4 years	26 880	15 336
4-5 years	17 214	10 767
More than 5 years	81 096	27 025
Total undiscounted lease liabilities at 31.12.	258 170	162 306

Summary of the lease liabilities	2020	2019
Total lease liabilities at 01.01.	146 483	97 955
New lease liabilities recognised in the year	133 141	87 643
Cash payments for the principal portion of the lease liability	(61 943)	(42 146)
Interest expense on lease liabilities	5 163	3 031
Currency translation differences	6 945	-
Total lease liabilities at 31.12.	229 789	146 483
Current lease liabilities	57 690	49 459
Non-current lease liabilities	172 100	97 025
Total cash outflows for leases	61 943	42 146



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 comprehensive income	2020	2019
Variable lease payments expensed in the period		
Operating expenses in the period related to short-term leases (including short-term and low value assets)	266	2 402
Operating expenses in the period related to low value assets (excluding short-term leases included above)		89
Total lease expenses included in other operating expenses	266	2 491

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 have 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)	2020	2019
Balance 01.01.	11 798	13 368
Acquisition of a subsidiary	0	146
Provisions arising during the year	5 415	1 204
Provisions used	(5 857)	(2 920)
Translation difference	304	
Balance 31.12.	11 660	11 798

The Group has a provision of NOK 11 660 thousand for warranty claims per 31 December 2020 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)	2020	2019
Accrued salary expenses	71 454	73 290
Other accrued expenses	120 361	155 517
Total other short-term liabilities	191 815	228 807



Note 25 Remuneration to executive management and the Board of Directors

Payments to executives NOK (thousand)	CEO	Other members of Group management ¹⁾
2019		
Salaries	4 599	18 016
Bonuses	900	4 182
Other benefits	143	1 325
Pension expenses	133	4 970

1) Eirik Kronkvist, Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Piotr Chelmiński, Trond Langeland, Rene Sitter

2020		
Salaries	4 596	21 410
Bonuses	360	1 522
Other benefits	144	1 713
Pension expenses	183	1 421

1) Eirik Kronkvist, Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Piotr Chelmiński, Trond Langeland, Rene Sitter, Jonas Allers Wismer

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

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

In accordance with the current bonus scheme for management and senior employees, the Group has accrued an amount of NOK 7 428 thousand in the statement of comprehensive income as of 31.12.20. The bonus will be due for payment in 2021. There are no option programmes or agreements of share-based payment in the company.

Shares owned by management and board members in the parent company Flokk Holding II AS through the company Spinnaker Norway MipCo AS pr. 31.12.20:

Group management	Ordinary shares	Preference shares
Lars Ivar Røiri (Røiri Invest AS)	400 000	10 000
Lillevi Ivarson (Tunset AS)	160 000	4 000
Eirik Kronkvist	80 000	2 000
Patrik Röstlund	80 000	2 000
René Sitter	80 000	2 000
Christian Lodgaard	48 000	1 200
Frederik Fogstad	16 000	400



Shares owned by management and board members in the parent company Flokk Holding II AS through the company Spinnaker Norway MipCo 2 AS pr. 31.12.20:

Board	Ordinary shares	Preference shares
Aromi Invest Oy (Esko Mikael Aro)	255 000	4 500
Pernille Stafford	34 000	600
Kristine Landmark	7 095	558
Group management		
Piotr Chelmiński	195 500	3 450
Frederik Fogstad	127 500	2 250
Cross Invest AS (Trygve Aasland)	127 500	2 250
Lars Ivar Røiri (Røiri Invest AS)	85 000	1 500
Patrik Röstlund	85 000	1 500
Christian Lodgaard	42 500	750
Jonas Allers Wismer	42 500	750
Trolan AS (Trond Langeland)	38 150	2 630



Note 26 Fire incident at Profim

On the night of the 26th and 27th of November 2019, a fire erupted at the Profim production plant in Turek, Poland which resulted in the destruction of part of the production hall affecting the metal shop, paint shop and chrome department. All employees that were onsite in the area exposed by the fire were immediately evacuated and most importantly - no one was injured. There were several actions initiated to address the new situation and a crisis team was established involving all departments of the company. The main task assigned to the crisis team was to provide a recovery plan which included initiatives to immediately outsource services and components that were affected in the fire, initiate commercial activities to uphold market share and identify substitute products from other brands in the Group to offer to customers.

Recognised in the statement of comprehensive income		
NOK (thousands)	2020	2019
Other income ¹⁾	88 025	146 771
Cost of labour	(23 059)	(6 699)
Impairment of property, plant and equipment, see note 12		(83 124)
Cost of materials, see note 15		(20 333)
Other costs	(2 780)	
Net effect on comprehensive income	64 966	36 615

¹⁾ Settlement from the insurance is classified as other income in the statement of comprehensive income.



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.

Impacts from the Covid-19 pandemic is expected to continue to affect the Group's results in 2021, especially during the first half of 2021. In second half of 2021, the Group expect to see increase in demand as more markets will return to a more normal level of business. In the start of 2021, there are several of the Group's markets where the authorities continue to have strict measures that will affect the Group's sales activities.

The financial plan for 2020-2023 was updated in August/September 2020 and take into account the anticipated effects from the Covid-19 pandemic. For 2020, the actual EBITA came in on the estimate for 2020. The start of 2021 follows the same trend for the financial outlook for 2021.

The Group's presentation currency and Flokk Holding II AS' functional currency is NOK (Norwegian Krone). Since year-end 2019, the NOK depreciated significantly against most other currencies in March, before becoming more stable towards the end of 2020. In 2020, this currency fluctuation affected the statement of comprehensive income and consolidated statement of financial position. Please see note 8 and 9 for further information about Flokk Groups exposure and sensitivity related to changes in foreign exchange rates.



Flokk

Annual Report 2020

Flokk Holding II AS

Org.no. 913 808 991

Flokk Holding II AS
P o Box 45, Skøyen
NO-0212 Oslo, Norway
Tel: +47 22 59 59 00
E-mail: info-no@flokk.com
flokk.com

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



Flokk Holding II AS Income statement

NOK (thousands)	Notes	2020	2019
Other operating expenses		682	575
Total operating expenses		682	575
Operating profit		(682)	(575)
Financial income	6	502	2 008
Financial expense	6	14 980	16 885
Net financial income/(expense)		(14 477)	(14 878)
Profit before tax		(15 159)	(15 452)
Income tax expense	2	(3 257)	235
Profit for the year		(11 903)	(15 688)
Information concerning:			
Transferred to other equity		(11 903)	(15 688)
Total distribution		(11 903)	(15 688)



Flokk Holding II AS - Balance Sheet

NOK (thousands)	Notes	2020	2019
ASSETS			
Deferred tax benefit		17 998	14 741
Shares in subsidiaries	<u>3, 5</u>	755 825	755 825
Total non-current assets		773 823	770 567
<hr/>			
Group contribution	<u>4</u>	500	2 000
Cash and cash equivalents		122	14
Total current assets		622	2 014
Total assets		774 445	772 581
<hr/>			
EQUITY AND LIABILITIES			
Share capital	<u>7</u>	448	447
Other paid-in equity	<u>7</u>	656 031	652 794
Total paid-in equity		656 479	653 241
Retained earnings	<u>7</u>	(80 690)	(68 787)
Total equity		575 789	584 454
<hr/>			
Shareholder loan	<u>4, 5</u>	198 115	186 378
Total long-term liabilities		198 115	186 378
<hr/>			
Trade payable		63	-
Group payable	<u>4</u>	479	1 749
Total current liabilities		541	1 749
Total liabilities		198 656	188 127
Total equity and liabilities		774 445	772 581

31 December 2020

Oslo, 11 June 2021

Thomas Hofvenstam
Chairman of the Board

Eirik Kronkvist
Board member

Lars I. Røiri
CEO



Flokk Holding II AS
Cash Flow Statement

NOK (thousands)	1.1-31.12 2020	1.1-31.12 2019
Profit before tax	(15 159)	(15 452)
Group contribution not received	(500)	(2 000)
Change in payables	(1 208)	549
Accrued interest shareholder loan	14 975	16 879
Cash flow from operating activities	(1 892)	(25)
Received group contribution	2 000	-
Cash flow from financing activities	2 000	-
Cash flow for the year	108	(25)
Cash and cash equivalents at the beginning of the period	14	39
Cash and cash equivalents at the end of the period	122	14



Note 1 Accounting policies

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

Use of estimates

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

Currency

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

Tax

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

Classification and stating of balance sheet items

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

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

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

Subsidiaries

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

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

Cash flow statement

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

Consolidation

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



Note 2 Taxes

NOK (thousands)

Income tax expense	2020	2019
Taxes payable this years result	-	-
Change deferred tax	(3 257)	235
Income tax expense	(3 257)	235

Taxes payable

Profit before tax	(15 159)	(15 452)
Permanent differences	-	16 522
Carry forward losses	185	(1 070)
Waiver deduction for interest	14 975	
Basis taxes payable	(0)	(0)
22% taxes payable	(0)	(0)

Profit before tax	(15 159)	(15 452)
22% taxes	(3 335)	(3 400)

Taxes due to:

Permanent differences		3 635
Change in previous years	78	
Income tax expense reported in the income statement	(3 257)	235

Specification of the basis of deferred taxes

Carry forward losses	(66 834)	(67 006)
Unutilized interest deductibility	(14 975)	
Total temporary differences	(81 809)	(67 006)
Net deferred tax	17 998	14 741

Deferred tax benefit for 2020 is calculated by using a tax rate of 22%.



Note 3 Shares in subsidiaries

NOK (thousands)

Company	Business location	Time of acquisition	Ownership	Company's share	Equity	Profit for the year
Flokk Holding AS	Oslo	October 2014	100 %	100 %	1 726 093	(62 892)

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 2020.



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

NOK (thousands)

Liabilites	Flokk AS		Flokk Holding AS		Total	
	2020	2019	2020	2019	2020	2019
Loan to subsidiaries	109	106	370	1 643	479	1 749
Total	109	106	370	1 643	479	1 749

Liabilites	Spinnaker Norway Mipco AS		Triton Managers IV Limited		Spinnaker Bidco Sarl	
	2020	2019	2020	2019	2020	2019
Shareholder loan	888	821	190 275	179 069	3 268	3 023
Accrued interest shareholder loan	16	15	3 552	3 343	116	107
Total	904	836	193 826	182 412	3 384	3 130

Liabilites	Total	
	2020	2019
Shareholder loan	194 431	182 914
Accrued interest shareholder loan	3 684	3 464
Total	198 115	186 378

Receivables	Flokk AS	
	2020	2019
Group contribution	500	2 000
Total	500	2 000

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



Note 5 Receivables and debts

NOK (thousands)

	2020	2019
Long term debt with maturity later than 5 years		
Shareholder loan	198 115	186 378
Total	198 115	186 378

Assets mortgaged

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

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



Note 6 Aggregated financial income/expense

NOK (thousands)	2020	2019
Financial income		
Interest income	0	0
Other financial income	2	8
Group contribution	500	2 000
Total	502	2 008
Financial expense		
Interest expense	14 975	13 748
Other financial expenses	5	3 137
Total	14 980	16 885
Net financial income/(expense)	(14 477)	(14 878)



Note 7 Equity

NOK (thousands)	Share capital	Other paid-in equity	Retained earnings	Sum Equity
Equity per 31.12.18	447	652 794	(53 099)	600 141
Profit before tax			(15 688)	(15 688)
Equity per 31.12.19	447	652 794	(68 787)	584 454
Capital increase	2	3 237		3 238
Profit before tax			(11 903)	(11 903)
Equity per 31.12.20	448	656 031	(80 690)	575 789

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

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

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



Note 8 Compensations to executives

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

Auditor	2020	2019
NOK (thousands) excl. VAT		
Audit fee	263	200
Other assurance fees	94	33
Other fees	175	



Note 9 Events after the balance sheet date

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

Referring also to note 27 in the consolidated financial statements.

The annual financial statements were approved by the Board of Flokk Holding II AS on the 11 June 2021.



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

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 comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and statements 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 comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, cash flows and 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 are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its 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 present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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 Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are 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 other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial



Building a better
working world

Reporting Standards as adopted by the EU for the financial statements of the Group, 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 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 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 law, regulations and generally accepted auditing principles in Norway, including 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 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 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 to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report - Flokk Holding II AS

A member firm of Ernst & Young Global Limited



Building a better
working world

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslø, 1 June 2021
ERNST & YOUNG AS

Asbjørn Lier
State Authorised Public Accountant (Norway)



Skatteetaten

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

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

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.