Thinking inside-out

Annual Report 2019

Thinking inside-out

Annual Report 2019

Key figures

2 505	7	11%	94%
Full time equivalents	Production Sites	Lower energy intensity per revenue since 2018	Renewable share of total purchased electricity
9	**14**	**26%**	**649t**
Brands	Sales offices worldwide	Lower energy intensity per unit since 2015	Recycled plastic in our products

IMPORTANT EVENTS IN 2019

In November, the US office seating manufacturer 9to5 Seating was acquired. Through the acquisition, Flokk expands its footprint in the US market, underpinning its international growth strategy.

On the night of the 26th of November 2019, there was a fire at Profim's production plant in Turek, Poland, which resulted in the destruction of part of the manufacturing facility. Most importantly, there was no one injured as a result of this event.

Launching of the renewed flokk.com, developing digitalization and e-commerce.

All remaining production activities in Zwolle for the BMA brand was relocated to the Nässjö site, thereby completing the complete move of the BMA production which was initiated in 2016.

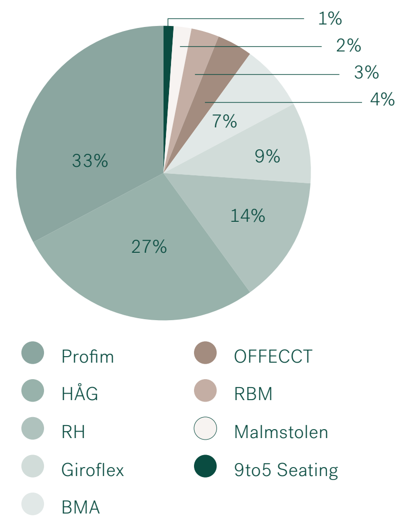
PRODUCT LAUNCHES

RH New Logic
HÅG Creed
Profim Ellie Pro
Profim Nine
Profim Chic Line extension
Profim Nu new version
Offecct Font
Offecct Soundsticks
Offecct Grandfield
Offecct Babled
Offecct Young
9to5 Seating Lilly side
9to5 Seating Neo Lite
9to5 Seating Omnia
9to5 Seating Mila

		2019	2018	2017	2016	2015
Operating revenues	NOK million	3 162	2 723	1 730	1 299	1 180
EBITDA [1]	NOK million	511	421	269	251	233
Operating profit	NOK million	275	326	215	212	195
Operating margin	%	8,7	12,0	12,4	16,3	16,5
Adjusted EBITA [2]	NOK million	511	454			
Profit before tax	NOK million	157	84	62	119	90
Profit for the year	NOK million	139	51	42	84	71
Net interest bearing-debt	NOK million	3 333	2 497	1 236	962	1 084
Investments	NOK million	180	120	44	50	39
Total assets	NOK million	5 796	4 414	2 898	2 409	2 369
Net working capital [3]	%	17	17	19	17	16
Equity share [4]	%	20	23	40	45	39
No. of employees per 31.12.		2 521	2 517	829	546	555
Full time equivalents per 31.12.		2 505	2 496	800	533	538

[1] Earnings before interest, tax, depreciation and amortisation (EBITDA). Not adjusted for one-off costs.
[2] Currently the Group has one Alternative Performance Measure; Adjusted EBITA (Earnings before interests, tax and amortisation). This is EBITA adjusted for M&A and integration activities, and normalized for full year inclusion of acquired companies, as if the Group had owned the company from 1st of January.
[3] Inventory + accounts receivables - accounts payable in percent of operating revenues.
[4] Includes shareholder loan for the period 2015-2017.

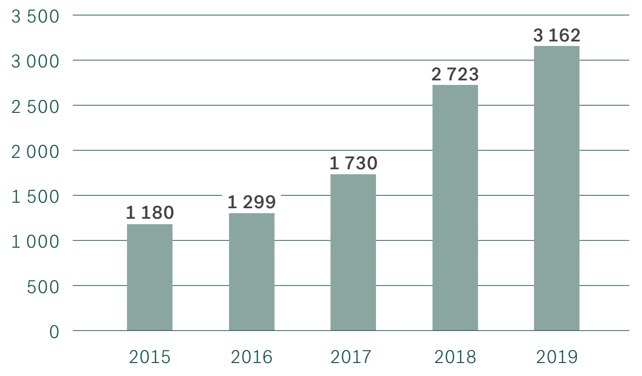
Sales per brand



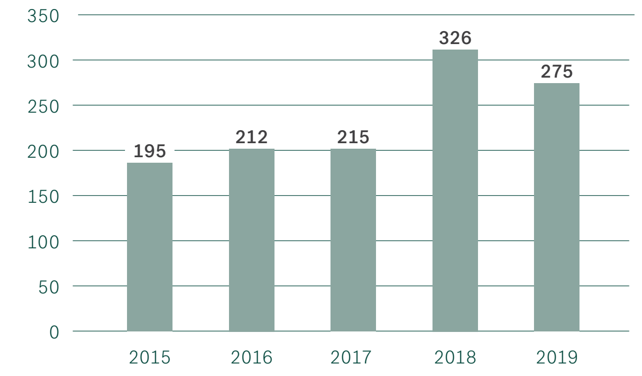
Sales per market

Germany 20%
Sweden 12%
Norway 10%
Poland 9%
The Netherlands 8%
Denmark 7%
Switzerland 5%
Belgium 5%
UK 5%
France 4%
USA 2%
Other countries 13%

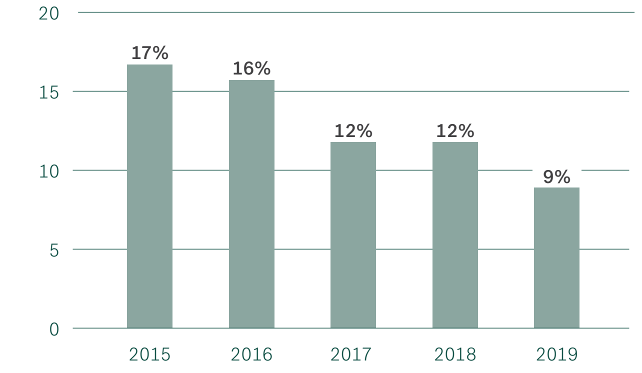
Operating revenues (NOK million)



Operating profit (NOK million)



Operating margin (%)



RBM Noor and RBM Allround

Contents

CEO's introduction:
Flokk – a Norwegian industrial growth adventure:
Market leader in Europe with a strong global presence

The last four years have been truly transformative for Flokk! We have more than tripled our revenue base and expanded our presence from being mainly a Scandinavian frontrunner to a clear market leader in Europe with an extensive global presence. This incredible growth journey has been fueled by organic initiatives and active use of M&A. Over the past four years, Flokk has made six strategic acquisitions, which positions our company as one of the leading consolidators in the fragmented global office seating industry. Whereas our previous acquisitions strengthened the Group's existing positions in Europe, our latest acquisition of the strong US company 9to5 Seating at the end of 2019, has given Flokk a significant position in the US market – the largest market for office seating in the world. In addition, the acquisition brings production capacity in Asia where Flokk has also been growing strongly during recent years. Thus, we have now become a major global player. At the same time, we have managed to protect our industry leading profitability through leveraging our core competences within manufacturing and product development while extracting synergies where possible across the Group.

GREAT AMBITIONS

Through our geographical and portfolio expansion, we are well positioned to withstand fluctuations in the overall market. In addition, we have been able to utilize the increased scale we have attained through acquisitions to optimize both our production capabilities, supplier structure and purchasing terms. We now have production capabilities in Europe, US and Asia and source materials from several countries near the markets we operate in, which brings increased efficiency throughout our value chain.

Over the years, we have built a strong track-record of executing value-adding acquisitions. We are financially sound with a strong cash-flow and still have available funds to continue to participate in the consolidation of the industry going forward. We also have solid and active owners who support our ambitious acquisition strategy.

We have a clearly defined M&A strategy with specific criteria defining which types of companies we see as having the best strategic fit with Flokk. Based on this well-defined methodology, we are continuously engaging in new dialogues with potential acquisition opportunities. We have established a unique set of competencies within the Group, which enables us to swiftly identify and mitigate risks and run very efficient processes in an honest and open dialogue with our counterparts. To facilitate this, we have established our own in-house M&A organization, which carries out all M&A processes, and 30-40 Flokk employees who work dedicated in the integration of the companies we acquire, so that these can quickly contribute positively to the operating result of the Group.

ORGANIC GROWTH

In addition to executing on a high number of acquisitions, we have successfully executed on our strategy to deliver strong underlying organic growth driven by commercial excellence and successful product launches. Under normal conditions, the market traditionally grows by 3-4 per cent annually - our clear ambition is to keep gaining market share and grow more than the rest of the market, which we have been able to achieve consistently over the past years.

We have developed a strong internal ecosystem related to procurement, production, logistics, supply chain, sales & marketing activities and product development, which all our brands benefit from. Our brands and product portfolios complement each other very well, and help to make us even more attractive as a supplier for larger projects and as a competitive partner for our dealers and agents. Flokk is present with one or more of our brands in more than 100 countries across all continents.

DIFFERENTIATED BRANDS

Our strategy is to win market share by combining true product differentiation and strong brands that are relevant across all segments with superior front-end efficiency operational superiority and targeted acquisitions and mergers. Our M&A strategy is to buy strong local brands, which can swiftly bring market share and further economies of scale.

With the acquisition of Profim in 2018 and 9to5 Seating in 2019, we have managed to strengthen our position in our core markets in Europe, the US and Asia and at the same time have taken a clear position in the volume markets for good design furniture at moderate prices. The US office seating market alone is similar the size of the entire European market combined, with a total market of over $5 billion a year. Through the acquisition of 9to5 Seating, we have established a good platform for further expansion in the large US market, where we are proud of the fact that 9to5 serves a broad client base including many internationally renowned companies. The acquisition also gives Flokk new growth opportunities in Asia, through its production facilities located in China.

Flokk has differentiated brands that are relevant to all market segments on all continents. It makes us a leading and even bigger, stronger and more relevant player in the office seating market in Europe, the US and Asia. Regardless of whether people work in cell offices, open office landscapes, lounges or recreational areas, they will be able to use Flokk's various products to address their seating needs.

DESIGN, MARKETING AND SALES

In order to ensure continued development of strong brands and that everything that is developed is in line with Flokk's strategies, the DNA of all brands is preserved in a design philosophy that forms the core of everything we do. We have an in-house design environment with more than 80 people with a high level of expertise. Design Management maintains the design philosophy and the relationship with external designers. In addition, we have our own design council of five key people, who develop our long-term design strategies. Product development takes place in an environment with three development teams, all of whom can do product development for all brands.

The marketing environment, for its part, consists of dedicated brand teams for each of the brands and a common function for the development of digital front-end and joint content marketing teams. In addition, we have strengthened the sales organization during 2019, with our own integrated sales organizations in Northern Europe, Western Central Europe, Eastern Europe, US and Asia. In addition, we continue to invest heavily in product development across all our brands, and continue to follow the strategy of investing above the industry average of 2-3 percent of sales on product development.

ECONOMY

Flokk is the largest and most profitable office seating manufacturer in Europe, and has been so for the past several years. Flokk has seen growth in most markets and across most of the brands we had in our portfolio at the start of 2019. The largest growth is now outside our historic core markets Norway and Sweden, although both of these markets continue to be key for the Group going forward.

Through the acquisitions we have made, there are great opportunities to improve profitability. Size is in itself important for creating profitability through economies of scale and for driving rational product and market development. In addition, due to the high labor cost level in Norway and Sweden, we have been driven to develop a highly automated production to remain competitive, and we bring that expertise to the production facilities in Europe, the US and Asia.

In November 2019, a fire erupted at our production plant in Turek, which destroyed part of the facility. Fortunately, no one was injured in the incident. Our priority since the fire, has been to take care of our employees' needs and help our affected customers. The fire has to some extent affected Flokk's results in 2019, but we expect full operation at the factory again in 2020.

EFFICIENT PRODUCTION

Flokk has strong focus on national distribution and proximity to the markets we operate in. We are able to deliver short consistent lead times to our customers, having assembly close to markets in the Nordic countries, Europe, US and Asia.

What differentiates Flokk from our peers and supports our profitable growth is our key competencies focused on high automation with mass-produced tailoring, procurement and supplier development and a significant investment in innovation and product development. For most of our brands, assembly production is run on the "just in time" principle, which means that we do not manufacture chairs for stock. Everything goes directly to the customer through a well-developed logistics and distribution system.

In addition, over the years, we have invested significantly in modern production processes and methods, through the use of robotics and digital production lines. We are continuously transferring the knowledge and expertise around this to our newly acquired companies, which have not progressed so far in this area. These efforts are contributing to considerable efficiency and, not least, increased profitability in the Group.

SUSTAINABILITY AND ESG

Flokk has had a strategic focus on sustainability for nearly 40 years. We have always led the way in the industry through the development of circular eco-friendly products and efficient operation of our production sites. We are committed to our ongoing efforts with focus on climate, resources and health to minimize the total environmental impact of the Group and our products. For our integrated brands, we have managed to reduce the energy consumed per unit with 26% since 2015, although number of units produced increased with 31% in that same period. We see a positive trend in reaching the target of an average of 60% recycled materials in our products. The focus going forward will be for Flokk to consolidate its role as a pioneer within sustainability as we continue to grow, by working holistically with both internal and external value chains to ensure energy efficiency and the correct use of raw materials and chemicals in products and production processes. We impose strict environmental requirements on all our suppliers, who must also obey our ethical guidelines, which focus on human rights, working conditions, bribery and corruption.

ESG (Environmental, Social and Governance) is an important part of the Group's work on compliance, which is driven by various regulations and through demands from the outside world. We work focused to incorporate ESG into our strategy to ensure long-term financial results. In addition, our employees, customers, partners and other stakeholders want us to maintain high standards for the environment, social conditions and corporate governance. An important part of the compliance work going forward will be to ensure that the Group has good processes for following up new rules and regulations related to ESG. At the same time, we must ensure that data in the company's ESG reporting is reliable and accurate, and that ESG becomes part of our ongoing risk assessments. By actively minimizing risk, we will create security for our owners, customers and other stakeholders. In addition, we are convinced that companies that work strategically with compliance and risk management over time will gain benefits in the form of improved efficiency and increased profitability.

STRATEGY AND PROSPECTS

We are living through difficult times when this annual report is written during the turmoil caused by the spread of the COVID-19 virus, but we are certain that if we look out for each other and work as a team, we can make it through. The good news at the end of first quarter 2020 is that our factories remain operational and we are open for business. Strong measures have been put in place to help combat the threat of infection and safeguard the health of all our on-site workers. Flokk has taken the threat of COVID-19 very seriously, and we have been following government advice in each of the regions we have a presence.

Whilst our showrooms may be closed, many of our staff, including customer services, are on hand to offer support and advice. With a complete technical solution deployed before the crisis, we were in the fortunate position to be able to work effectively as a global team from our homes, in order to provide for our customer's needs. Furthermore, Flokk is working very closely with suppliers to ensure delivery of components and materials to our factories. We have built up a security stock of certain critical components to reduce the risk of disturbances to delivery times. All orders placed will be honored as fast as we can manage.

It is impossible to predict how the COVID-19 situation will affect the Flokk Group in 2020 and beyond. However, now that we have become the largest office seating supplier in Europe, and with the strong foothold we have gained in the US through the acquisition of 9to5 Seating, we are committed to pursue our long-term ambition to become a leading supplier of office seating products worldwide.

We will work diligently to defend our strong positions in Scandinavia and Europe while continuing to grow in the US and Asia. We will do this by offering a complete range of products across user segments and price levels and continue to deliver on our strategy with strong underlying organic growth, driven by successful product launches and, not least, successful acquisitions with significant synergies to be realized.

We face uncertain times, where we have to keep our heads cold, our hearts warm and deal with the threats and opportunities that arise to the best of our ability. Fortunately, Flokk is better positioned than most others - both financially, operationally and market-wise - to withstand unforeseen market fluctuations and come out of the current situation well positioned for further growth. Despite the current market turbulence, we will keep our strategic course set to reach our long-term ambitions, while at the same time being operationally flexible and make changes where needed to adjust for short-term developments. The future is uncertain, but what is certain is that Flokk will endure and remain a reliable solid partner for all our stakeholders going forward.

Lars I. Røiri
Chief Executive Officer


HÅG Creed


Designer Saturday 2019, Oslo
OFFECCT

Corporate Governance

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE
Flokk complies with the Norwegian code of practice for corporate governance. As the company is not listed on the stock exchange, its corporate governance has been tailored to the company's situation. The company is majority owned by the private equity investment companies Triton, which is the main shareholder, and Innova. The remaining shares are owned by company executives and board members.

Flokk has defined corporate values which guide the company's way of working. In combination with the company's corporate culture, they form the basis on which the board and management believes that Flokk should be managed. Flokk strives to maintain high ethical standards in its business practices. All of the companies and employees must comply with the relevant laws and regulations in the country in which they work. The company practices values-driven management based on its values. The company has drawn up guidelines for ethics and corporate social responsibility, which are clearly communicated to all employees.

BUSINESS
The objects clause in Flokk Holding AS's articles of association stipulates that: "The company's operations are to own, directly or indirectly, other companies producing or selling office furniture, including chairs, as well as other activities naturally related thereto."

Flokk's most important success factor has been its ability to develop, produce and market workplace furniture. Innovation, a cost-efficient procurement function, flexible production, familiarity with the market, and effective sales work are key success factors. Flokk designs, develops, produces and markets workplace furniture. Growth and good profitability will be created through a high degree of innovation, modern design, good ergonomic solutions and a people- and environment-oriented approach to the products.

The Group's executive management team currently has eleven members. They cover the Group's main processes in the value chain: CEO, R&D, environment and corporate social responsibility, production and procurement, sales and marketing, HR, M&A, business development, strategy and finance/IT. The Group's executive management team is constantly tailored to suit the company's strategic and operational development. The CEO has day-to-day responsibility for Flokk's activities and manages the organisation within the framework set by the board.

EQUITY AND DIVIDENDS
The company's equity share as at 31.12.2019 was 19.6%. No dividends will be paid in the short and medium term, as available liquidity will primarily be used to invest and repay debt. The board does not have a mandate to increase capital.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES
Flokk has one share class and each share provides one vote. The company has laid down guidelines that require the board to be notified when board members or the CEO have significant interests in a transaction entered into by the company.

GENERAL MEETINGS
Flokk's supreme body is the general meeting. The ordinary general meeting will normally be held every year by the end of March.

NOMINATION COMMITTEE
A nomination committee has not been established for the election of shareholder-elected board members. As a result of the ownership structure, it has been natural that the work related to the composition of the board's shareholder-elected members to be handled by the largest shareholder, Triton.

Board of directors: composition and independence
The current board of Flokk has six members, all of whom are shareholder elected. The board's chair is selected by the general meeting. The board is broadly made up of industry relevant technical, marketing and financial expertise. There are no limits on the terms of board members, as the board's composition is regularly reviewed. The CEO is not a member of the board, but regularly attends the board meetings. Flokk Holding AS has no employees and is a holding company. The employee representatives sit on the boards of the operating companies Flokk AS and Flokk AB.

A dedicated group committee has been established to secure good and open dialogue between the management and the employee-elected representatives across the organization and geographical location. The committee has permanent members from the sites (two from Røros, two from Nässjö, and one from Oslo), as well as members from the Management team and the HR department. Three meetings are normally held each year. Flokk and its underlying subsidiaries do not have their own corporate assemblies. An agreement has been concluded on extra board representation from the employees of Flokk AS. The board of Flokk AB also has employee representatives. The boards of Flokk's other subsidiaries consist of the CEO of Flokk, as chairman of the board, and members of the Group's Executive Management team.

THE WORK OF THE BOARD OF DIRECTORS

The board has overall responsibility for the management and control of the company. The management Group updates the company's three-year strategy plan every year on behalf of the board. This plan also contains the company's financial target figures. The board approves general strategies and sets strategic and financial goals, which are maintained in the company's three-year strategy plan and in the annual budget. Outside board meetings, the board serves as advisers to the management Group.

Five board meetings are held according to a fixed meeting and work plan. They are linked to the approval of quarterly figures and regular strategy work. The board has rules of procedure, and annually assesses its work. The board appoints the company's CEO. The CEO performs his or her work pursuant to a job description, the company's budget and strategy plan, and contact with the board.

The board has a dedicated audit committee made up of selected members of the board. This committee prepares business for review before final decisions are made at the board meeting. The committee performs tasks related to financial reporting, the annual accounts, internal control, and has contact with the company's auditor. The board annually reviews and approves the company's policies, including environmental policy, code of ethics and personnel policies.

RISK MANAGEMENT AND INTERNAL CONTROL

Every month, and as needed, the CEO reports on the company's position and financial performance to the board in writing. Flokk systematically revises its strategies based on a three-year rolling plan. Every year an extended group of key managers is involved in this work before the strategies are presented to the board. All employees are involved later when relevant and are informed of the content and the consequences for their areas of responsibility. The final, revised strategy provides the basis for the coming yearly goals and priorities in the company's business plan. The strategy plan must be plain and simple and provide clear guidelines for every function in the organisation.

Flokk has several internal controllers who are organised under a group controller who reports to the CFO. Flokk has drawn up a framework for risk and opportunities management – a so-called enterprise risk management framework. This framework determines how to work to identify, handle and follow up business risks and opportunities in relation to stakeholders. Work is followed up closely through action plans and regular reporting. The board is regularly briefed on this work.

REMUNERATION OF THE BOARD OF DIRECTORS

The board's remuneration is reported in note 25 of the company's consolidated annual report. The board's remuneration is fixed by the general meeting every year. The board's remuneration is not linked to performance. The board members hold no options in the company.

REMUNERATION OF EXECUTIVE PERSONNEL

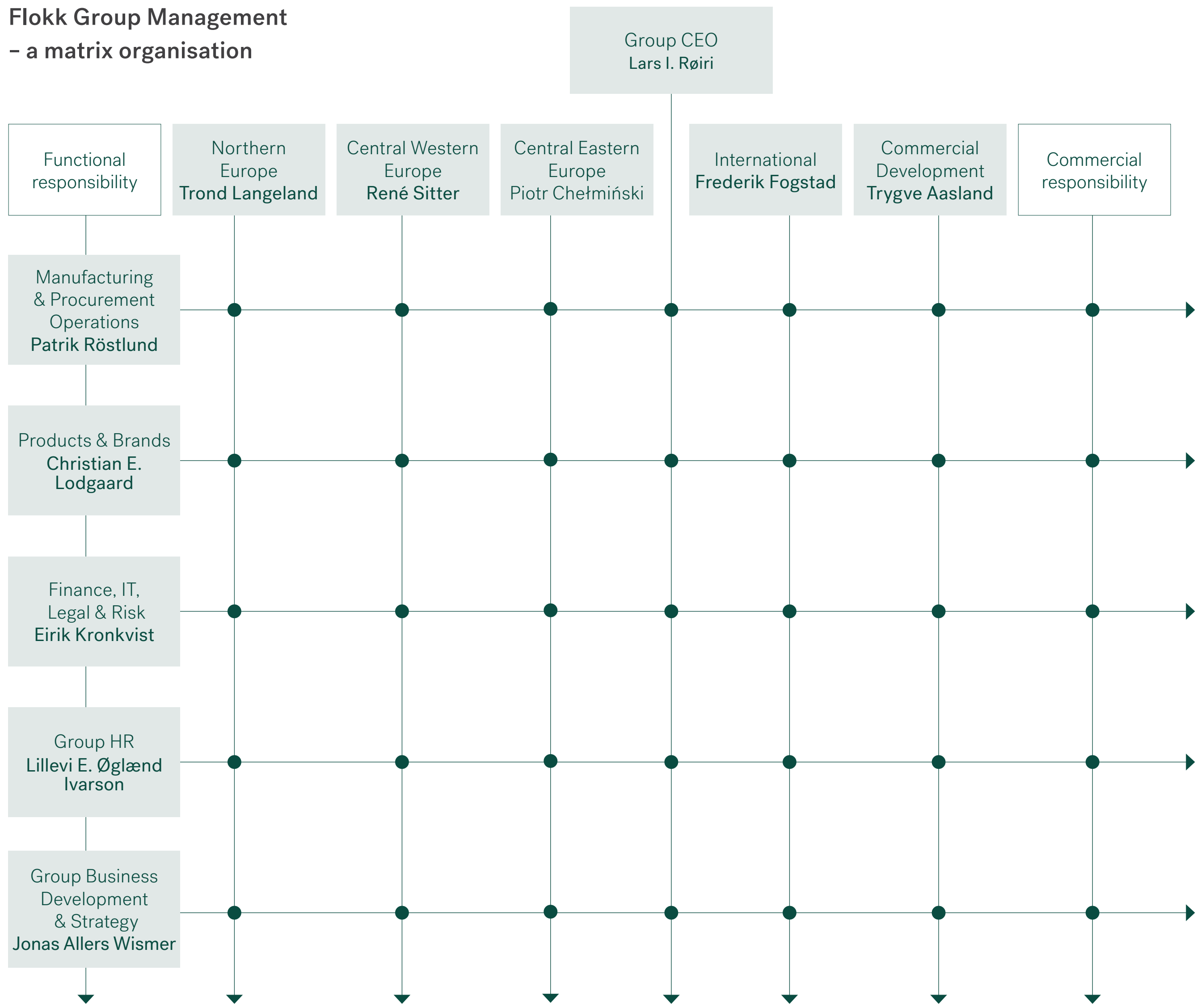
The remuneration of the CEO and other Group management is reported in note 25 of the company's annual report. The board fixes the terms of contract for the CEO based on a proposal from the chairman of the board. There is no fixed bonus system for executives. However, various forms of bonus schemes are practised, where financial performance and qualitative goals are the most important indicators.

AUDITOR

The financial positions of almost all of the Group's companies are audited by the auditing firm Ernst & Young. The company's central finance department cooperates with Ernst & Young in Norway to ensure good and coordinated auditing in all of the group's units. The auditor's fees are reported in note 10 of the company's consolidated annual report. Information is provided at the general meeting about the breakdown of the auditor's remuneration into auditing and other services. The auditor regularly attends audit committee meetings and attends board meetings that review the annual accounts.

The general quality management system ISO 9001 and environmental management system ISO 14001 are reviewed and revised annually by the external certification body KIWA. New in 2019 is that Flokk is also certified according to the energy management standard ISO 50001. Audits of ISO certifications are carried out by KIWA auditors. Health, internal working environment and safety (HSE) are according to ISO 45001 integrated into Flokk's common management/ quality system.

Flokk Group Management – a matrix organisation



Group Management

Lars I. Røiri (b. 1961)
Chief Executive Officer

Røiri joined the Group in 1999, then known as HÅG, and became CEO from 2001. He is responsible for the Group's overall performance, strategy and coherent actions. He holds a Master of Science in General Business from the Norwegian Business School (BI), and is currently member of board of directors in Glamox, Ekornes and Cappelen Holding. Røiri has prior work experience from Tomra, Saba-Mölnlycke, Jordan and Coloplast.

Eirik Kronkvist (b. 1969)
Chief Financial Officer

Kronkvist joined Flokk in 2010 and is responsible for the Group's finance, tax, treasury, legal, audit, IT, ESG and investor relations. He holds a Bachelor of Science in Business Administration from BI Norwegian Business School and an MBA in strategic management from the Norwegian School of Economics (NHH). Prior to joining Flokk, Kronkvist held positions in Compaq Computer, Hewlett Packard and Sopra Steria.

Lillevi E. Øglænd Ivarson
(b. 1964) Senior Vice President, Group HR

Ivarson joined Flokk in 2007. She is responsible for the Group's overall HR function including internal and external communication, recruitment, learning, HR administration, culture and values, working climate and facility management. Ivarson has her education from University of Linköping in Sweden and Haute Ecole de Commerce Nantes in France within business and French language. Prior to joining Flokk, she held positions within finance and human resources in Norsk Hydro and Yara International.

RH New Logic

Piotr Chełmiński (b. 1964)
Senior Vice President Central Eastern Europe
Chełmiński joined the Group in 2018 with Flokk's acquisition of Profim. He is the CEO and General Manager of Profim and is responsible for the overall operational and financial performance of the brand. He is a graduate of SGGW (the Warsaw University of Life Sciences) and holds a degree in postgraduate studies from the University of Management and Marketing in Warsaw, the Department of ITC Power and Aeronautical Engineering at the Warsaw University of Technology, and London Business School. Chełmiński has prior work experience from companies such as Unipetrol, Schöller, Carlsberg Polska and Aronia.

René Sitter (b. 1975)
Senior Vice President Central Western Europe
Sitter joined Flokk in 2014 and is the overall responsible for the commercial activities of Flokk´s brands in Central Europe. He is a graduate from Leipzig Graduate School of Management (HHL). He has prior work experience as management consultant at Arthur D. Little and from several management positions at ThyssenKrupp.

Trond Langeland (b. 1966)
Senior Vice President North Europe Region
Langeland joined Flokk in 2019 and is the overall responsible for the commercial activities of Flokk´s brands in Northern Europe. He holds a Master of Science in Business and Economics from the Norwegian School of Management and has completed Executive Programs at IMD in Lausanne. Langeland has prior work experience from Lilleborg, Jordan, Canon, Stanley Security and Viking Footwear.

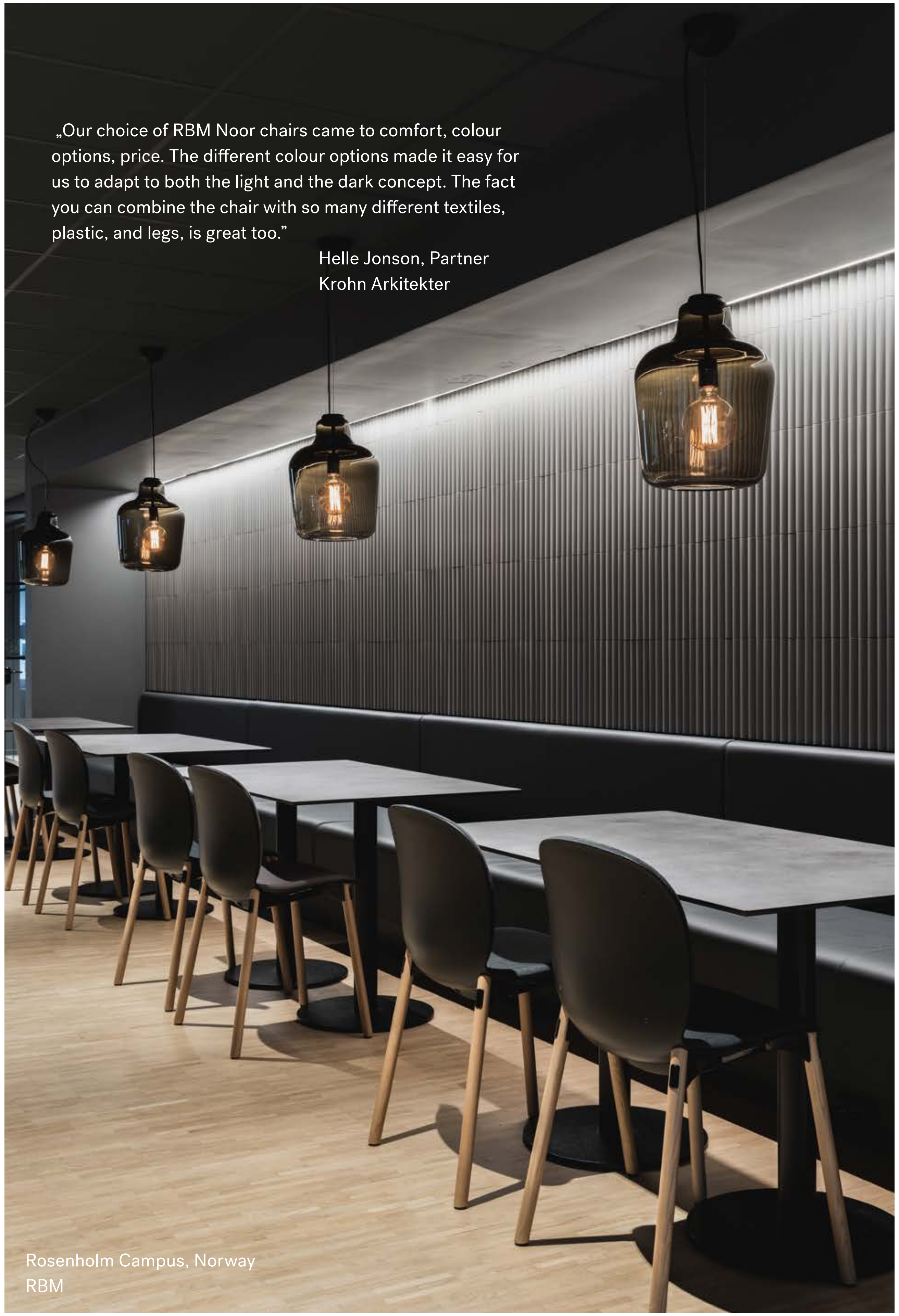
Frederik Fogstad (b. 1965)
Senior Vice President Flokk International
Fogstad joined Flokk in 2013 and is responsible for sales to all markets outside Europe. He holds a Bachelor of Science in Management and Finance from the Norwegian School of Economics (NHH), and an MBA from IESE Business School in Barcelona. Prior to joining Flokk, Fogstad held positions in Varier Furniture, Intersport, Kellogg's, Middelfart and Coca Cola.

Trygve Aasland (b. 1964)
Senior Vice President Commercial Development Soft Seating
Aasland joined Flokk in 2018 with key responsibilities for the commercial development of Flokk's soft seating segment. He holds a Master of General Management from BI Norwegian Business School. Aasland has prior work experience from North Investment Group, Lammhults Design Group and Fora Form.

Patrik Röstlund (b. 1970)
Senior Vice President, Manufacturing & Purchasing Operations
Röstlund joined the Group in 2010 with key responsibilities to integrate and develop the purchasing function of the Group and set the corporate strategies for procurement and supply chain. He is currently responsible for overseeing Flokk's operations, including manufacturing, procurement, supply chain, logistics, customer service and quality. He holds a Bachelor of Science in Business Administration from Uddevalla. Prior work experience relates from companies such as Opel, Saab Automobile and General Motors.

Christian Eide Lodgaard (b. 1970)
Senior Vice President Products & Brands
Lodgaard joined Flokk in 2007 and is responsible for product development, marketing and sustainability, as well as the overall product & brand strategy. He holds a Master of Science in mechanical design engineering from the University of Glasgow. Prior to joining Flokk, Lodgaard worked for Hydro Aluminium Automotive.

Jonas Allers Wismer (b. 1982)
Senior Vice President M&A Group Business Development and Strategy,
Wismer joined Flokk in 2017 and is responsible for the Group's activities in mergers and acquisitions, Group business development and strategy. He holds a Master of Science in Applied Economics and Finance from Copenhagen Business School. Prior to joining Flokk, Wismer held positions in Schibsted Media Group, Arctic Securities, Norden Corporate Finance and Deloitte Consulting.



Rosenholm Campus, Norway
RBM

About Flokk

With every new design we do, with every new product we plan to develop and bring to the market, one thing is clear to us; the world does not need another chair. As with most markets, the market for contract furniture is saturated. Doing one more of what is already there, will not change anything.

Unless that is, you set out to do something which is different and better, providing our customers with an alternative which they do not yet have, that offers tangible improvement. This consideration is at the heart of Flokk. The result is a strong urge to move forward, in all aspects of our operation.

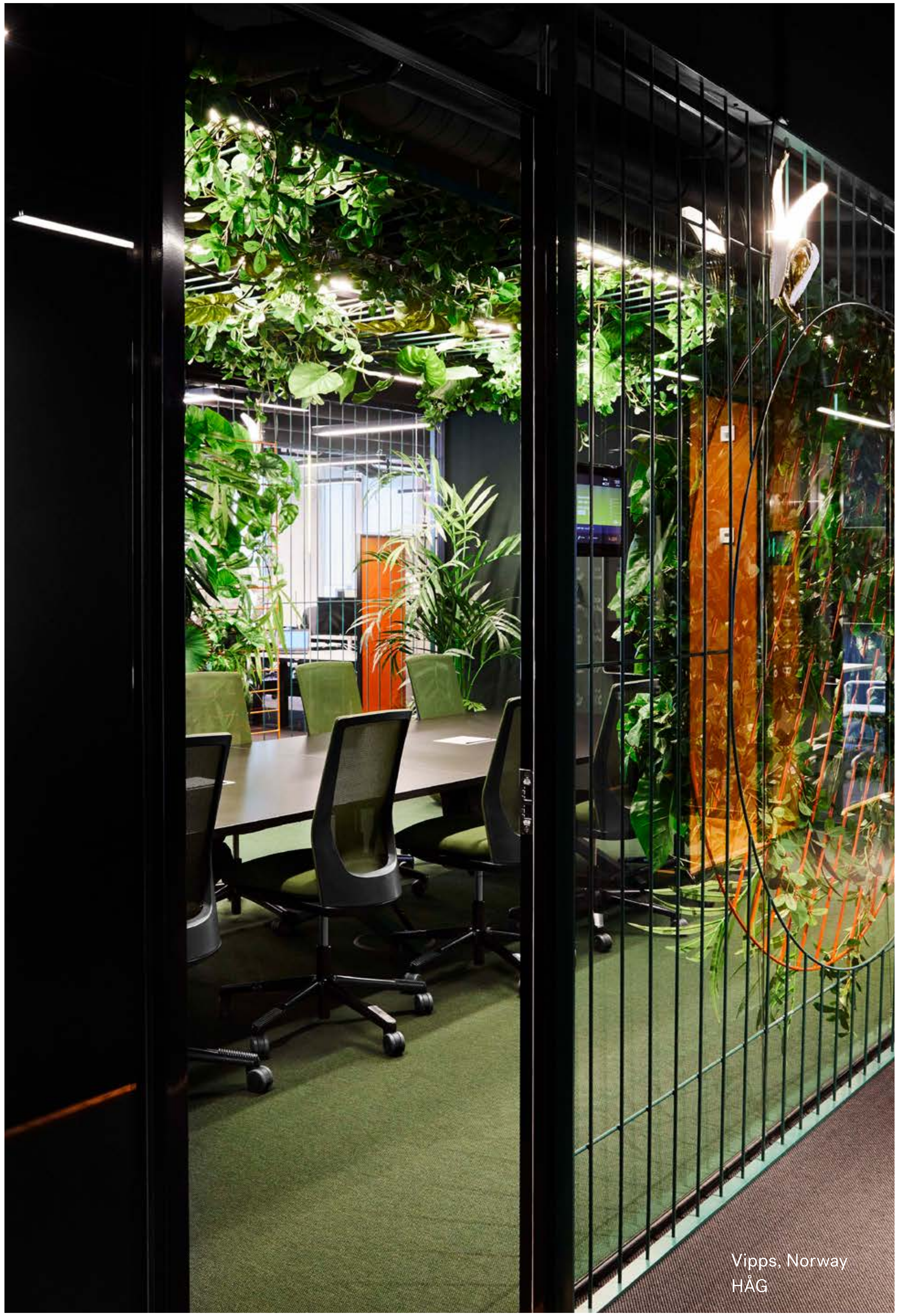
It makes us fundamentally design driven. We will always keep the human at the centre of our processes. We will deploy the best of our capabilities, invite strong skilled designers with perspectives different than our own, incomprehensive design collaborations, in order to make products and services that make a difference to our customers and those who use our products.

It makes us adapt to changing work-life practices, by ensuring our products are designed for the future, not the past. And by offering an increasing array of attractive, flexible solutions, for every professional furnishing purpose. It makes our sustainability efforts very practical. Our products are engineered for assembly with no glue, making them easy maintain, to repair, and eventually to dismantle in pure material categories. While we design the products to be prepared for future circular economic models, we also ensure circular economy today, by using significant and strongly increasing amounts of post-consumer recycled material in our products.

And it makes us design for the highest of industrialization rates, giving us economy of scale. We conceive everything bottomup, which is harder, but takes us further and keeps us in control of how every detail is produced. In our own factories, and with suppliers.

We are Flokk. A company of dedicated people, with strong and complementing competencies, joined by common aspirations and ideals. A group of brands & products with different identities and attributes. There to help our clients build their flokks, through furnishing inspiring workspaces.

We are large, growing and profitable. But size in itself, is not interesting. It only gets interesting when we use our size and profitability to invest even more, to get even further, in areas that matter. Better products, with functionality & visuals that make people prefer them and want to keep them longer, produced with the lowest possible environmental footprint. This is our practice and our aspiration.



Vipps, Norway
HÅG

Our brands

HÅG

HÅG's sitting concept was established during the 1970's and remains just as relevant and unique. Based on the belief that humans are not made to sit still, HÅG persists in making every workday healthier, better, and more productive. When you sit in a HÅG chair, you sit in balance. This provides more natural movement of your whole body without involving any physical or mental effort.

We seek to develop products that are empathic to people's needs as well as aesthetically pleasing, always reaching for the most sustainable approach.

In 2019 HÅG merged two of the most selling task chairs into one new model: HÅG Creed. It represents the classic and more conventional design. The HÅG Capisco, with its iconic shape, still appeals to architects and designer as well as health and design conscious users.

RH

With roots going back to 1977, RH is an integral part of the Swedish design tradition. When the first RH chair was launched, it attracted well-deserved attention because it took users seriously.

Today, the RH chair is recognised by ergonomists, physiotherapists and other professionals for its unique ergonomic philosophy. It is based on the importance of an upright sitting position, support and active sitting. These are qualities that increase users' job satisfaction and performance. They are also qualities that help to create a more effective working environment. The RH brand focuses on environmental effective solutions, with extensive use of recycled materials. Most RH chairs have removable cushions on the seat and back, to provide for easy replacement of wear parts and so prolong the lifetime of the chairs.

All RH chairs have been developed with a focus on functionality. As a result, RH products are comfortable ergonomic chairs that offer many adjustment possibilities and are durable. Despite the advanced construction and maximum performance, they are easy to understand and use, with clear pictograms and intuitive handles and grips. An RH chair offers a high level of individual seating comfort, dynamic ergonomics, user friendliness and flexibility.

GIROFLEX

Giroflex's roots go back a long way in history. More than 145 years ago Albert Stoll I became a chair manufacturer in Koblenz, Switzerland. The first swivel chair with a suspension system, the "Federdreh", was developed and patented worldwide as early as 1926. The "Giroflex" (turn and flex) brand name, introduced in 1948, can be traced back to this invention. Since then, the brand has been synonymous with wide-ranging expertise in ergonomic seating.

As an international quality brand, Giroflex epitomizes the Swiss benchmark for value. Swiss craftsmanship in engineering, product development, manufacture and design as well as a strong commitment to sustainability are the hallmarks of the brand philosophy.

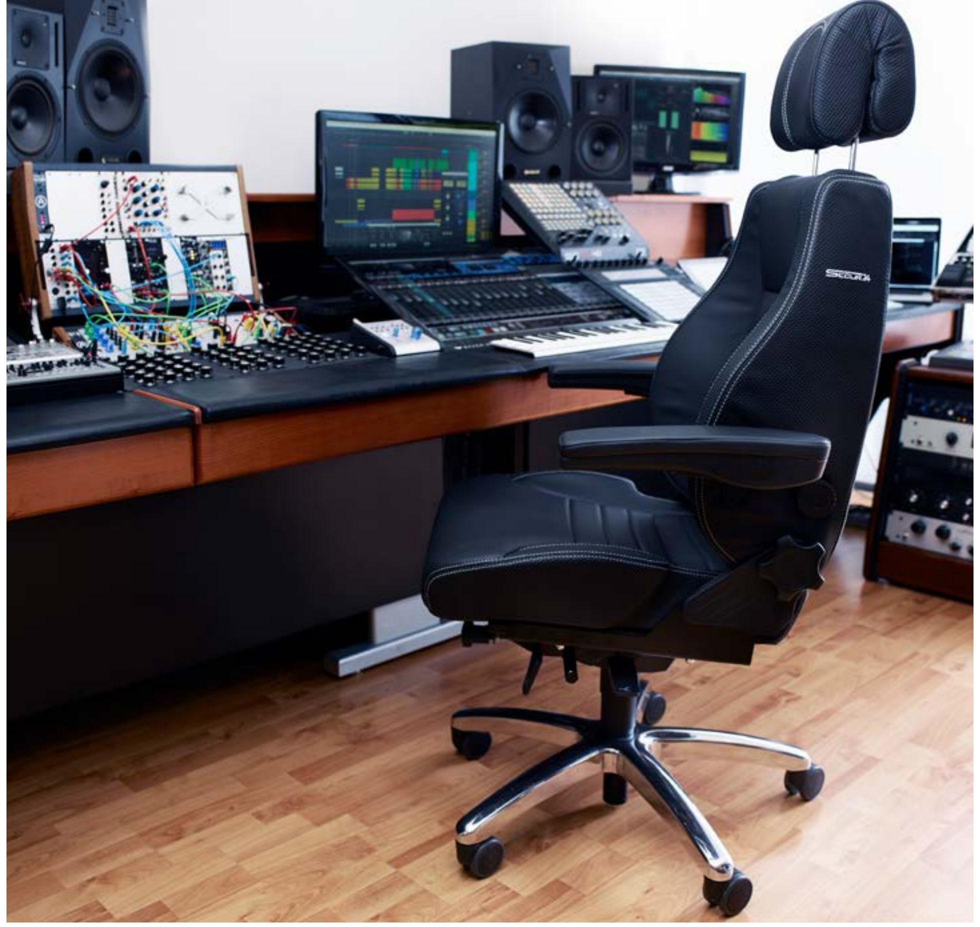
Giroflex is highly specialized in swivel chairs, but offers a complementary range of conference and visitor chairs for the complete seating furnishing of office areas. Decades of scientific research on dynamic sitting have resulted in two functional principles that make the Giroflex seating experience so unique: The Organic Move synchronized mechanism and the dual-zone seat profile. The latest development of the synchronized mechanism has led to the self-adjusting Balance Move mechanism used in the giroflex 313.

BMA

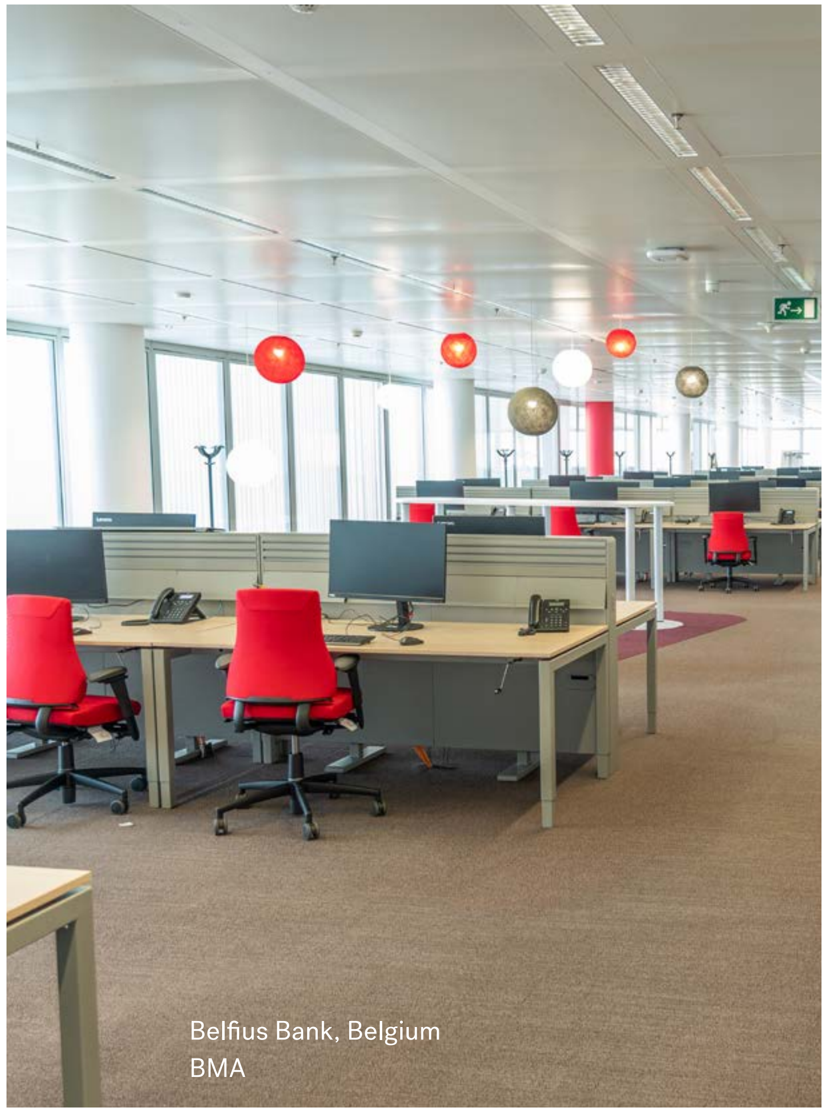
BMA Ergonomics was founded in Zwolle, The Netherlands as Bio Mechanical Advisory in 1988. At BMA, knowledge and expertise in the field of ergonomics and biomechanics is combined with technology and sustainability. It is BMA's mission to improve the posture of office workers and to ensure that everyone learns to adopt a healthier way of working: Work Healthy – Sit Smart!

The patented Axia movement mechanism makes it easy to change between the three main working postures of office workers. The Axia chair that fits all. Thanks to the modular system and the bespoke program, the chair can be customized to its user.

An Axia chair with direct feedback (Smart Active Technology) functions as a personal coach: it encourages movement for improved circulation and helps you achieve a better posture. The Axia is a sustainable, circular office chair.



Turtle Park Studio, Germany
BMA Secure



Belfius Bank, Belgium
BMA

Jagdzeit film product placement,
Hunting Season,Switzerland
Giroflex


The Common, Australia
RBM

OFFECCT

Offecct is a Swedish design brand with a passion for all kinds of meeting places. In partnership with selected designers and architects, and with the aim of always being sustainable in the long term, we develop original design and produce innovative furnishings for the whole world.

It is our conviction that original design, genuine quality and individualized solutions prolong the life cycle of our products. Everything we do at Offecct is dedicated to the mission of creating sustainable meetings and sustainable life cycle for furniture, in collaboration with our clients. We call this mission the Offecct Lifecircle philosophy.

As Offecct is a design brand, the highest level of design in every detail is the basis of our operation. To us it´s not enough to launch another chair or sofa into the market. We want to add other qualities in addition to aesthetics with every new product that is released. We produce furniture with a mission; to procure for a sustainable future.

RBM

Established in Denmark in 1975, RBM´s history is deeply entrenched in the traditions of Danish design, and represents a Scandinavian state of mind expressed through design.

The product range consists of a wide range of meeting chairs and tables, designed for meeting and conference rooms, canteens, education, public spaces and open-plan offices. RBM furniture enables you to create environments that encourage collaboration, learning, sharing, relaxation or play, because at the end of the day all that matters is an enriched daily life.

Cooperation with selected designers has given the RBM brand a distinct and authentic Scandinavian identity with unique products covering major consumer needs in this market segment.

The RBM Noor is an environmental-friendly and sustainable collection of chairs launched in 2013, and is the successful result of an innovative design collaboration between designers: Form Us With Love, StokkeAustad, Susanne Grønlund/Grønlund Design and the Flokk design team.

MALMSTOLEN

Malmstolen do not compromise. Malmstolen have made the decision, we do not compromise on quality and we do not compromise our scientific when developing our chairs. We design and build our chairs with a high-end quality and Malmstolen is made after how the human body works, not the other way around.

Malmstolen has all throughout the brands history worked to create the best ergonomic work chairs in the market. You can be sure that the chair you choose is not just comfortable today, but will continue to give you support, relief, relaxation and freedom of movement for many years to come.

Malmstolen is also taking a big responsibility for the environment and have the whole chair range With the Nordic Ecolabel today! As we say, everybody should have the opportunity to sit in a Malmstolen chair. Our goal is to create a more human working environment for a long time!

PROFIM

Profim offers swivel armchairs and chairs, visitor chairs and soft seating furniture. Since its founding over 28 years ago, Profim has been manufacturing products which meet the highest standards in terms of ergonomics, quality and design.

The advanced technology, good quality and refined details all form the basis for the company's reliability. Profim surprises with just how thoughtful office chairs can be, how a well-designed piece of furniture can change its user's efficiency and increase their work satisfaction – all at an affordable price.

The Profim factory is located in Turek, central Poland. The factory produces an average of 120,000 seats per month, each created with the highest precision. Production is supervised by 1 700 employees over a total production and warehousing space of 50 000 m2. Profim was the first Polish manufacturer of office chairs to receive ISO 9001 Quality Management Systems certificate.

Profim's mission is to determine standards of healthy and efficient seating while keeping high quality.

9TO5 SEATING

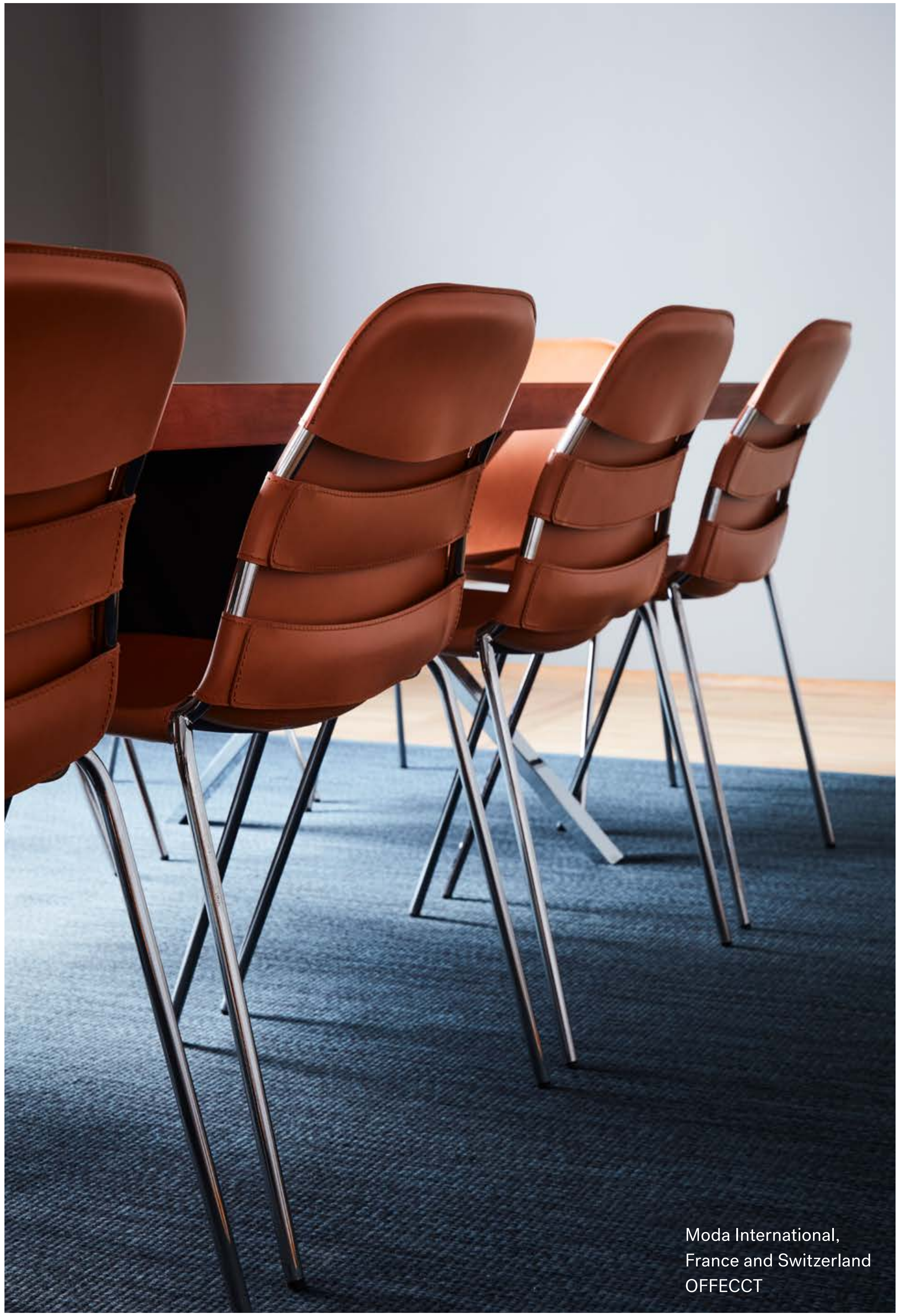
9to5 Seating is a vertically-integrated company specializing in the design and production of ergonomic office seating to accommodate the rigorous demands of today's office environments. 9to5 Seating presents an extensive collection of executive, task, guest, conference, stool and lounge seating.
We make a commitment to continuous improvements in all phases of the operation. With our manufacturing resources, we are confidently empowered to deliver products offered at unparalleled pricing, quality built into every phase of manufacturing, customization and numerous upholstery options and the best warranty possible.

Our dedication to becoming the leader in office furniture requires a deliberate and focused approach that extends beyond our chairs, in order to exceed customer expectations. When every detail is attended to the result is a better choice. And that's exactly what you get with 9to5 Seating.

Why are we so mindful of every aspect of our process? Because by doing all the little things right, we're able to offer you a better chair at an impressive value. We think that's pretty huge.

China Stone
HÅG and Profim

Mundipharma, Germany
HÅG and Profim



Moda International,
France and Switzerland
OFFECCT

Some Flokk Projects

Chadstone Hotel, Australia
520 RBM Noor

Bet365, Australia
1 200 HÅG Futu

Bank Millenium, Australia
1 010 Profim Xenon Net

APVMC, Australia
OFFECCT: **55** Ezy Low

Belfius Bank, Belgium
4 154 BMA Axia

Colruyt, Belgium
4 000 Profim Movie

Aia, Brunei
300 HÅG

Crédit Agricole Toulouse, France
490 HÅG Capisco Puls

Moda International, France and Switzerland
OFFECCT: **390** Bike

Villeroy Boch, Germany
130 HÅG SoFi mesh and **40** HÅG Capisco

Otto, Germany
1 095 HÅG SoFi mesh

Trivago, Germany
970 HÅG Capisco and **450** RBM Noor

Indeed, Ireland
OFFECCT: **80** Carry On

Seiko Solution, Japan
400 Giroflex G353

YKK, Japan
400 Giroflex G353

Finansparken/SR Bank, Norway
585 HÅG SoFi mesh

Norges Varemesse, Norway
1 124 RBM Noor

Kongsvinger VGS (Highschool), Norway
750 HÅG Capisco Puls

Nasjonalmuseet, Norway
187 HÅG Futu mesh and **19** HÅG Capisco

Police department, the Netherlands
600 Profim Zoo

ABG, Nordic investment bank, Sweden
120 RH Logic 220

Scandic Downdown Camper, Sweden
400 RBM Noor

University of Linköping, Sweden
3 000 Profim Light up

Scandic Downtown Camper, Sweden
400 RBM Noor

Isbank, Turkey
450 Profim Light up

Ralph Capper, UK
OFFECCT: **20** Green Pedestals, Soundwave

CBS, UK
1 000 RH Logic

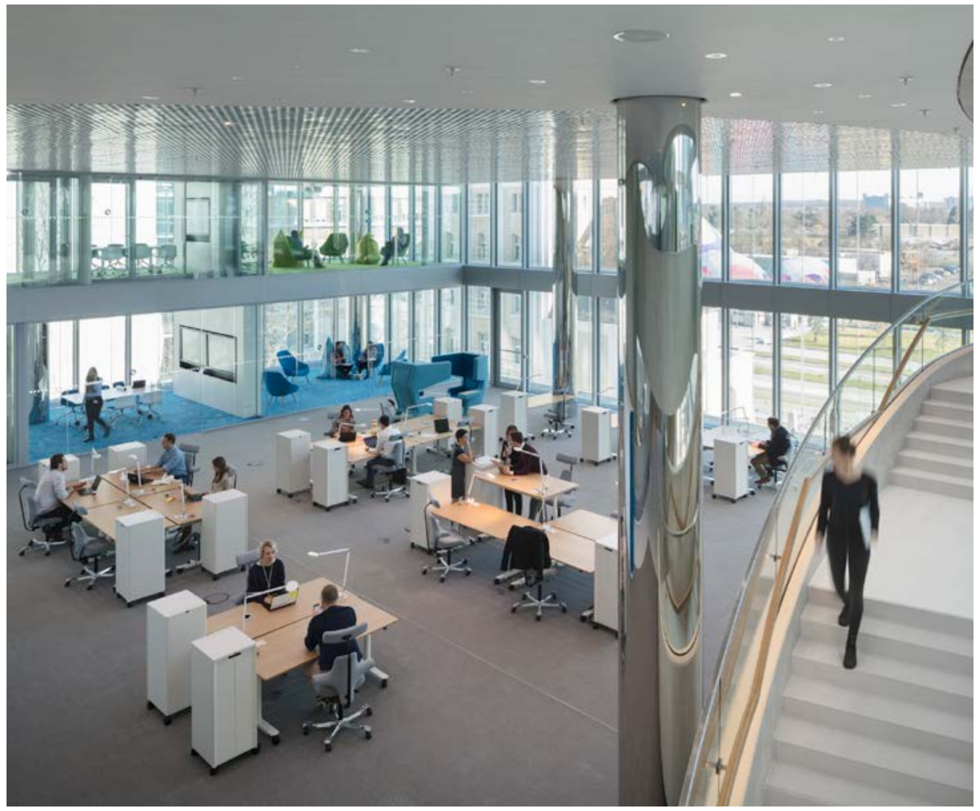
Holmris, UK
1 000 RH Logic

Google, Singapore
70 RBM Noor 6060, **18** RBM Noor 6070,
OFFECCT: **12** Kali chairs, **4** Palma Easy,
10 Bird and **2** Archipelago table

Chadstone Hotel, Australia
RBM

St James School Brighton, Australia
RBM

Merck Innovation Centre, Germany
HÅG and OFFECT

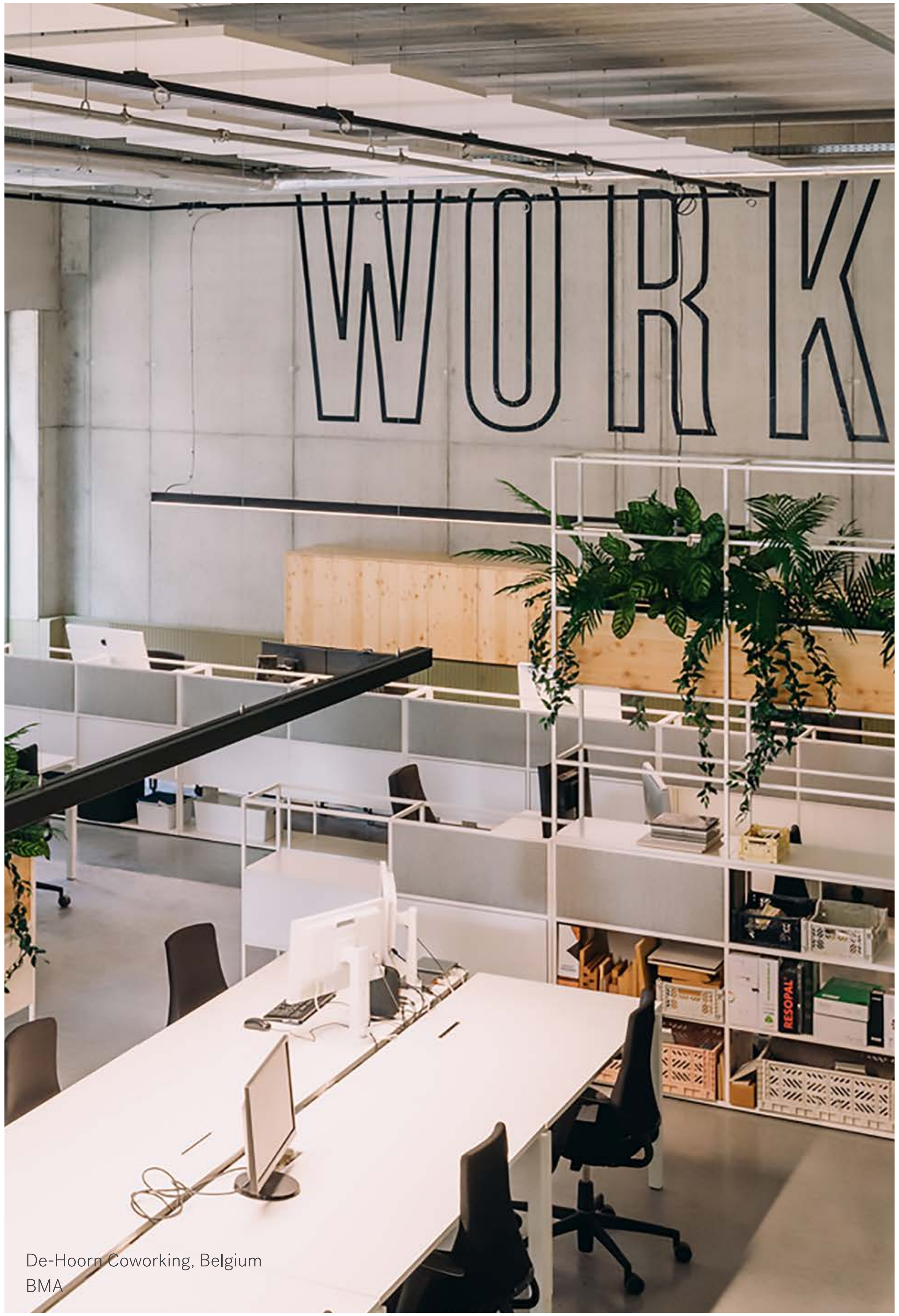


J-lab by Johnson & Johnson
OFFECT

China Stone
HÅG, RBM and Profim

Trivago, Germany
HÅG and RBM

Goodbye Kansas, Sweden
RH and HÅG



De-Hoorn Coworking, Belgium
BMA

Annual Accounts

Board of Directors' report 2019

Flokk is a leading manufacturer of workplace furniture in Europe with a significant foothold in the US and Asia, and owner of the product brands Profim, HÅG, 9to5 Seating, RH, Giroflex, BMA, Offecct, RBM, and Malmstolen. In addition, Flokk has been a leader in the development of sustainable furniture for decades, through its structured focus on creating environmentally friendly solutions throughout its value chain.

Flokk's head office is in Oslo, Norway, with production sites in Norway (Røros), Sweden (Nässjö, Tibro and Hunnebostrand), Poland (Turek), USA (Hawthorne), Switzerland (Koblenz) and China (Guangdong). In addition, the Group has sales offices in Norway, Sweden, Denmark, Germany, Belgium, the Netherlands, UK, France, Switzerland, Singapore, USA, Canada, China and Australia. About 2 500 employees work together to realize the vision of Flokk: Inspire great work.

GOING CONCERN

The Group and Flokk Holding 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 on the basis of the going concern principle.

ACQUISITION OF 9TO5 SEATING

On 26 November 2019, Flokk continued executing on its growth strategy by completing the acquisition of 9to5 Seating, a fast-growing US-based office seating manufacturer. 9to5 Seating was founded in 2004 and is headquartered in Los Angeles, California. The company specializes in the design and production of office seating products tailored to meet the demands of today's office environments in the US market. 9to5 Seating presents an extensive collection of executive, task, guest, conference and lounge furniture. 9to5 Seating has established a nation-wide distribution network of over 1 000 dealers and employs approximately 300 employees at its manufacturing sites in Los Angeles, California, and in Guangdong, China.

The acquisition of 9to5 Seating strengthens Flokk's position as a global player within the industry. The increased scale will allow Flokk to continue extracting synergies across the Group throughout the value chain and provide end customers with even more attractive solutions and services. 9to5 Seating is consolidated in the Group's accounts from 1st December 2019.

STRUCTURAL CHANGES

In the course of 2019, Flokk made structural changes to optimize its portfolio and leverage economies of scale benefits where possible. Changes in the legal structure were completed in Sweden where Flokk Holding AB merged into Trispin Acquico AB, the French company Giroflex France Sarl was closed down and new holding companies were established in Norway, Denmark and Germany.

FIRE INCIDENT IN TUREK

On the night of the 26th and 27th of November 2019, a fire erupted at the Profim production plant in Turek, 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. The goal defined in the recovery plan is for Profim to regain full turnover at the end 2020 through these mitigating actions.

MARKET AND GENERAL CONDITIONS

The Group's sales growth amounted to 10.7% compared to 2018 which is generated through organic growth and the acquisition of 9to5 Seating. In particular, the markets in Norway, France and Belgium contributed to the good sales development in 2019. The fire incident at the production site Turek in Poland late November had an estimated negative net sales impact of NOK 40 million in December 2019, but the Profim brand showed positive development with increased sales compared to last year despite the fire incident.

Flokk divided its commercial operations into four regions in the end of 2019 (Northern Europe, Central Western Europe, Central Eastern Europe and International) to adapt to the increased size of the operations and secure management capacity to fit Flokk's growth ambitions.

In Switzerland the commercial organization was relocated from Koblenz to Zurich and a new showroom was opened to strengthen the commercial footprint. Flokk participated as an exhibitor at the Stockholm Furniture and Light Fair in February 2019, with our focus on sustainability.

During 2019, a restructuring took place in OFFECCT, making it an integrated part of the Flokk Group utilising the support functions already existing in the Group. Investments were made to strengthen Malmstolen as a company and brand.

THE GROUP'S RESULTS

INCOME STATEMENT

The Flokk Group had sales revenues of NOK 3 015 477 thousand compared to NOK 2 722 815 thousand in 2018. This increase was attributable to organic growth and growth resulting from the acquisition of 9to5 Seating in 2019. Total operating revenues was NOK 3 162 250 thousand, which includes insurance settlement for the fire at the Profim production plant. The operating profit for the period was NOK 275 080 thousand compared to NOK 325 677 thousand in 2018. The operating margin in 2019 was 8,7%. Net financial expenses amounted to NOK 118 363 thousand compared to NOK 241 441 thousand in 2018. Most of these financial expenses consisted of interest costs and loan costs. Profit before tax amounted to NOK 156 717 thousand, compared to NOK 84 236 thousand in 2018. Profit for the year amounted to NOK 138 904 thousand compared to NOK 50 687 thousand in 2018.

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 2019 this APM, Adjusted EBITA, ended at NOK 510 784 thousand compared to NOK 454 000 thousand in 2018. The adjusted EBITA margin was 14.8% in 2019 compared to 15.0% in 2018.

FINANCIAL POSITION

Total investments in the Group amounted to NOK 179 592 thousand covering purchase of property, plant and equipment of NOK 150 322 thousand and capitalised development costs of NOK 29 270 thousand. Purchase of enterprises amounted to NOK 981 127 thousand. Most of the Group's investments in property, plant and equipment were associated with new products, production equipment as well as implementing the EPR system M3 at the Koblenz location (CH) and ongoing implementation of M3 at Profim. At the plant in Turek, there were investments in efficiency improvements with an ETON system in sewing and Astor in the assembly area as well as ACCIS in P&B. Total cash flow for the Group derived from operating activities amounted to NOK 282 918 thousand. The difference in relation to the operating profit is mainly due to depreciation, taxes paid and changes in working capital.

The Group's total assets at the end of the year stood at NOK 5 795 777 thousand, an increase of NOK 1 381 346 thousand from the end of 2018. The increase was mainly due to the acquisition of 9to5 Seating. The equity ratio was 19.6% compared to 22.6% in 2018. The Group's current liabilities at the end of the year was 17.0% of its total liabilities, compared to 16.0% the year before. The total debt ratio was 80.4% vs. 77.4% in 2018.

The Group had good liquidity throughout the year. At the end of 2019, the net interest-bearing liabilities amounted to NOK 3 333 318 thousand, an increase of 36.4% compared to the end of the previous year. In connection with the acquisition of 9to5 Seating, the Group increased its bank debt with USD 100 million and a drawdown of the revolving credit facility of USD 20 million. Debt financing is subject to requirements concerning the achievement of key figures linked to profits and solvency. Bank covenants are valued at the end of every quarter, and the Group met the requirements at the end of 2019. At the end of 2019, the Group had a total credit line of NOK 4 012 480 thousand, consisting of long-term loans of NOK 3 831 224 thousand and an unused overdraft limit of NOK 181 256 thousand. Available funds in the form of unused credit facilities and cash and cash equivalents as at 31 December 2019 amounted to NOK 678 742 thousand.

FINANCIAL RISK

Approximately 90% of the Group's sales are invoiced in currencies other than Norwegian krone. A large share of the company's financial risk is therefore linked to exchange rate fluctuations, especially with respect to SEK, DKK, EUR and PLN. Most of the company's raw material purchases are made in NOK, SEK and EUR. Currency derivates are used in order 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 company's sales are in Northern and Central Europe. Sales are made to our own sales companies and 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 1 810 thousand in 2019. Gross trade receivables as at 31 December 2019 amounted to NOK 405 927 thousand.

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

Flokk launched the RH New Logic in 2019. The RH New Logic represents a continuation of Flokk's quest to continuously push the boundaries on sustainability. There is no glue, no chrome, covers and cushions are easily replaced for repair, and the fraction of post-consumer recycled material content is 61%. The product contains new modules and principles that can be carried over to new developments, as well as making use of some existing platforms. The story is a good reflection of Flokk's three core values: Human centric, innovative and sustainable. This is also the case for other new products like the HÅG Creed, or the Giroflex 161 which were also launched in 2019.

Sustainability improvements and new business models have also been at the centre of Flokk's research efforts. New categories and sources of recycled materials have been identified, adding to the circular approach to the materials consumption. Flokk have continued development efforts on sensors that monitor the use and whereabouts of the products as well as piloted new business models to gain experience and develop future concepts.

MANUFACTURING AND PURCHASING OPERATIONS (MPO)

In parallel to integration projects, the Group achieved the targets set for all its production units in respect of on lead time, quality, direct salary and outbound logistics, while at the same time reducing the total material cost more than expected. Focus has been set on completing the necessary restructuring of the value chain in at the production facility in Turek, which lead to a reduction of the staffing while increasing profitability. Flokk now has established competitive production operations that is used for internal production for all brands within the Group. Following the fire in November 2019, the Group was forced to configure the value chain with external suppliers to resume production in Turek. The acquisition of 9to5 Seating is a positive development for MPO and gives future opportunities to expand the production philosophy in the USA, while at the same time having access to an internal production facility in China for continued expansion.

In 2020, Flokk will continue to streamline and optimize its total value chain to achieve profitability requirements and maintain customer satisfaction in all markets and for all brands. Flokk will continue to analyse its total production capacity and adapt it to the market development. Further initiatives will be added to optimize the overall distribution model, which must be adjusted as the Group grows. MPO will play an important role in the strategic initiatives that lie in increased market expansion and further acquisitions, which will be a contributing factor in our successful realization of identified potentials.

WORKING ENVIRONMENT, EQUAL OPPORTUNITIES AND DISCRIMINATION

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

The Group's core values are innovative, human-centered and sustainable. In 2019, the Flokk Value Program was implemented for all employees, focusing on attitudes and behaviour related to our values. Six value sentences were defined to describe the Group's values. This program will be followed up in 2020.

There is a good, trusting relationship between the Group and the trade unions. This is an important area for close dialogue and to share relevant information in a timely manner. In the Netherlands there is a good working relationship with the local Works Council, with various changes in local operations being implemented during the course of the year.

Within the Group, everyone has equal opportunities for employment and development, regardless of gender, age, ethnicity and general background. In addition, women and men who perform the same job should receive equal pay before their work performance is assessed. For new recruits and the composition of teams/departments, we aim at a working environment with variations in age, gender and background. The Group works actively to prevent discrimination on the basis of age, gender, disability, ethnic background, national origin, skin colour or personal beliefs.

In May 2018, the Polish company Profim was acquired. Following this, a comprehensive restructuring of the company has been carried out to improve the efficiency of the operations, which has led to a reduction in personnel. In addition, the fire in its production plant in Turek in November of 2019 led to further staff reductions. In total, the workforce in Profim has been reduced by 284 employees during 2019.

Flokk acquired the US-based office seating company 9to5 Seating in November of 2019, which thereby added 294 new employees to the Group.

At year-end 2019, the Group had 2 521 employees, of whom 890 women and 1 631 men. This give a women's employment ratio of 35.3% and a men's employment ratio of 64.7%. There are two women on the company's board of directors, which results in a female share of 33.3%. There is one woman in the Group's Executive Management team.

After 2019, the Group reported a Lost Time Frequency Rate (LTIFR) of 5.6 (number of incidents involving absence * 1 million/number of completed hours) and a Recordable Case Frequency Rate (RCFR) of 5.6 (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 specific spearhead 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 2019, there has been continuous focus on energy efficiency management, increasing the share of recycled post-consumer plastics and replacing chromed surfaces in the RBM portfolio. 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 40% reduction in energy intensity per unit by 2030, the Group contributes to the EU's objective of cutting greenhouse gas emissions by 40% within 2030. 94% of the integrated brands' electricity is renewable, leading to 19,5% reduction in CO_2e emissions since 2015. The Group is complying with EU's EED – Energy Efficiency Directive by being ISO 50001:2018 certified.

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 two latest launched fully functional office chairs contain 61% and 63% recycled materials (RH New Logic and BMA Axia Vision), assuring that the strategy and its activities give results. In 2019, Flokk used 649 tonnes recycled plastics in its products (2018: 583 tonnes) and reached the target of 75% waste to material recycling. The development of circular business models continued strongly in 2019, with market testing of several pilots on (re-)production and logistics.

Health - the Group continuously aims to reduce the number of chemicals, as well as eliminate all use of unwanted chemicals in its products, production and suppliers. In 2019, 12 chemicals were removed at Røros (9 above target), and four chemicals 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 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 many chair series with Cradle to CradleTM, and the most important products can boast the GREENGUARD indoor climate certificate - a guarantee of contribution to a healthy indoor environment by not emitting hazardous gases.

The Group rates its social responsibility highly. All employees and suppliers undertake to comply with the company's strict ethical guidelines, based on the "10 principles" contained in the UN Global Compact, which includes human rights, working conditions, bribery and corruption. 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 Sustainability Report is integrated into the Annual Report, based on the internationally recognised Global Reporting Initiative (GRI) format. GRI covers how the Group works strategically and expediently to improve its environmental performance, the results achieved, and how the organisation handles its corporate social responsibility through dialogue with both internal and external stakeholders.

MANAGEMENT CHANGES

Mr. Trond Langeland is head of the North Europe commercial region and joined Flokk from September 1, 2019. Mr. René Sitter is responsible for the commercial region Central Europe covering the markets DE, CH, AT, UK and FR as of September 1, 2019.

Mr. Jonas Allers Wismer joined the Group Management team effective from January 1, 2020, to strengthen the function around mergers & acquisitions, strategy and Group business development.

Mr. Ketil Årdal, SVP commercial operations, left Flokk in 2019.

FLOKK HOLDING AS

Flokk Holding AS is the Group's parent company. The company's activities include direct or indirect ownership of other companies engaged in the production and sale of office furniture, including chairs, and anything else naturally associated with such. The company was established on 28 April 2014. Flokk Holding AS is a holding company for Flokk AS in Norway and Trispin Acquico AB in Sweden.

Flokk Holding AS had no operating revenues in 2019. Its operating expenses amounting to NOK 18 977 thousand consisted of fees paid to the board and for other consultancy services. The company's income consists of Group contributions and dividend from its subsidiaries. Profit before tax amounted to NOK 843 977 thousand, compared to NOK -15 381 thousand in 2018. Profit for the year amounted to NOK 819 401 thousand compared to NOK 6 040 the previous year. At year end, Flokk Holding AS had total assets of NOK 5 972 728.

ALLOCATION OF PROFIT FOR THE YEAR

The board proposes that the annual profit for the year of NOK 819 401 thousand in Flokk Holding AS be allocated as follows:

Transferred to other equity	NOK 819 401 thousand

FUTURE PROSPECTS

The ongoing pandemic stemming from Covid-19 is expected to affect the Group's results in 2020. There are several of the Group's markets where the authorities have introduced strict measures that will affect the Group's sales activities and demand for Flokk's products. In response to the situation, the Group's management have implemented measures to reduce costs and safeguard liquidity. For the Group, the health of employees is essential, and the management follows the national guidelines for local measures in all markets. It is also important to keep the Group's value chains running, 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 on 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 both in Europe and in the US. Flokk sees many interesting opportunities and will continue to be a consolidator of the industry and look to execute on further deals 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, 26 June 2020


Mikael Aro
Chairman of the Board


Thomas Hofvenstam
Board Member


Pernille Stafford-Bugg
Board Member


Joachim Espen
Board Member


Andrzej Bartos
Board Member


Kristine Landmark
Board Member


Lars I. Røiri
CEO

Statement of comprehensive income

NOK (thousands)	Notes	1.1-31.12 2019	1.1-31.12 2018
Sales revenues	5	3 015 477	2 722 815
Other operating revenues	26	146 773	
Total operating revenues		**3 162 250**	**2 722 815**
Cost of materials		1 178 318	1 111 736
Inventory movements, in-house production	15	11 457	(46 597)
Personnel expenses	10	915 148	781 108
Depreciation of property, plant and equipment and internally developed intangible assets	6, 12, 22	232 709	88 864
Amortization of other intangible assets	4, 6	2 977	6 786
Other operating expenses	10, 13	546 561	455 241
Operating expenses		**2 887 170**	**2 397 138**
Operating profit		**275 080**	**325 677**
Financial income		475 674	262 283
Financial expense	17	(594 037)	(503 724)
Net financial income/(expense)	**17**	**(118 363)**	**(241 441)**
Profit before tax		**156 717**	**84 236**
Taxes	14	17 813	33 549
Profit for the year		**138 904**	**50 687**
Other comprehensive income			
Exchange differences on translation of foreign operations		(34 552)	51 694
Items that may be reclassified subsequently to income statement		**(34 552)**	**51 694**
Remeasurement of defined benefit pension plans, net of taxes	11	(11 600)	14 318
Items that will not be reclassified to income statement		**(11 600)**	**14 318**
Other comprehensive income, net of taxes		**(46 152)**	**66 012**
Total comprehensive income		**92 752**	**116 699**
Profit for the year attributable to:			
Equity holders of the parent		138 737	50 687
Non-controlling interests		167	
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	19	92 585	116 699
Non-controlling interests		167	
Information concerning:			
Earnings per share	20	4 630	1 690
Diluted earnings per share	20	4 630	1 690

Consolidated statement of financial position

NOK (thousands)	Notes	31.12 2019	31.12 2018
Assets			
Deferred tax assets	4, 14	113 389	80 261
Goodwill	4, 6	3 248 467	2 290 761
Other intangible assets	4, 6	305 163	304 981
Right-of-use assets	22	144 597	
Property, plant and equipment	12	546 855	568 610
Non-current financial assets		15 476	1 912
Total non-current assets		**4 373 947**	**3 246 525**
Inventories	15	336 583	291 899
Trade receivables	16	401 794	431 535
Other short-term receivables	16	185 967	37 901
Cash and cash equivalents		497 486	406 571
Total current assets		**1 421 830**	**1 167 906**
Total assets		**5 795 777**	**4 414 431**
Equity and Liabilities			
Share capital	19	90	90
Share premium		755 720	755 720
Total paid in capital		**755 810**	**755 810**
Retained earnings		334 123	241 537
Non-controlling interests	3	44 137	
Total other equity		**378 260**	**241 537**
Total equity		**1 134 070**	**997 347**
Pension obligations	4, 11	68 785	53 637
Deferred tax liabilities	14	118 925	46 183
Warranty provisions	23	4 126	4 460
Long-term interest-bearing loans	7, 8	3 557 914	2 758 232
Leasing liability	22	97 025	
Other long-term liabilities		23 701	7 934
Total non-current liabilities		**3 870 476**	**2 870 446**
Short-term interest-bearing loans	7, 8	210 959	39 742
Derivatives	7	3 342	4 018
Leasing liability	22	49 459	
Trade payables		211 461	248 110
Taxes payable	14	4 279	32 242
Accrued liabilities		75 251	84 652
Warranty provisions	23	7 672	8 908
Other short-term liabilities	24	228 807	128 966
Total current liabilities		**791 230**	**546 638**
Total liabilities		**4 661 707**	**3 417 084**
Total equity and liabilities		**5 795 777**	**4 414 431**

31 December 2019
Oslo, 26 June 2020

Mikael Aro
Chairman of the Board

Thomas Hofvenstam
Board Member

Pernille Stafford-Bugg
Board Member

Joachim Espen
Board Member

Andrzej Bartos
Board Member

Kristine Landmark
Board Member

Lars I. Røiri
CEO

Consolidated statement of cash flows

NOK (thousands)	Notes	1.1-31.12 2019	1.1-31.12 2018
Operating activities			
Profit before tax *)		156 717	84 236
Depreciation of property, plant and equipment and internally developed intangible assets	6 ,12	232 709	88 864
Amortization of other intangible assets	6	2 977	6 786
Unrealised exchange rate difference		(59 139)	116 590
Profit sales shares			(39 955)
Profit sales assets			(19 415)
Accrued interest loans		7 019	
Capitalised borrowing costs		10 715	
Other			43 475
Taxes paid	14	(28 842)	(33 643)
Cash flow from operating activities before change in working capital		**322 155**	**246 939**
Cash flow from change in working capital:			
Change in inventories		29 813	(17 245)
Change in current receivables		(55 897)	(37 053)
Change in payables		(57 612)	19 356
Change in current liabilities		44 458	13 718
Cash flow from operating activities		**282 918**	**225 715**
Investing activities			
Acquisition of business, net of cash acquired	3	(981 127)	73 162
Purchase of intangible assets		(230)	(684)
Purchase of property, plant and equipment	12	(150 322)	(93 992)
Purchase of financial assets			(665)
Capitalised development expenditures	6	(29 270)	(24 652)
Sale of shares in subsidiary			45 494
Sale of property			47 768
Cash flow from investing activities		**(1 160 948)**	**46 431**
Financing activities			
Proceeds from borrowings	8	1 094 776	1 506 307
Borrowing costs paid		(20 766)	
Down payment of interest-bearing loans	8	(50 000)	(485 896)
Repayment subordinated loan	8		(667 555)
Repayment of share premium	19		(373 650)
Long term receivable shareholder		(13 895)	
Payment of principal portion of lease liabilities (IFRS 16)		(39 115)	
Cash flow from financing activities		**971 000**	**(20 794)**
Cash flow for the year		**92 970**	**251 352**
Cash and cash equivalents at the beginning of the period		406 571	149 788
Exchange rate difference in cash and cash equivalents		(2 055)	5 431
Cash and cash equivalents at the end of the period		**497 486**	**406 571**
Cash and cash equivalents booked as bank deposit		497 486	406 571
*) Includes			
Interest income received		2 026	1 755
Interest expenses paid		120 346	80 889
Interest portion of lease liabilities (IFRS 16)		3 031	

Unrealised exchange rate difference includes a profit of NOK 676 thousand (NOK -2 490 thousand) on unrealised forward exhange contracts.

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 01.01.18		**60**	**404 770**	**(8 857)**	**133 695**		**124 838**	**529 668**
Profit for the year					50 687		50 687	50 687
Other comprehensive income				51 694	14 318		66 012	66 012
Capital increase [1]		30	724 600				0	724 630
Repayment of paid in capital			(373 650)				0	(373 650)
Equity 31.12.18		**90**	**755 720**	**42 837**	**198 700**		**241 537**	**997 347**
Profit for the year					138 737	167	138 904	138 904
Other comprehensive income				(34 552)	(11 600)		(46 152)	(46 152)
Business combination	3					43 970	43 970	43 970
Equity 31.12.19		**90**	**755 720**	**8 285**	**325 837**	**44 137**	**378 260**	**1 134 070**

[1] The capital increase was approved at the annual general meeting 26 April 2018 and registrered in the Register of Business Enterprises 2 June 2018.

Notes – Group

NOTE 1 – GENERAL INFORMATION

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

The Group has production facilities in Norway (Røros), Sweden (Nässjö, Tibro and Hunnebostrand), the Netherlands (Zwolle), Switzerland (Koblenz), Polen (Turek), United States (Los Angeles), and China (Zhongshan). 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 26.06.2020.

NOTE 2 – ACCOUNTING POLICIES

BASIS OF PREPARATION

Flokk's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31.12.2019.

The consolidated financial statements have been prepared on a historical cost basis with the exception of certain financial instruments, which are assessed 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 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 matters 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 1.1.2019

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 2019 consolidated financial statements are listed, as well as the effect of the amendments.

IFRS 16 LEASES

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset") in the statement of financial position. The standard includes a number of optional practical expedients related to recognition and initial application. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the statement of comprehensive income.

Effective 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach, accordingly comparative information has not been restated. See also note 22 Leases.

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 asset
- 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 (thousands)	**Fair Value**
Operating lease commitments as of 31 December 2018	112 137
Practical expedient related to short-term leases	(2 382)
Practical expedient related to long-value leases	(134)
Effect of discounting using the Group's weighted average incremental borrowing rate of 3%	(11 666)
Lease liabilities 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 "Other non-current liabilities"
[2]Current lease liabilities are presented within "Other current liabilities"

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

NOK (thousands)	**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 expences		(42 146)
Depreciation		41 085
Financial expences		3 031

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

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation requires an assessment when there is uncertainty regarding if particular tax treatments made in tax filings will be accepted by the tax authorities. When acceptability is probably, accounting tax positions must be determined consistently with the treatment in the tax filings. If acceptability is not probable, the uncertainty must be reflected when determining the accounting tax positions. Implementation of the standard has not had any significant effect on Flokk's financial statements.

CLASSIFICATION

Assets related to normal operating cycles for goods and services, 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 short-term deposits 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, 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 and acquisition of non-controlling interests (see note 3)
- Goodwill (see note 6)
- 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 five segments: Integrated brands (HÅG, RH, RBM, BMA, and Giroflex), Offecct, Malmstolen, Profim 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 profit or loss 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or 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 of liabilities of the Group are assigned to those units or groups of units. A CGU is the smallest identifiable group of assets that generate incoming cash flows, and which is essentially independent of incoming cash flows from other assets or groups of assets. The Group has assigned goodwill to five 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 calculated 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 of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. 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 2014-2019. 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 depreciation 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 estimated 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.

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 an entity expects to realise 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 short-term deposits consist of cash and short-term deposits, 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 profit and loss 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 sale in the statement of comprehensive income.

Currency exposure associated with the Group's operations is continuously hedged by the expected net cash flows in currency associated with operational factors being hedged through forward contracts, though only for a limited time horizon and only to the extent it is estimated that it is certain that these expected cash flows will be realised.

INTEREST-BEARING LOANS
Interest-bearing loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. 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 expense in accordance with the effective interest method. Borrowing costs are capitalized and distributed through profit and loss 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 profit items.

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

The deferred tax and deferred tax assets are recognized independent 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 USD 5 thousands).

For these leases, the Group recognises the lease payments as other operating expenses in the statement of statement of comprehensive income or loss 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 asset at cost, less any accumulated depreciation 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 asset, except that the right-of-use asset is 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 asset is 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 cost is 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.

All employees in Switzerland and some employees in Norway with partial disability still 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 introduction of a new, or changes to an 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 and which result in the employees having immediately earned a paid-up policy (or a changed paid up policy) 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 payment 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, in line with guidelines issued by the Ministry of Finance. Companied that participate in the AFT 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 of 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 have contracts with customers representing the largest volume of sales in each market. The contract includes terms for discount, volume bonus and delivery terms. The contract is typically valid for 1-2 years. Discount level is based on a gross pricelist valid for the market and the volume bonus is based on increase in sales from last 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 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 is it probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. Revenues are not regarded as being able to be measured reliably 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 promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of goods, the Group considers the effect of 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 linked to the transportation of goods, which is recognised as income on delivery of goods.

GOVERNMENT GRANTS
Government grants are recognised where 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 of 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 operating 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 AND ACQUISITION OF NON-CONTROLLING INTERESTS

ACQUISITION 2019

9to5 Seating

On November 25, 2019, 95.55% of the interests in 9to5 Seating LLC was acquired by Flokk USA Holding LLC, a company controlled by Flokk Holding 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 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. 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	216
Property plant and equipment (note 12)	29 491
Right-of-use assets	
Financial assets	356
Inventory	74 497
Trade receivables	49 094
Other receivables	11 916
Cash	36 855
Total Assets	**202 425**
Long term liabilities	999
Long term debt	27 077
Trade payable	20 963
Short term debt	36 874
Total Liabilities	**85 914**
Total identifiable net assets at fair value	116 512
Cash payment	(1 017 981)
Non-controlling interests	(46 005)
Goodwill	**947 474**

The purchase price allocation for the acquisition in 2019, 9to5, was not finalized as of 31 December 2019. There is still some analysis to be completed regarding fair value of stock and intangible assets.

Cash flows from 9to5 are in United States Dollar (USD). Goodwill and non-controlling interests on 31 December are converted to the current closing rate.

RECONCILLIATION OF GOODWILL AND NON-CONTROLLING INTEREST (NCI) ON 31 DECEMBER 2019

NOK (thousands)	Goodwill	NCI
On acquisition date	947 474	46 005
Total comprehensive income for the year		167
Currency translation	(43 321)	(2 035)
Carrying value	**904 153**	**44 137**

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

The acquisition had the following cash effect:
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 (4.5% 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 American 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 - 31.12.2019. Goodwill is tax deductible for 9to5 Seating LLC.

9to5 contributed NOK 36 425 thousand to the Group's revenues and NOK – 17 653 thousand (including acquisition cost) to the Group's operating profit for the period 25.11.2019 - 31.12.2019. If the business combination had taken place at the beginning of the year, the Group's revenues would have been NOK 3 441 647 thousand and operating profit would have been NOK 367 104 thousand in 2019.

ACQUISITION 2018

Profim

On April 26, 2018, 100% of the shares in Profim Sp. Z.o.o. (Profim) was acquired by Flokk AS through a capital contribution from Spinnaker Bidco Sarl (Bidco). The shares were first acquired by Bidco through a share deal. The owners of Profim, Innova, received shares in Bidco corresponding to the value of the Profim shares. Profim shares were then transferred to Flokk AS through a capital contribution from Flokk Holding II AS and Flokk Holding AS. 249,872 new shares were issued in Flokk AS as payment for the shares in Profim. The shares related to the acquisition were valued based on the negotiations between the independent parties involved Fair value was estimated using a Earnings Before Interest and Tax (EBITA) multiplier. When the transaction was completed, the shares in Profim were 100% owned by Flokk AS, Flokk AS was wholly owned by Flokk Holding AS. Flokk controls 100% of the voting shares in Profim.

Profim develops, manufactures, markets and distributes the Profim brand. The production takes place in Turek, Poland. In addition to its own brand, Profim has revenues through contract production. The company has a broad portfolio of products within office chairs and soft seating. The company has its main market in Poland.

The fair values of identifiable assets and liabilities in Profim as at the date of acquisition was:

NOK (thousands)	Fair Value
Other intangible assets	207 195
Property, plant and equipment	281 585
Non-current financial assets	7 221
Total non-current Assets	**496 001**
Inventories	109 200
Trade receivables	114 976
Other short-term receivables	5 483
Cash and cash equivalents	73 163
Total current assets	**302 821**
Total assets	**798 822**
Deffered tax liabilities	58 670
Other long-term liabilities	190
Total non-current liabilities	**58 860**
Trade payables	514 055
Taxes payable	2 170
Other short-term liabilities	48 777
Total currents liabilities	**565 002**
Total liabilities	**623 862**
Total identifiable net assets at fair value	174 960
Fair value of equity instruments	724 630
Purchase cinsideration transferred	**549 670**

An amount of NOK 54 874 has been reclassified from deferred tax liability to goodwill in the purchase price allocation in 2019.

Cash flows from Profim are in Polish zloty (PLN). Goodwill at 31.12. is converted to 31 December rate in the statement of financial position. Carrying value of goodwill on 31 December 2019 amounts to NOK 555 471 thousand.

A total of NOK 3 934 thousand was expensed in acquisition cost in 2018.

Cash flow on acquisition:

Cash holding in Profim	73 163
Acquisition cost	
Net cash flow	73 163

Goodwill identified upon the acquisition comprise the value of expected synergies arising from the acquisition 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 01.05.2018 - 31.12.2018. It is not expected that the goodwill will be tax deductible for the Group.

Profim contributed NOK 716 362 thousand to the Group's operating revenues and NOK 69 771 thousand to the Group's operating profit for the period 01.05.2018 - 31.12.2018. If the business combination had taken place at the beginning of the year, the Group's revenues would have been NOK 3 029 966 thousand and operating profit would have been NOK 366 786 thousand in 2018.

DISPOSAL IN 2018

In July 2018, the Group entered into an agreement for the sale of all the shares in the company Espisa AG (Espisa). Espisa was acquired through the acquisition of Giroflex in 2017. The company has never been a part of Flokk's core business and was sold to an investor group for NOK 38 534 thousand. As an addition to the purchase price, the Group received payment for an intercompany loan of NOK 1 215 thousand. Cash in Espisa was NOK 319 thousand at date of disposal. Net cash effect on disposal was NOK 45 494 thousand. In 2018, the Group recorded a gain of NOK 35 566 thousand related to the sale. Espisa has contributed NOK 44 076 thousand to the Group's operating revenues and NOK 272 thousand to the Group's operating profit for the period 01.01.2018 - 31.07.2018.

NOTE 4 –ESTIMATES, ASSUMPTIONS AND SIGNIFICANT JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimated and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimated 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 company acquisitions, the assets taken over on the basis of acknowledged valuation methods. The various assets are valued on the basis of different models, 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 3 248 million (NOK 2 291 million). Further details are disclosed in note 6.

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. Given the extensive scope of 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. Further details are disclosed in note 14. The carrying value of deferred tax assets is NOK 113 390 thousand (NOK 80 261 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 wage 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 68,8 million (NOK 53,6 million).

NOTE 5 – 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. Management reporting is based on that the Group has the following operating segments subject to reporting:

INTEGRATED BRANDS

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, ie it is followed up as a separate segment with a similar value chain. Integrated brands consist of the brands HÅG, RH, RBM, BMA and Giroflex.

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.

OFFECCT AND PROFIM

Through the acquisition of Offecct AB in 2017 and Profim in 2018, Flokk is established in a business area with a wider range of product portfolio. Within soft seating, the Group develops, distributes and markets products for the furnishing of larger surfaces, such as sofa, sound absorbing walls, armchairs, benches and tables. The business area also delivers tailored solutions for large and small projects. The products are distributed both through retailers and directly to end customers.

9TO5 SEATING

When acquiring 9to5Seating in 2019, Flokk established production capasity 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 and are not considered as operational.

Per 31.12.2019	Integrated brands	Malmstolen	Offecct	Profim	9to5	Other/ Eliminations	Consolidated
Sales revenues	1 776 241	67 600	126 890	1 008 322	36 425		3 015 477
Other operating revenues, see note 26				146 773			146 773
Total operating revenues	**1 776 241**	**67 600**	**126 890**	**1 155 095**	**36 425**		**3 162 250**
Operating costs	1 582 944	57 735	140 590	1 051 822	54 078		2 887 170
Operating profit	**193 297**	**9 865**	**(13 700)**	**103 273**	**(17 653)**		**275 080**
Integration costs	93 157	856	5 751	126 319	23 535		249 618
Adjusted income	**286 454**	**10 721**	**(7 949)**	**229 592**	**5 882**		**524 698**

9to5 Seating included from 25 Nov 2019.

Per 31.12.2018	Integrated brands	Malmstolen	Offecct	Profim	9to5	Other/ Eliminations	Consolidated
Sales revenues	1 817 715	58 920	129 818	716 362			2 722 815
Total revenues	**1 817 715**	**58 920**	**129 818**	**716 362**			**2 722 815**
Operating costs	1 570 646	48 726	130 802	646 964			2 397 138
Operating profit	**247 069**	**10 194**	**(984)**	**69 398**			**325 677**
Integration costs	41 466		2 713	14 297			58 476
Adjusted income	**288 535**	**10 194**	**1 729**	**83 695**			**384 153**

Profim included from 1 May 2018.

OTHER INFORMATION

All operating cost are allocated to the segment when occured. Transactions between the segments are priced on market terms.
The groups's financing (including finance cost, finance income and other income) and income tax are managed on group basis are not allocated to opearting segments.

SALES REVENUES

The delivery obligation is generally considered to be fulfilled when the products are delivered at customers location or at place of installment. 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 retrospecitve voulme discounts 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)	2019	2018
Segment operating profit	**275 080**	**325 677**
Financial income	475 674	262 283
Financial expense	594 037	503 724
Income tax expense	17 813	33 549
Group operating profit	**138 904**	**50 687**

GEOGRAPHIC SEGMENT

NOK (thousands)	2019	2018
Revenues from external customers		
Polen	268 170	190 105
Scandinavia	875 844	858 562
Germany	597 337	507 660
The Netherlands	251 496	235 722
Belgium	144 292	130 935
Switzerland	159 600	143 946
France	130 034	116 044
UK	138 895	132 207
USA	64 562	105 105
Other countries	385 247	302 530
Total sales revenues	**3 015 477**	**1 729 941**

NOK (thousands)	2019	2018
Distribution of revenue per brand		
HÅG	798 634	753 747
RH	402 020	413 913
RBM	101 936	108 295
BMA	209 979	222 060
Giroflex	268 065	320 130
Malmstolen	67 600	58 919
Offecct	125 321	130 907
Profim	1 008 322	716 362
9to5	36 425	
Total revenue from the brands	**3 018 302**	**2 724 333**
Other		(231)
Derivatives	(2 825)	(1 286)
Total	**3 015 477**	**2 722 816**
Fixed assets		
Polen	228 775	286 749
Scandinavia	268 112	213 868
Germany	17 071	4 986
The Netherlands	9 017	5 169
Belgium	11 130	721
Switzerland	79 682	52 561
France	3 030	1 079
UK	13 742	2 891
Singapore	1 130	293
China	9 972	258
Australia	1 775	36
USA	48 016	
Total	**691 452**	**568 610**

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

NOTE 6 – INTANGIBLE ASSETS

NOK (thousands)	Goodwill	Internal development	Other intangible	Total
Fiscal year 2018				
Carrying amount 01.01.2018	1 793 689	88 714	1 099	1 883 502
Investments		24 652	684	25 337
Additions through acquisitions[1]	499 646	7 659	204 865	712 170
Translation differences	(2 574)	96	(2 583)	(5 061)
Reclassifications			1 418	1 418
Depreciation/amortization		(14 200)	(7 424)	(21 624)
Carrying amount	**2 290 761**	**106 921**	**198 060**	**2 595 742**
Pr. 31.12.2018				
Initial cost	2 290 761	211 437	247 783	
Accumulated depreciation /write-downs		(104 516)	(49 723)	
Fiscal year 2019				
Carrying amount 01.01.2019	2 290 761	106 921	198 060	2 595 742
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
Conversion 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	**3 248 467**	**114 759**	**190 405**	**3 553 630**
Pr. 31.12.2019				
Initial cost	3 248 467	239 475	246 153	
Accumulated depreciation / Write downs		(124 716)	(55 748)	
Useful life	Indefinite	6-10 years	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 7 044 thousand related to a discountinued product is recognized as depreciation in the statement of comprehensive income on 31 December 2019

OTHER INTANGIBLE ASSETS

Other intangible assets contains customer files and trademarks acquired through acquisitions. Amortization takes place linearly over 10 years.

RESEARCH AND DEVELOPMENT

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 work on 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. Costs incurred in the period and which satisfy the criteria for the product development of future seating solutions 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 (WACC) as for goodwill. Costs for ongoing R&D 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. The Group had at the end of the year 138 R&D projects ongoing of which 24 will be launched during 2020. The group receives government grants for research and development.

NOK (thousands)	2019	2018
Skattefunn (tax deduction of R&D expenses)	3 609	161
Training grant	603	1 305
The Research Council of Norway	3 514	992
Grant from EU		352
Sum	**7 727**	**2 810**
Research and development recognised in statement of comprehensive income	43 521	51 695

GOODWILL

Goodwill distributed per enterprise purchase:	NOK (thousands)
Acquisition in 2014:	
Scandinavian Business Seating Holding AB	524 928
Scandinavian Business Seating Holding AS	1 111 592
Acquisition in 2015:	
BMA Ergonomics BV	38 773
Acquisition in 2017:	
Giroflex AG	12 531
Integrated Brands	**1 687 824**
Malmstolen AB	47 597
Offecct AB	53 423
Acquisition in 2018:	
Profim Sp. Z.o.o.	555 471
Acquisition in 2019:	
9to5	904 152
Total goodwill	**3 248 467**

The group has accumulated goodwill of NOK 3 248 467 thousands. 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 and 2019. See note 3 for allocation of Goodwill.

The group has identified five cash generating units (CGU). Flokk integrated brands consisting of the brands HÅG, RH, RBM, BMA and Giroflex. The Group monitors the development, production and distribution of these brands as one unit. Costs are allocated to the different product areas. In addition, the group has its own cash flows from the brands Malmstolen, Offecct, Profim and 9to5.

Goodwill is tested for impairment annually. Goodwill is tested by comparing the present value of the discounted value of future cash flows and the carrying amount. Cash flow projections are based on extrapolating figures for 2021-2023 from estimates in the company's and the group's senior management strategy plan for 2020.
A constant growth rate has been applied throughout the time period of the cash flow projections.

ASSUMPTIONS

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

Revenues

Revenue development is based on the budget for 2020 and management's sales forecast for the growth in the period 2021-2023. 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 income statement and statement of cash flows, have taken into account that the group is entering a recession period with expected growth rate below normal. The management have a set of mitigation actions to reduce the impact on EBITA if revenues tends to fall below budget or forecast. 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 2019, no write-down has been recognised. The management is of the opinion that the assumptions used in the tests are best estimate and, besides taking account of a normal level of long-term uncertainty in relation to the Group's development, also take account the uncertainty in the current financial market.

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 2019 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. The performance of Offecct is not satisfying and measures have been implemented and will continue to be implemented during 2020. The Group Management will focus on Offecct's cash flow through 2020 and assess impairment on a continuous basis based on the realized cash flow from the CGU.

NOK (million)	2019	2018
Integrated brands		
WACC, before tax	8,6%	8,8%
WACC after tax	6,7%	6,8%
WACC before tax + 2%	10,6%	10,8%
Headroom	1 632	3 492
Marginal value WACC before tax	16,58%	16,80%
Long term growth in the terminal period	0%	0%
Headroom	1 954	2 167
Extrapolation of this year's EBITA		
Headroom	749	981

NOK (million)	2019	2018
Malmstolen		
WACC, before tax	6,9%	7,3%
WACC after tax	5,5%	5,7%
WACC before tax + 2%	8,9%	9,3%
Headroom	147	105
Marginal value WACC before tax	25,4%	17,3%
Long term growth (terminal period)	0%	0%
Headroom	165	121
Extrapolation of this year's EBITA		
Headroom	78	82
Offecct		
WACC, before tax	6,9%	7,3%
WACC after tax	5,5%	5,7%
WACC before tax + 2%	8,9%	9,3%
Headroom	28	59
Marginal value WACC before tax	10,4%	13,3%
Long term growth (terminal period)	0%	0%
Headroom	40	75
Extrapolation of this year's EBITA		
Headroom	(253)	(133)
Profim		
WACC, before tax	8,8%	9,8%
WACC after tax	7,1%	8,0%
WACC before tax + 2%	10,8%	11,8%
Headroom	417	367
Marginal value WACC before tax	13,8%	14,8%
Long term growth (terminal period)	0%	0%
Headroom	545	487
Extrapolation of this year's EBITA		
Headroom	1212	787
9to5 Seating		
WACC, before tax	9,4%	
WACC after tax	6,9%	
WACC before tax + 2%	11,4%	
Headroom	976	
Marginal value WACC before tax	22,9%	
Long term growth (terminal period)	0%	
Headroom	1 117	
Extrapolation of this year's EBITA		
Headroom	200	

NOTE 7 – 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 it's 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 2019 and other variables remained constant, it would have resulted in a higher or lower operating profit of NOK 30 155 thousand (NOK 27 228 thousand). If rebates on gross sales were 1% lower or higher in 2019, and other variables remained constant, it would have resulted in an increase or reduction in the operating profit of NOK 57 320 thousand (NOK 48 984 thousand).

Foreign currency risk

NOK 2 743 million (NOK 2 455 million in 2018) 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 and PLN. 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 December 2019 and all other variables were consistent, this would have caused the following change in profit before tax:

Foreign currency risk	+/- NOK (thousands)
10% change in currency rate EUR/NOK	4 735
10% change in currency rate DKK/NOK	4 225
10% change in currency rate GBP/NOK	3 478
10% change in currency rate USD/NOK	1 756

FOREIGN CURRENCY DERIVATES MADE TO SECURE FUTURE CASH FLOW AS PER 31.12.19

Figures in NOK (thousands)	EUR	DKK	GBP	USD
Due in 2020	47 346	42 246	34 781	17 561

Interest rate risk

The Group's interest rate risk is primarily connected to long-term liabilities. As the net interest bearing liabilities per 31.12.19 was 58% (57% in 2018) of the consolidated statement of financial position, the profit for the year is considerably exposed by the interest level. The liabilities primarily consists of floting-rate loans. In 2019, the Group's floating-rate loans have been in NOK, EUR and USD. With net interest-bearing liabilities of NOK 3 333 738 thousand (NOK 2 496 676 thousand in 2018), the level of interest rates significantly affects the financial expenses.

Effects of increase/reduction in interest:
If the interest was 1% weaker/stronger as per 31 December 2019 and all other variables were consistent, this would have resultet in higher/lower profit before taxes of NOK 28 751 thousand (NOK 28 495 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 company'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)	2019	2018
Gross trade receivables (note 16)	405 927	438 372
Other receivables	185 967	37 901
Cash and cash equivalents	497 486	406 571
Total	**1 089 380**	**882 844**

LIQUIDITY RISK

The Group's activities are not capital intensive and normal annual investment represents 3-6% of the company'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)	31/12/2019	2020	2021	2022	2023	2024
Interest-bearing liabilities						
Bank loans	3 831 224	50 000	50 000	50 000	63 000	3 618 224
Lease liabilities	146 484	49 459	37	22	15	11
Sum of interest-bearing liabilities	**3 977 708**	**99 459**	**50 037**	**50 022**	**63 015**	**3 618 235**
Non-interest-bearing liabilities						
Trade payables	211 461	211 461				
Derivatives	3 342	3 342				
Other short term liabilities and provisions	311 730	311 730				
Other long term liabilities	23 701					23 701
Sum of non interest-bearing liabilities	**550 234**	**526 533**				**23 701**
Total	**4 527 942**	**625 992**	**50 037**	**50 022**	**63 015**	**3 641 936**

USE OF FAIR VALUE

The value of cash and overdraft facility recognised in the 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 31.12.19, the fair value of forward currency exchange contracts amounted to NOK -3 342 (-4 818) thousand. Value change recognised for 2019 was a gain of NOK 1 476 (-2 490) thousand.

FAIR VALUE HIERARCHY

NOK (thousands)	Category	Fair value	Book value	Fair value	Fair value level *
2018					
Non-current assets					
Shares in other companies	B	756	756	756	3
Total		**756**	**756**	**756**	
Current assets					
Trade receivables	A		431 535	431 535	
Cash and cash equivalents			406 571	406 571	
Total			**838 106**	**838 106**	
Long-term liabilities					
Long-term interest-bearing loans	A		2 799 610	2 799 610	
Total			**2 799 610**	**2 799 610**	
Short-term liabilities					
Short-term interest-bearing loans	A		50 000	50 000	
Trade payable	A		248 110	248 110	
Derivatives	B	4 018	4 018	4 018	2
Total		**4 018**	**302 128**	**302 128**	
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			497 486	497 486	
Total			**899 280**	**899 280**	
Long-term liabilities					
Senior loans	A		3 605 618	3 605 618	
Total			**3 605 618**	**3 605 618**	
Short-term liabilities					
Short-term interest-bearing loans	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**	

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 8 – LOANS, MORTGAGES AND GUARANTEES

NOK (thousands)	2019	2018
Long-term interest bearing loans		
Bank loans	3 605 618	2 799 610
Borrowing costs	(47 704)	(41 378)
Total	**3 557 914**	**2 758 232**
Short-term interest bearing loans		
Bank loans	225 606	50 000
Borrowing costs	(14 647)	(10 258)
Total	**210 959**	**39 742**
Carrying amount of assets mortgaged:		
Shares in subsidiaries	4 136 482	4 106 157
Property	209 686	253 096
Maturity dates down payment, interests and borrowing costs		
Within 1 year	207 330	154 903
From 2 to 5 years	3 288 348	611 825
5 years or later		2 658 679
Interest rate and currency rates as per 31.12. is used for calculating future amortisation and interests.		
Carrying amount of loans per currency:		
NOK	213 000	263 000
EUR	2 564 588	2 586 610
USD	878 030	
Total long-term	**3 655 618**	**2 849 610**
USD - Drawdown revolving credit facility	175 606	
Total	**3 831 224**	**2 849 610**
Changes interest-bearing liabilities		
Per 01.01	2 849 610	1 306 106
Down payments	(50 000)	(485 896)
New loans	919 170	1 507 515
Drawdown revolving credit facility	175 606	
Loan in purchased companies		429 873
Effects from changes in foreign exchange rates	(63 162)	91 960
Other changes		52
Per 31.12	**3 831 224**	**2 849 610**

In 2019, the bank loan increased with USD 100 million in connection with the purchase of the US entity 9to5 Seating. The loan is per 31 December 2019, drawn in NOK, EUR and USD. The down payment period is five years and is due in 2024. The borrowing costs are capitalised and expensed over the lifetime of the loan. The assets pledged as security are shares which Flokk Holding AS has in its subsidiaries, properties in Sundveien AS, Fastighets AB Stolhuset and Profim Sp. z.o.o., as well as Flokk Holding AS' shares recorded in the parent company Flokk Holding II AS.

The loan interests are floating and normally tied for three months at a time. The average interest rates in 2019 was for the NOK-loan 1.44%, the EUR-loan 0% and USD-loan 1.65%, plus margin. 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 investment limit. The margin is set according to an incremental scale in relation to key performance indicators achieved.

At the end of 2019, the Group had a total credit facility of NOK 4 012 480 thousand (NOK 3 214 610 thousand), consisting of bank debt of NOK 3 831 224 thousand (NOK 2 849 610 thousand) and an unused bank overdraft limit of NOK 181 256 thousand.

The bank overdraft facility is NOK 400 000 thousand but parts have been converted into a guarantee framework. Liquid resources in the form of unused credit facilities and cash at bank per 31.12.19 amounted to NOK 678 742 thousand, which constitutes about 22.5% of the sales revenues (NOK 771 571 thousand in 2018). 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 valued at the end of every quarter, but monitored on a monthly basis. The company fulfilled the covenants in the loan agreement as at 31.12.2019.

NOTE 9 – CAPITAL MANAGEMENT

The Group's capital consist of equity. In 2018, the Group carried out refinancing operations where long term interest-bearing liabilities increased and the shareholder loan, including accrued interest, was repaid in full. The Group's goal of sound financial capacity is met with this financing structure. See note 8.

OBJECTIVES AND STRATEGY

The overall objective of the Group's capital management is to be an attractive borrower through sound liquidity planning so that the Group at all times will be offered cost-effective funding 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 collected 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 7.

NOTE 10 – PERSONNEL EXPENSES AND AUDITOR'S FEES

NOK (thousands)	1.1-31.12 2019	1.1-31.12 2018
Personnel expenses		
Salaries	728 033	630 689
Social security contributions	116 381	75 973
Pension expenses, see note 11	36 305	48 775
Other benefits	34 429	25 671
Total Personnel Expenses	**915 148**	**781 108**
Average number of full-time equivalent employees	2 622	2 496
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 2019.		
Audit fee - NOK (thousands) excl. VAT		
Audit fee	5 322	3 324
Tax consultancy fee	4 284	13 641
Other non-audit fees	900	1 333
Total	**10 506**	**18 298**

NOTE 11 – PENSION COST

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 31.12.2019, the defined benefit plan covered one active and 16 retired members. The Group has not provided any gurantees 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 31.12.2019, this scheme had 87 active and 121 retired members.

ASSUMPTIONS USED TO DETERMINE DEFINED BENEFIT OBLIGATIONS AS OF 31 DECEMBER

	2019		2018	
NOK (thousands)	CH	NO	CH	NO
Discount rate	0,25%	1,80%	0,90%	2,60%
Future salary increase	0,50%	2,25%	0,50%	2,75%
Future increase in G-multiplier		2,00%		2,50%
Future pension increases	0,00%	0,70%	0,00%	0,00%

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 decrease in 2020. 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 5 101 thousand.

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

COMPONENTS OF NET PENSION COST

NOK (thousands)	2019 Covered	2019 Not covered	2018 Covered	2018 Not covered
Pension costs defined-contribution plan	30 797		39 816	
Pension costs defined benefit plan	3 732		8 959	(12)
Net pension costs	**34 530**		**48 775**	**(12)**
Changes in gross pension obligation				
Pension obligations 1 January	441 200	108	464 017	120
Interest expenses on pension obligations	4 091		3 149	3
Net change in social security expenses	4 742		5 358	
Contribution by plan participants	3 711		3 855	
Benefits paid during the year	(31 046)		(19 483)	(71)
Administration costs	224		827	
Other	10 856	(108)	20 826	
Actuarial gains/losses	43 718		(37 349)	57
Pension obligations 31 December	**477 496**	**0**	**441 200**	**108**
Changes in gross pension fund assets				
Pension plan assets (fair value) 1 January	387 671		396 173	
Return on pension plan asset	3 580		2 687	
Premium payments	7 914		7 885	
Benefits paid during the year	(31 046)		(19 483)	
Other	11 240		18 707	
Actuarial gains/losses	29 351		(18 298)	
Pension plan assets (fair value) 31 December	**408 711**		**387 671**	
Net pension plan assets/(-obligations)	**(68 785)**		**(53 529)**	**(108)**

WEIGHTED AVERAGE ASSET ALLOCATIONS AS OF 31 DECEMBER 2019, BY ASSET CATEGORY

Cash	10%
Equity instruments	32%
Debt instruments	48%
Real estate	10%
Other	1%
Total	**100%**

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

NOK (thousands)	Land, buildings and other property	Machinery and equipment	Furniture and fittings 1)	Assets under construction	Total
Fiscal year 2018					
Carrying amount 01.01.2018	149 127	42 482	91 671	20 716	303 995
Investments	2 049	5 211	16 998	69 733	93 992
Acquisitions through business combinations	138 946	93 105	53 537	4 180	289 768
Disposals	(33 662)	(2 680)	(7 915)		(44 257)
Transferred assets under construction	6 606	8 373	16 703	(31 519)	162
Reclassifications		(193)	(1 224)	(387)	(1 804)
Recognised as an expense		(34)	(998)		(1 032)
Depreciation	(13 692)	(25 134)	(35 201)		(74 027)
Translation differences	3 721	(2 752)	(395)	1 235	1 811
Carrying amount 31.12.18	**253 096**	**118 379**	**133 176**	**63 958**	**568 608**
Per 31.12.18					
Initial cost 31.12.18	557 771	785 433	606 808	63 958	2 013 970
Accumulated depreciations	(304 675)	(667 054)	(473 632)		(1 445 361)
Fiscal year 2019					
Carrying amount 01.01.2019	253 096	118 379	133 176	63 958	568 609
Investments	5 337	2 071	21 118	121 796	150 322
Acquisitions through business combinations		8 226	12 794		21 020
Impairment, see note 26	(35 318)	(40 010)	(6 958)	(838)	(83 124)
Disposals	(1 380)	(1 045)	(587)		(3 012)
Transferred assets under construction	5 752	28 750	49 513	(84 917)	(902)
Reclassifications	(1 681)	(2 548)	(8 611)	(1 311)	(14 151)
Recognised as an expense		(594)	(5 701)	(3 093)	(9 388)
Depreciation	(14 701)	(27 816)	(39 841)		(82 358)
Translation differences	(1 419)	360	(535)	594	(1 000)
Carrying amount 31.12.19	**209 686**	**85 773**	**154 368**	**97 027**	**546 854**
Per 31.12.19					
Initial cost 31.12.2019	528 426	780 663	670 683	97 027	2 076 799
Accumulated depreciations	(318 740)	(694 890)	(516 315)		(1 529 945)
Carrying amount 31.12.19	**209 686**	**85 773**	**154 368**	**97 027**	**546 854**
Useful life	10-25 years	6-8 years	3-10 years		

The Group has property, plants and equipment in use that are fully depreciated.
1) In furniture and fittings, tools and fixtures for the production of the Group's products are included.

NOTE 13 – OTHER OPERATING EXPENSES

NOK (thousands)	1.1-31.12 2019	1.1-31.12 2018
Premises expenses	50 590	68 901
Marketing expenses	72 412	67 406
Travelling expenses	31 746	26 832
Fees	88 329	87 974
Business acquisition expenses	23 665	3 934
External freight expenses	144 904	112 847
Royalty	35 125	33 205
Car expenses	16 653	25 154
IT-expenses	39 527	36 309
Other operating expenses	43 610	31 976
Other income		(39 297)
Total other operating expenses	**546 561**	**455 241**

NOTE 14 – TAXES

THE MAJOR COMPONENTS OF INCOME TAX EXPENSE ARE:

NOK (thousands)	2019	2018
Taxes payable on this years result, Norway	163	187
Taxes payable on this years result, abroad	31 922	30 407
Changes in deferred tax and deferred tax benefit, Norway	24 164	(20 681)
Changes in deferred tax and deferred tax benefit, abroad and Group	(41 550)	11 712
Taxes previous years	3 114	11 924
Income tax expense reported in the income statement	**17 813**	**33 549**
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% (23% in 2018). The main components are:		
Profit before tax	156 718	84 778
Norwegian tax rate (22%)	34 478	19 499
Change in assessment previous years	(4 820)	11 924
Permanent differences	(8 350)	4 245
Effect of change in tax rate (Norway)1)		1 430
Other: differences in tax rates, currency etc.	(3 495)	(3 549)
Income tax expense	**17 813**	**33 549**
Effective tax rate	**11 %**	**40 %**

1) The tax rate in Norway changed from 23% to 22% from 01.01.2019

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.

NOK (thousands)	2019	2018
Deferred tax on temporary differences:		
Property, plant and equipment	(411 379)	(48 870)
Intangible assets	(68 420)	(68 973)
Current assets	27 362	2 495
Liabilities and other differences	75 979	(45 125)
Tax loss carried forward	256 039	266 816
Pension obligations not covered	68 785	54 140
Total temporary differences	**(51 634)**	**160 483**
Net deferred tax	**(5 535)**	**34 078**
	22%	22%
Deferred tax are presented at gross value in the statement of financial position.		
Deferred tax asset	113 390	80 261
Deferred tax	(118 925)	(46 183)
Net deferred tax	**(5 535)**	**34 078**

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 loss carry 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.

NOK (thousands)	2019	2018
Reconciliation of deferred tax		
Opening net balance as of 01.01.	34 078	13 426
Deferred tax acquired in business combinations		2 299
Tax expense during the period recognised in profit or loss	17 386	8 969
Tax expense during the period recognised in OCI	(2 653)	
Reclassification in purchase price allocation, see note 3	(54 770)	
Other: differences in tax rates, currency etc.	424	9 384
Closing net balance 31.12.	**(5 535)**	**34 078**
Reconciliation of taxes payable for the year ended 31.12.		
Current income tax charge	32 085	30 594
Taxes payable acquired in business combinations		8 739
Tax payment, not settled	3 554	29 012
Prepaid income tax	(31 553)	(34 751)
Other changes	193	(1 352)
Closing balance 31.12.	**4 279**	**32 242**

NOTE 15 – INVENTORIES

The Groups's total inventories include the following:

NOK (thousands)	2019	2018
Raw materials	233 137	176 995
Work in progress	42 304	54 297
Finished products	61 142	60 606
Total inventories	**336 583**	**291 898**
Inventory movements, in house production	(11 457)	46 597
Provision for obsolete inventories	37 329	14 149

An assessment of net realisable value was carried out after deducting selling costs. This resulted in a total write-down of inventories as at 31 December 2019 of NOK 28 798 thousand (NOK 6 909 thousand in 2018). The amount is classified as cost of material. Of this amount, NOK 20 333 thousand refers to the fire incident at Profim. See note 26.

NOTE 16 – TRADE RECEIVABLES AND OTHER RECEIVABLES

NOK (thousands)	2019	2018
Carrying amount	405 927	438 372
Provisions for bad debt	4 133	6 837
Total trade receivables	**401 794**	**431 535**
Prepaid expenses	29 478	27 549
Deposits	1 052	1 046
Other receivables	155 437	9 306
Total other receivables per 31.12	**185 967**	**37 901**
Total receivables per 31.12	**587 761**	**469 436**
Change in provision for bad debt:		
Provision per 01.01.	6 837	4 077
Provisions in acquired companies		2 597
Change in provision during the year	(2 704)	163
Provision per 31.12.	**4 133**	**6 837**
Realized losses	1 810	2 623

BREAKDOWN OF TRADE RECEIVABLES BY DUE DATE:

NOK (thousands)	2019	2018
Trade receivables not due	331 137	356 324
Overdue receivables 1-30 days	58 386	55 941
Overdue receivables 31-60 days	8 865	9 523
Overdue receivables over 60 days	7 539	9 747

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 an simplified expected loss model. The provision will have to be based on objective criteria. Further, the Group utilizes external and internal credit ratings, as well as a comprehensive assessment of each individual customer.

NOTE 17 – FINANCIAL ITEMS

NOK (thousands)	1.1-31.12 2019	1.1-31.12 2018
Financial income		
Interest income	2 026	1 099
Foreign exchange gain derivatives	16 874	11 172
Other foreign exchange gain	456 606	240 148
Other financial income	168	9 864
Total	**475 674**	**262 283**
Financial expenses		
Interest expenses	124 938	107 809
Interest expense on lease liabilities	3 031	
Foreign exchange loss derivatives	21 946	9 226
Other foreign exchange loss	426 430	364 806
Other financial expenses	17 692	21 883
Total	**594 037**	**503 724**
Net financial income/(expense)	**(118 363)**	**(241 441)**

NOTE 18 – LIST OF GROUP COMPANIES

The following companies have been consolidated:

Company	Country of origin	Ownership %	Voting rights
Flokk Holding AS	Norway		
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%
BMA Ergonomics 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%

NOTE 19 – SHARE CAPITAL

As of 31 December 2019, Flokk Holding AS had a share capital of NOK 90 thousand divided into 30 with nominal value of NOK 3 thousand each. All ordinary Flokk shares have equal voting rights. There are no restrictions connected to trading the shares in Flokk Holding AS.

Overview of shareholder in Flokk Holding AS as per 31 December 2019:

Shareholder	Share capital	No. of shares
Flokk Holding II AS	NOK 90 000	30
No. of outstanding shares per 31.12.18		30
No. of outstanding shares per 31.12.19		30

Triton and Innova are shareholders in Flokk Holding II AS (parent company) through their ownership in the company Spinnaker Bidco S.à.r.l. Management and board of Directors are shareholders in Flokk Holding II AS (parent company) through their ownership in the companies Spinnaker Norway MipCo AS and Spinnaker Norway Mipco 2 AS. There are no restrictions connected to trading the shares in Flokk Holding II AS. With the exception of the rights in § 7 in the articles of association, the preference shares and the ordinary shares give equal rights in the company.

Major shareholders in Flokk Holding II AS at year-end:

Shareholder	Ordinary shares	Preference shares	Voting rights in Flokk Holding II AS
Spinnaker Bidco S.à.r.l.	21 272 728	2 515 375	79,9 %
Spinnaker Norway MipCo AS	3 439 924	84 000	11,8 %
Spinnaker Norway MipCo 2 AS	2 461 165		8,3 %
Total	**27 173 817**	**2 599 375**	**100%**

NOTE 20 – EARNINGS PER SHARE

NOK (thousands)	2019	2018
Earnings per share	4 625	1 690
Diluted earnings per share	4 625	1 690
Profit for the year attributable to equity holders of the parent	138 737	50 687
Weighted average of number of shares outstanding	30	30
Weighted average of number of shares outstanding (diluted)	30	30

NOTE 21 – RELATED PARTIES

Note 19 provides information about the Group's structure, including details of the subsidiaries and the holding company.

Transactions with subsidiaries have been eliminated on consolidation and do not represent related party transactions. See note 6 in the financial statements of Flokk Holding AS for further details.

The parent company, 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:

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
At initial application 01.01.2019	**70 808**	**2 903**	**24 244**	**97 955**
Addition of right-of-use assets	65 884	284	12 574	78 742
Acquired in business combination	7 019			7 019
Transfers and reclassifications	1 604		220	1 825
Currency translation differences	511	(19)	(28)	464
Acquisition cost 31.12.2019	**145 827**	**3 169**	**37 009**	**186 005**
Accumulated depreciation and impairment 01.01.2019				
Depreciation	28 302	1 179	11 604	41 085
Currency translation differences	215	16	91	322
Accumulated depreciation and impairment 31.12.2019	**28 517**	**1 196**	**11 695**	**41 407**
Carrying amount of right-of-use assets 31.12.2019	**117 310**	**1 973**	**25 314**	**144 598**
Lower of lease term or useful life	0-73 years	0-5 years	0-5 years	
Depreciation method	Linear	Linear	Linear	

Lease term of useful life of buidlings are normally in the range of 5-10 year. The Group's production facility in Poland have a long term leasing agreement with a remaining life of 73 years.

Lease liabilities	2019
Maturity analysis contractual undiscounted cash flows	
Less than 1 year	50 338
1-2 years	37 202
2-3 years	21 637
3-4 years	15 336
4-5 years	10 767
More than 5 years	27 025
Total undiscounted lease liabilities at 31.12.2019	**162 306**
Summary of the lease liabilities	
At initial application 1 January 2019	97 955
New lease liabilities recognised in the year	87 643
Cash payments for the principal portion of the lease liability	(42 146)
Interest expense on lease liabilities	3 031
Total lease liabilities at 31.12.2019	**146 483**
Current lease liabilities	49 459
Non-current lease liabilities	97 025
Total cash outflows for leases	**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 profit or loss	Total
Variable lease payments expensed in the period	
Operating expenses in the period related to short-term leases (including short-term low value assets)	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	**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 73 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)	2019	2018
Balance 01.01.	13 368	6 048
Acquisition of a subsidiary	146	6 765
Provisions arising during the year	1 204	3 651
Provisions used	(2 920)	(3 096)
Balance 31.12.	**11 798**	**13 368**

The Group has a provision of NOK 11 652 thousand for warranty claim per 31 December 2019 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)	2019	2018
Accrued salary expenses	73 290	52 500
Other accrued expenses	155 517	76 466
Total other short-term liabilities	**228 807**	**128 966**

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

PAYMENTS TO EXECUTIVES

NOK 1000	CEO	Other members of Group management[1]	Board
2018			
Board of Directors fee			1 132
Salaries	4 304	14 323	
Bonuses	1 085	2 991	
Other benefits	179	929	
Pension costs	115	1 122	

[1] Eirk Kronkvist, Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Ketil Årdal

2019			
Board of Directors fee			1 278
Salaries	4 599	18 016	
Bonuses	900	4 182	
Other benefits	143	1 325	
Pension costs	133	4 970	

[1] Eirk Kronkvist, Lillevi Ivarson, Christian Lodgaard, Frederik Fogstad, Trygve Aasland, Patrik Röstlund, Piotr Chełmiński, Trond Langeland, Rene Sitter

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 allocated NOK 2 302 thousand as of 31.12.19. The bonus will be due for payment in 2020. 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. 31.12.19:	Ordinary shares	Preference shares
Group Management		
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. 31.12.19:	Ordinary shares	Preference shares
Board		
Aromi Invest Oy (Esko Mikael Aro)	255 000	4 500
Pernille Stafford	34 000	600
Kristine Landmark	7 095	558
Group Management		
Piotr Chełmiński	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

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)	2019
Other operating revenues [1]	(146 771)
Cost of labour	6 699
Impairment of property, plant and equipment, see note 12	83 124
Cost of materials, see note 15	20 333
Net effect on comprehensive income	**(36 615)**

[1] Settlement from the insurance is classified as other operating revenues in the statement of comprehensive income.

NOTE 27 – 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.

Due to the fire at Profim's plant in Turek in November 2019, the loan agreement was renegotiated to reflect the reduced revenues and extraordinary expenses that will arise in 2020.

The ongoing pandemic stemming from Covid-19 is expected to affect the Group's results in 2020. There are several of the Group's markets where the authorities have introduced strict measures that will affect the Group's sales activities and demand for Flokk's products. In response to the situation, the Group's management have implemented measures to reduce costs and safeguard liquidity. For the Group, the health of employees is essential, and the management follows the national guidelines for local measures in all markets. It is also important to keep the Group's value chains running, 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 order entry saw a significant decline in mid-March, but has since mid-April seen a positive development. The cost measures implemented in March and April have helped safeguard the liquidity position of the Group, and ensured that we could, after implementing the contingency measures and stabilizing the operations, start to focus on commercial drivers and opportunities to come out of the Covid-19 situation as a stronger Group.

The Group's presentation currency and Flokk Holding 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 in April and May. In 2020, this currency fluctuation may affect the statement of comprehensive income and consolidated statement of financial position. Please see note 7 and 8 for further information about Flokk Groups exposure and sensitivity related to changes in foreign exchange rates.

Flokk Holding AS – Income statement

NOK (thousands)	Notes	1.1-31.12 2019	1.1-31.12 2018
Personnel expenses	2	1 868	1 582
Other operating expenses	2, 10	17 109	14 329
Total operating expenses		**18 977**	**15 911**
Operating profit		**(18 977)**	**(15 911)**
Financial income	3	1 330 516	318 750
Financial expense	3	467 562	318 221
Net financial income/(expense)		**862 954**	**530**
Profit before tax		**843 977**	**(15 381)**
Taxes	4	24 576	(21 422)
Profit for the year		**819 401**	**6 040**
Information concerning:			
Transferred to other equity		819 401	6 040
Total distribution		819 401	6 040

Flokk Holding AS – Balance Sheet

NOK (thousands)	Notes	1.1-31.12 2019	1.1-31.12 2018
Assets			
Deferred tax benefit	4	5 371	27 873
Shares in subsidiaries	5	3 380 657	3 350 332
Loan to subsidiaries	6	2 073 658	359 977
Total non-current assets		**5 459 686**	**3 738 182**
Group receivables	6	145 572	82 749
Cashpool receivables	6	154 995	
Other receivables		62 489	51 755
Total receivables		**363 056**	**134 504**
Cash and cash equivalents		149 986	18 162
Total current assets		**513 041**	**152 666**
Total assets		**5 972 728**	**3 890 848**
Equity and Liabilities			
Share capital	7	90	90
Share premium	7	755 720	755 720
Total paid-in equity		**755 810**	**755 810**
Retained earnings	7	1 033 175	213 774
Total equity		**1 788 986**	**969 584**
Long-term interest-bearing loans	8	3 605 618	2 799 610
Total long-term liabilities		**3 605 618**	**2 799 610**
Short-term interest-bearing loans	9	225 606	118 198
Taxes payable	9	2 074	
Trade payable	9	448	547
Cashpool liabilities	6,9	332 370	
Group payable	6,9	590	1 572
Other short-term liabilities	9	17 036	1 336
Total current liabilities		**578 124**	**121 654**
Total liabilities		**4 183 742**	**2 921 264**
Total equity and liabilities		**5 972 728**	**3 890 848**

31 December 2019
Oslo, 26 June 2020

Mikael Aro
Chairman of the Board

Thomas Hofvenstam
Board Member

Pernille Stafford-Bugg
Board Member

Joachim Espen
Board Member

Andrzej Bartos
Board Member

Kristine Landmark
Board Member

Lars I. Røiri
CEO

Flokk Holding AS – Cash Flow Statement

NOK (thousands)	1.1-31.12 2019	1.1-31.12 2018
Profit before tax	843 977	(15 381)
Group contribution	(119 535)	(71 895)
Change in cashpool recevables	(154 995)	
Change in cashpool liabilities	332 370	
Change receivables	104 313	(4 078)
Change in payables	(1 081)	990
Change in other provisions	(7 235)	68 342
Cash flow from operating activities	**997 814**	**(22 022)**
Investment in subsidiary		(429 873)
Cash flow from investing activities		**(429 873)**
Loan to subsidiary	(1 031 498)	
Proceeds from borrowings	898 403	1 506 307
Down payment of interest-bearing loans	(50 000)	(56 024)
Net change in bank overdraft	107 408	(91 323)
Group contribution received	37 624	83 500
Dividends and loan subsidiaries	(827 927)	
Repayment of share premium		(373 650)
Repayment of shareholder loan		(667 555)
Cash flow from financing activities	**(865 990)**	**401 256**
Cash flow for the year	131 824	(50 639)
Cash and cash equivalents at 01.01	18 162	68 801
Cash and cash equivalents and cashpool deposit at 31.12	**149 986**	**18 162**
Specification:		
Bank deposits at 31.12	54 762	
Cash pool deposits at 31.12	95 223	

Notes – Flokk Holding AS

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. Monetary items in foreign currencies are translated to NOK at the exchange rate on the balance sheet date. Non-monetary items measured at the historic exchange rate expressed in foreign currency are translated to NOK 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 set on the balance sheet date. 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/ASSOCIATED COMPANIES

Subsidiaries and associated companies 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 not longer exists.

Dividends, group contributions and other contributions are recognised in the same year they are allocated in the subsidiary. If dividends/group contributions exceed the post-acquisition detained share of earnings, the excess amount represents repaid invested capital and distributions are deducted from the value of the investment recognised in the balance sheet of the parent company.

RECEIVABLES

Trade and other receivables are stated in the balance sheet at their nominal value less provisions for expected bad debts. Bad debt provisions are made on the basis of individual assessments of the individual receivables. In addition to this an unspecified provision is made to cover expected bad debts from other trade receivables.

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.

The Group has a group account system where Flokk Holding AS is the group account holder. The bank can settle each move and balance against each other so that the net position represents the balance between the bank and Flokk Holding AS.
The entire amount in the group account system is presented as cash and cash equivalents. The sub-account holders' deposits/deductions are presented as cash pool receivables and cash pool liabilities. In the cash flow, this is separated out on a separate line.

CONSOLIDATION

Flokk Holding AS is 100% owned by Flokk Holding II AS. 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 presents the consolidated financial statements for the group. The consolidated financial statements can be obtained upon request to Flokk Holding, P.O. Box 5055 Majorstuen, 0301 Oslo.

NOTE 2 – OPERATING EXPENSES

NOK (thousands)	2019	2018
Fees auditor	3 293	1 293
Fees consultancy	9 800	1 909
Financial and legal consultancy	3 470	10 656
Provision directors' fee	1 868	1 582
Other operating expenses	546	471
Total operating expenses	**18 977**	**15 911**

NOTE 3 – AGGREGATED FINANCIAL INCOME/EXPENSE

NOK (thousands)	2019	2018
Financial income		
Interest income	24 948	9 598
Foreign exchange gain	356 166	153 993
Group contribution	119 535	71 895
Other financial income	829 867	83 264
Total	**1 330 516**	**318 750**
Financial expense		
Interest expense	122 828	9 478
Foreign exchange loss	328 063	228 771
Other financial expenses	16 671	79 971
Total	**467 562**	**318 221**

NOTE 4 – TAXES

NOK (thousands)	2019	2018
Taxes payable this years result		
Change deferred tax	22 502	(21 422)
Change previous years	2 074	
Income tax expense	**24 576**	**(21 422)**
Profit before tax	724 442	(87 276)
Group contribution	119 535	71 895
Permanent differences	18 844	(83 264)
Received dividend	(827 927)	
Tax loss carried forward	(91 566)	124 727
Change temporary differences	(10 715)	(26 081)
Waiver deduction for interest	(67 388)	0
22% taxes payable	**0**	**0**
Profit before tax	843 977	(15 381)
22% taxes	185 675	(3 538)
Taxes due to:		
Permanent differences	(163 173)	(19 151)
Change previous years	2 074	
Change in tax rate		1 267
Income tax expense reported in the income statement	**24 576**	**(21 422)**
Specification of the basis of deferred taxes		
Temporary differences included in the provision for deferred taxes:		
Borrowing costs	(62 351)	(51 636)
Tax loss carried forward	86 767	178 333
Total temporary differences	**24 415**	**126 697**
Net deferred tax	**5 371**	**27 873**
Deferred tax and deferred tax benefit are booked as gross value in the balance sheet statement.		
Deferred tax benefit	19 089	39 233
Deferred tax	(13 717)	(11 360)
Total	**5 371**	**27 873**

Flokk Holding AS is a holding company that receives group contribution.
Deferred tax benefit is capitalized and will be utilized against future group contributions.

NOTE 5 – SHARES IN SUBSIDIARIES

Company	Business location	Time of acquisition	Ownership	Company's share	Booked value	Equity	Profit for the year
Trispin Acquico AB	Stockholm	2014	100%	100%	942 240	900 142	(24 759)
Flokk AS	Oslo	2016	100%	100%	2 408 092	1 182 372	53 925
Flokk Sarl	Paris	2019	100%	100%	60	4 451	1 954
Flokk Ltd	London	2019	100%	100%	30 265	43 612	7 429
Total					**3 380 657**		

Equity and profit for the year are from the last approved annual accounts.
The profit is after tax and group contribution.

NOTE 6 – RECEIVABLES AND DEBTS WITH COMPANIES WITHIN THE SAME GROUP AND WITH RELATED COMPANIES

RECEIVABLES

NOK (thousands)	2019	2018	2019	2018	2019	2018	2019	2018
	Flokk AS		Flokk BV		Flokk Holding GmbH		Flokk NV	
Loan to subsidiaries	263 258	264 810			106 805			
Accrued interest loan	9 149	6 852						
Group receivables								
Cashpool receivables			144 244				3 394	
Group contribution	114 930	68 295						
Total	**387 338**	**339 957**	**144 244**		**106 805**		**3 394**	
	Flokk AB		Malmstolen AB		Offecct AB		Flokk Holding ApS	
Loan to subsidiaries							98 515	
Accrued interest loan							167	
Group receivables								
Cashpool receivables	4 632		1		2 724			
Group contribution								
Total	**4 632**		**1**		**2 724**		**98 682**	
	Sundveien AS		Flokk USA Holding LLC		Trispin Acquico AB		Flokk Holding II AS	
Loan to subsidiaries			1 017 220		587 859	95 167		
Accrued interest loan			6 021		9 057	2 903		
Group receivables							1 643	1 100
Cashpool receivables								
Group contribution	4 605	3 600						
Total	**4 605**	**3 600**	**1 023 241**		**596 916**	**98 069**	**1 643**	**1 100**
	Total							
Loan to subsidiaries	2 073 658	359 977						
Accrued interest loan	24 394	9 754						
Group receivables	1 643	1 100						
Cashpool receivables	154 995							
Group contribution	119 535	71 895						
Total	**2 374 225**	**442 726**						

LIABILITIES

NOK (thousands)	2019	2018	2019	2018	2019	2018	2019	2018
	Flokk AS		BMA BV		Flokk GmbH		Flokk Sarl	
Group payable	590	1 572						
Cashpool liabilites	40 632		95 344		18 153		7 356	
Total	**41 222**	**1 572**	**95 344**		**18 153**		**7 356**	
	Flokk Ltd		Flokk A/S		Sundveien AS		Fastighet AB Stolhuset	
Group payable								
Cashpool liabilites	27 363		10 245		11 681		5 687	
Total	**27 363**		**10 245**		**11 681**		**5 687**	
	Trispin Acquico AB		Total					
Group payable			590	1 572				
Cashpool liabilites	115 909		332 370					
Total	**115 909**		**332 960**	**1 572**				

The Group has a group account system where Flokk Holding AS is the group account holder. The bank can settle each move and balance against each other so that the net position represents the balance between the bank and Flokk Holding AS.

As from 31.12.19, the total amount in the group account system is presented as cash and cash equivalents, and the sub-account holders' deposits/deductions are presented as cash pool receivables/cash pool liabilities.

Previous years, Flokk Holding AS presented its deposit as cash and cash equivalents and its decuctions as short-term interest-bearing loans.

NOTE 7 – EQUITY

NOK (thousands)	Share capital	Share premium	Retained earnings	Total equity
Equity per 31.12.17	**60**	**404 770**	**207 734**	**612 564**
Capital increase	30	724 600		724 630
Repayment of share premium		(373 650)		(373 650)
Profit for the year			6 040	6 040
Equity per 31.12.18	**90**	**755 720**	**213 774**	**969 584**
Profit for the year			819 401	819 401
Equity per 31.12.19	**90**	**755 720**	**1 033 175**	**1 788 986**

The share capital is NOK 90 000, divided into 30 shares with a nominal value of NOK 3 000. Flokk Holding AS has one class of shares and each share carries one vote.

On extraordinary general meeting 25 April 2018, the company's share capital increased by NOK 30 thousand from NOK 60 000 to NOK 90 000 by increasing the par value of each share from NOK 2 000 to NOK 3 000. The subscription price per share was NOK 24 154 thousand i.e. the total subscription amount was NOK 724 630 thousand, of which NOK 30 000 is share capital and NOK 724 600 thousand is share premium. The subscription amount was settled by Flokk Holding II AS transferring 249 872 shares in Flokk AS. The capital increase was carried out as an increase in the nominal value of the shares. On extraordinary general meeting 6 July 2018 a dividend of TOK 373 650 thousand to the company's shareholders was resolved. This is a repayment of share premium.

Shareholders in Flokk Holding AS at year end	No. of shares
Flokk Holding II AS	30

NOTE 8 – RECEIVABLES AND LIABILITIES

NOK (thousands)	2019	2018
Long-term liabilities with maturity later than 1 year		
Bank loan	3 605 618	2 799 610
Total	**3 605 618**	**2 799 610**
Loans secured by mortgage	3 655 618	2 849 610
Assets mortgaged		
Shares	3 380 657	3 350 332

In 2019, the bank loan increased in USD in connection with the purchase of the US entity 9to5 Seating. The loan is now drawn in NOK, EUR and USD. The down payment period is five years and is due in 2024. The cost of the loan will be capitalised and expensed over the lifetime of the loan.

The interest is variable and normally tied for three months at a time. The average interest rates in 2019 was for the NOK-loan 1.44%, the EUR-loan 0% and USD-loan 1.65%, plus margin. The company fulfilled the covenants in the loan agreement as at 31.12.2019. Interest rates correspond to the total of relevant IBOR and an interest margin based on the key performance indicator NIBD/EBITDA. The margin is set according to an incremental scale in relation to key performance indicators achieved. There are terms linked to the loan in the form of certain key figures based on the result and solvency ratio which must be fulfilled.

At the end of 2019, the company had a total credit line of NOK 4 012 480 thousand, consisting of bank loan of NOK 3 655 618 thousand, bank overdraft of NOK 175 606 thousand and an unused bank overdraft limit of NOK 181 256 thousand.

NOTE 9 – CURRENT LIABILITIES

NOK (thousands)	2019	2018
Short-term interest-bearing loans	225 606	118 198
Group payable	590	1 572
Cashpool liabilities	332 370	
Trade payable	448	547
Taxes previous year	2 074	
Other short-term liabilities	17 036	1 336
Total current liabilities	**578 124**	**121 654**

NOTE 10 – AUDIT FEES AND DIRECTORS' FEE

There are no employees in Flokk Holding AS. The company is not obliged to have compulsory collective pension plans according to the Norwegian law of compulsory collective pension.

NOK (thousands)	2019	2018
Auditor (excl. VAT)		
Audit fee	694	404
Audit related consultancy services	2 560	740
Tax consultancy fee	39	149
Directors' fee		
Directors' fee paid out in 2019	1 278	1 132

NOTE 11 – 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 AS on the 26 June 2020.

EY
Building a better working world

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 AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Flokk Holding 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 2019, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2019, 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 2019, 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 2019 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 and the Group 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, on the other information obtained prior to the date of the auditor's report, 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.

Building a better working world

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these 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 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.

Building a better working world

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.

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' report 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.

Oslo, 26 June 2020
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

Corporate Sustainability Report 2019

The Environment and Corporate Social Responsibility

Sustainability is one of Flokk's cornerstones. Flokk is dedicated to reducing its global environmental impact. We aspire to be an environmentally conscious market player whose products, services and processes are resource and energy efficient, generate minimum greenhouse gas emissions, do not present a risk to health or the environment and result in minimal waste generation. We seek to be an industry leader in the development, production and offering of sustainable products and to maintain this position as we grow.

We are highly aware of our responsibility as a producer beyond merely generating profits from selling smart seating solutions. We wish to be a responsible social operator and to preserve natural resources and the people involved – by helping to protect people's rights, health and wellbeing, taking care of our common environment and practising corporate social responsibility.

Flokk has a clear corporate identity and a positive reputation. We urge our employees to be good ambassadors for the company by conducting themselves in an ethical and responsible manner, with consideration of external stakeholders and the society in which we operate. These attitudes must be apparent in everything we do, throughout our value chain, from the sourcing of raw materials and product development, to production, sale and end-of-use.

Materiality and Boundaries

One important element of our sustainability report is to determine the topics on which it is relevant for us to report, and which reflect Flokk's significant economic, environmental or social impacts. Part of this work is to focus on identifying both internal and external viewpoints and input over time, adapting to the increased impact from the growth of our organisation, and to a rapidly changing society and legislation, with requirements and expectations that are increasing in line with greater public awareness in every market.

MATERIALITY ANALYSIS
Flokk's materiality analysis is calibrated annually by Flokk management, based on an extensive internal survey and an external desktop analysis done late 2018. The materiality assessment cycle defines an updated set of significant topics, for both the company and external stakeholders.

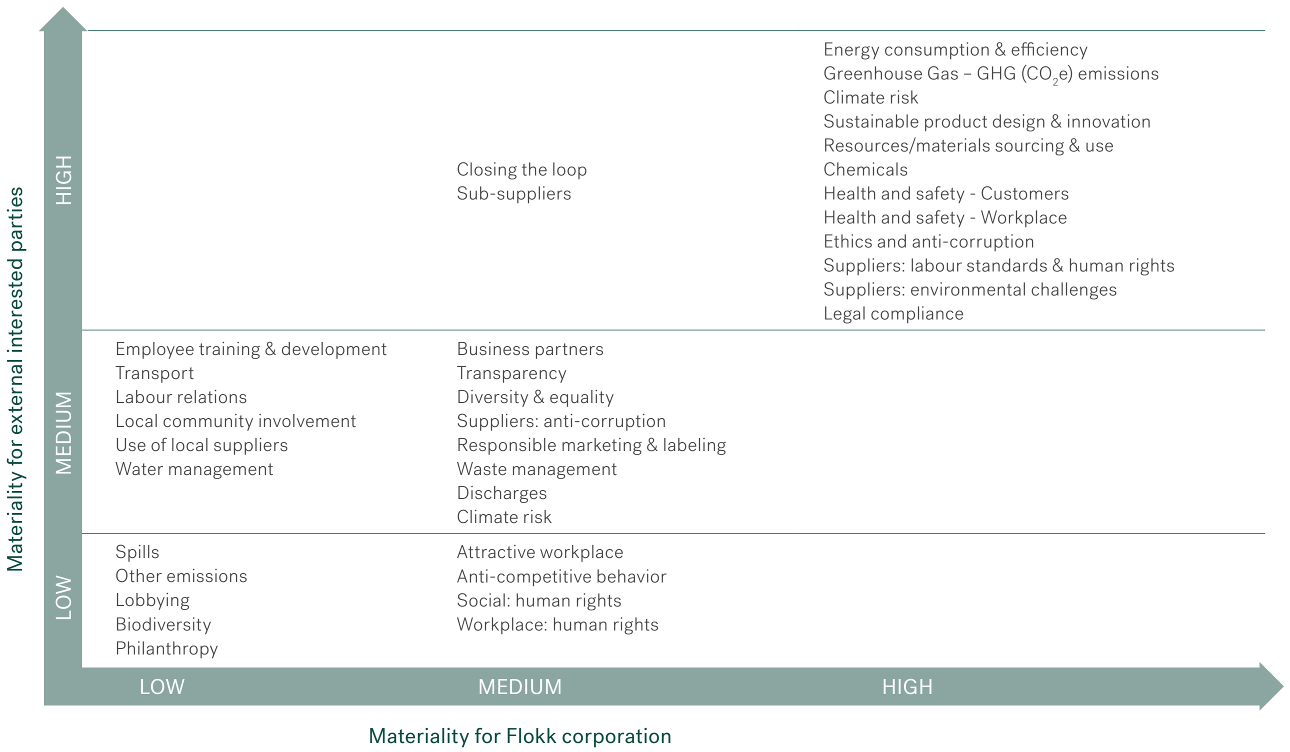
REPORT SCOPE
In this years' sustainability report, Profim, Offecct, Malmstolen and 9to5 Seating are not covered. The largest workplaces covered by this report are the factories at Røros, Nässjö, Koblenz and the head office in Oslo.

The report presents primary data concerning 100% of the workforce in Flokk's integrated brands in Norway, Sweden, the Netherlands, Switzerland, Denmark, Germany, Belgium, France, the UK, China, Singapore, Australia, Canada and the USA.

Important topics for the report

The environment – background, management and strategy

- Climate – energy efficiency, GHG (CO_2e) emissions and climate risk
- Resources – materials, waste and closed loop
- Chemicals – products, production and suppliers
- Health and safety – customer and workplace
- Ethical guidelines – code of conduct, anti-bribery & corruption
- Responsible supply chain – human rights and transparency
- Product design – liability and certification



In the Materiality matrix, all relevant topics related to sustainability are present, classified in order of materiality for Flokk and external interested parties. The significant topics (high-high) are reported directly in accordance with guidelines from the GRI Standards.

Stakeholders – Dialogue

In order to fulfill our high ambitions on sustainability, human factors & aesthetic innovation, collaboration among stakeholders across our complete value chain is essential. We systematically accumulate knowledge through various channels of what is expected of us and our deliveries, and the impact our products, our production and operations have on internal and external stakeholders.

Our stakeholders are entities or people throughout the value chain who have an impact on our business and operations, or who are affected by our activities, products and services, with the risks and opportunities inherent therein:

- Owners
- The Board and Group Management
- Colleagues and new employees
- Trade unions
- Consultants
- Customers, importers and dealers
- Local communities
- Suppliers and transporters
- NGOs and organisations
- Authorities
- Industry associations
- Academia

INVOLVEMENT IN ORGANISATIONS
We are active members and contributors of:

- The Confederation of Norwegian Enterprise (NHO) through the trade association the Federation of Norwegian Industries, Furniture & Interiors – Furniture Committee, of which our CEO, Lars I. Røiri, is a deputy member of the board
- Through NHO, the German federation of furniture manufacturers, BSO, and the European Furniture Industries Confederation (EFIC)
- Norwegian Rooms furniture cluster, of which our SVP HR, Lillevi E. Øglænd Ivarson, is a Board member
- The revision of the EN 1335 standard for office furniture at national and European level
- Various communities concerning our production facilities

Involvement in projects

Project	Goal / Findings	Partners	Timeline
Circular Furniture Flow	Confirmed our lead in circular product design & identified areas that need development to commercialise circular business models	White, Input, Vasakronan + 30 stakeholders within Swedish furniture industry	2016-2019
Leading in Environment & Quality	Tackle sustainability challenges Increase our competitive strength	Federation of Norwegian Industries + 22 companies	2017 →
Circular Seating	Circular product development Improved post-consumer recycled materials	SINTEF w/ funding from the Research Council of Norway	2018-2021
InCharge	Remote charging for IOT applications	SINTEF, Nordic Semiconductors, Cisco	2019-2021
Rapid tooling 4.0	Low investment tooling for net-shape / low waste production	Ombe Plast A/S, SINTEF	
Circular building components	Product as a service offering and contract structure for "as-a-service" models towards commercial real estate companies	Selvaag Eiendom, Signify, IARK + 5 more companies	2019→
Circular textiles ecosystem	Circular textile solutions for seating application	RISE, Volvo, Artex, Bogesund + 8 additional partners	2020 →
POCOplast	Collaboration to utilize post-consumer plastics in aquaculture before lost in nature, value chain focus	NCE Aquatech, Bellona, Plasto, Empower, NOPREC, SINTEF	2020 →

Stakeholder Matrix

Stakeholders	Mutual influence / impact	Forum for dialogue – Frequency	Key topics 2019	Response
INTERNAL			INTERNAL	
Owners	Private equity firm Triton AB's purpose is to achieve the greatest possible return on investment by creating sustainable, long-term value in their portfolio companies, through changing economic cycles.	Triton maintains a clear, structured dialogue with Flokk through monthly phone conferences, quarterly performance reviews and an annual ESG forum. Flokk reports to Triton on key ESG KPI's biannually.	Two highlights from Triton's ESG agenda in 2019: A - Reduction in energy consumption and comply with the European Energy Efficiency Directive (EED). B – Climate Risk assessment according to TCFD	A – Flokk reports energy reduction value creation projects to Triton, and comply with EED through ISO 50001 B – Climate Risk assessment conducted according to TCFD.
The Board and Group Management	The Board strives to ensure that the company acts ethically in all parts of the organisation and throughout the value chain.	Bimonthly Board meetings, attended by CEO, CFO, and other members of Group Management (GM) when relevant. The Board only works with the company via GM. Flokk has established a risk, environment, energy and quality (REQ) forum – meeting two to four times a year. ISO Management Review is integrated in the REQ agenda, in which VP Sustainability reports on status to GM.	Innovation, digitalization, brand strategies for acquired brands, strategic governance. Market communication of environmental benefits. Preparations for ISO re-certification audit with ISO 50001:2018, in addition to ISO 14001:2015. Energy management in higher focus.	Raised level of innovation in portfolio development, including key sustainability topics. Continued migration of post-consumer recycled material in component production. A surge in marketing communication on sustainability for 2019. Flokk was ISO 50001:2018 re-certified in March'2020.
Employees and trade unions	Flokk employees influence the company through their productivity, creativity, competence and involvement. Flokk as a company influence its employees through personal development activities, compensation & benefit schemes, general working conditions as well as the company culture. Additionally, Flokk influences the employees' immediate environment: family, friends etc.	The employees are heard via various formal bodies linked to the trade unions, Board work, working environment committees, Corporate Executive Council etc. Our corporate culture is characterized by dialogue, transparency, trust and mutual respect. All employees have a biannual personal development talk, setting objectives and personal development goals all linked to Flokk strategy and the department's action plan.	During 2020, The Flokk Value Program was conducted by workshops in all parts of the organization. Upfront we had worked out two Value statements to each value, focusing the behavior and attitudes of the employee in daily work. The aim of the program was to ensure that we all recognize and live by the values in daily work life, to form a strong common Flokk company culture and corporate identity and focusing that by living our values we drive our business forward.	We emphasize keeping our employees updated on business status, important decisions and progress in relation to goals. We have monthly newsletters for all employees at Røros and Nässjö sites. Regular General Meetings take place four times a year, and departmental meetings are held at least every second month. In addition, Monthly Highlights of the value chain main activities is published.
EXTERNAL			EXTERNAL	
Customers, importers and dealers	Flokk has three main customer groups: dealers, importers and end users. Dealers represent the public face of the company vis-à-vis end customers and users, and exercise considerable influence over the company's reputation.	Customer Survey was distributed to our dealers in 2019, findings to be processed Q2'2020. Environmental issues were covered this year, including environmental aspects on packaging, transportation, services to prolong life-time and end-of-life handling.	Established a project group that works with automatically intelligence (AI) in the order entry to improve quality and speed of the order process	Improvement of CRM system in order to measure response time and be able to take immediate actions rather than out of surveys.
Suppliers and their workers	Develop suppliers and value chains of direct materials (DM) through a close cooperation. Focus on improving Low-performing suppliers, and increase business with high performing suppliers. Supplier Performance include Quality, Delivery, Risk (including environment and CSR) and Cost, and are key elements of strategic decisions and executions (Sourcing/Contracting).	Face-2-face meetings with key suppliers are held at least 2 times per year where we together look at performance status, improvements and opportunities. For internal coordination of the Supplier Performance and actions, we have a monthly status meeting (Supplier Performance Status). As soon as a supplier is identified as a low performing supplier, we target this supplier to increase performance with a higher frequency of follow-ups, and new business might be put on hold.	2019 has been influenced by the integration of Profim and its suppliers. Many new suppliers with a various level of performance and commercial commitment. Focus has been to secure a high level of contracted supply with well-performing suppliers. We focused on the most critical suppliers and value chains first, and implemented the "Flokk sourcing process". We have also explored possibilities to move away from Chrome.	New suppliers to Profim has been sourced and contracted via Flokk processes and team. Visits and evaluation of China suppliers show that the long-term cooperation with a small number of suppliers in a limited area is giving a steady and well performing supply base.
Local communities	Flokk is an important employer in several local communities and contribute accordingly. Through this we participate in the development of the business sector in the regions.	There is close cooperation on matters that affect the communities and the company. The company holds important positions, and actively participates in municipal and local business sector projects. It is important for Flokk to show engagement and act as a responsible business partner.	Flokk has contributed financially to culture and sports projects in the local communities, in addition to the statutory taxes and duties.	At Røros, Flokk is a member of the Norwegian Mass Customization Cluster at Røros, Norway's leading professional environment in mass customization production. Flokk has of today the chairman of the Board. In Nässjö, sustainability and social development have been focused in several projects.
NGOs and organisations	Flokk is a member of the Ethical Trading Initiative Norway (IEH / ETIN) and collaborates with environmental organisations as needed. We support Hold Norge Rent through membership.	Representatives of the purchasing and sustainability departments are invited to seminars and courses run by IEH. We actively participate in the environmental foundation ZERO's Fossil Free plastics forum.	IEH has high focus on gaining control of a responsible supply chains. In 2019, we continued to work with, and financially support, ZERO on surveying potential and possible solutions of fossil free plastics.	Our annual reporting to IEH is integrated in this corporate sustainability report. We share our experience on increasing use of post-consumer recycled plastics to ZERO's Fossil Free plastics forum.
Industry associations	A – The Confederation of Norwegian Enterprise (NHO), Furniture & Interiors. B - Norwegian Rooms furniture cluster.	A - Annual General Meetings, Board meetings. B - Board member in the cluster, quarterly Board meetings.	A - Pilot member of "Leading on Environment and Quality" project. EPD practice improvement. B - Downstream innovation, circular economy.	A – Promotion of best practice for environmental criteria when purchasing office furniture, through EPDs. B – Tailored academic training on MBA level for 5 employees

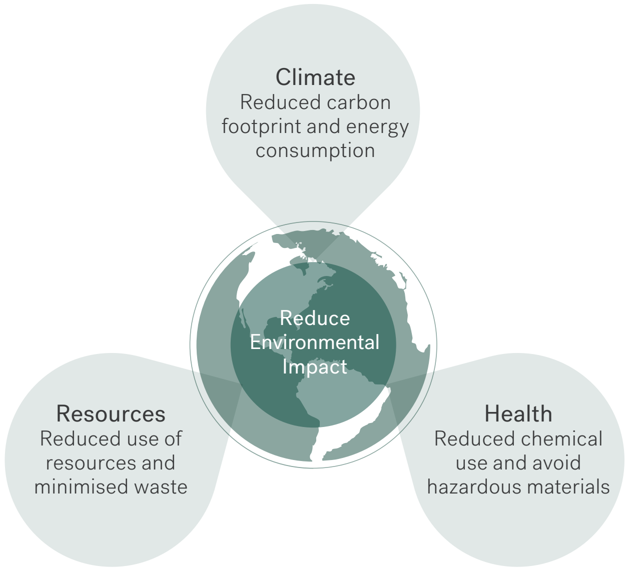
The Environment – Background

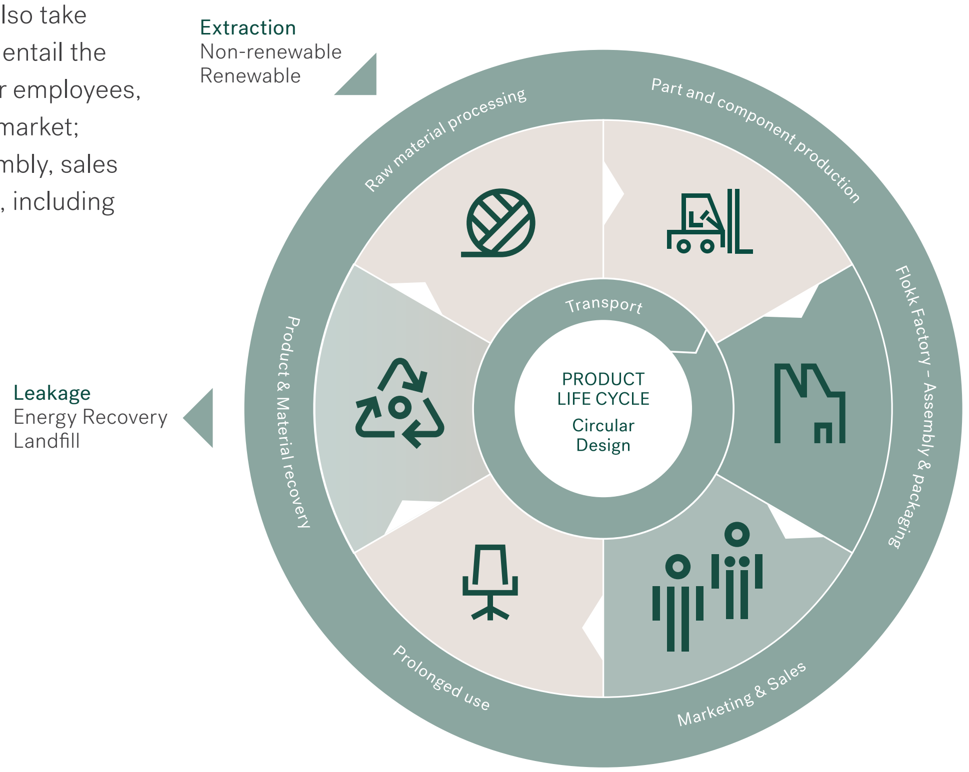
Sustainability has been a high priority for the company for nearly 40 years. Back in 1990, we were the first company in Norway to employ a 100% full-time environmental manager – long before customers and the general public showed an interest in the environmental performance of companies and products in general. Early on we established our three focus areas – climate, resources and health. Flokk has several milestones as sustainable pioneers; the first office chair producer in Europe to be ISO 14001 certified in (1999), and the first office chair producer in the world to declare products with EPDs – Environmental Product Declarations (2004), and to obtain the Nordic Swan Ecolabel (2010).

THE ENTIRE LIFE CYCLE COUNTS
Our total environmental impact is linked to all the people and entities involved, so that we stay focused throughout the value chain.

More than 95% of the total environmental impact of our products is generated before parts and components even arrive at our factories, and we make sure that we pay particular attention to these early phases in the value chain, such as our product design and development, and our procurement of raw materials and components.

The remaining phases also take high priority, since they entail the greatest exposure to our employees, our customers and the market; these are our final assembly, sales and distribution phases, including outbound transport.





Circular Design

Already In 1993, we defined five (5) circular design criteria, the framework for our product development and product maintenance, and these are still valid. By designing properly and choosing the best solutions for each of these criteria, we have great potential to achieve a sustainable product with improved performance in each of our three (III) focus areas. We call this 5-III.

Sustainable Design and Innovation Recognitions in 2019

- BMA Axia Vision – shortlisted as a Finalist in the Plastics Recycling Awards Europe 2019. Was showcased at the Plastics Recycling Show in Amsterdam, April 2019.
- Runner up 'Best Stand' award at Stockholm Furniture Fair for our DNA concept expressing how we merge circular design and choice of sustainable materials.

PRINCIPLES FOR SUSTAINABLE DESIGN – REDUCING ENVIRONMENTAL IMPACT

5 CIRCULAR DESIGN CRITERIA

1. **Low weight**
   fewer materials – weight optimisation – smart dimensioning
2. **Few components**
   integrated functions – resource efficient – fewer tools – simpler assembly – less packaging and transport
3. **Right choice of materials**
   increased use of recycled and renewable materials – no harmful chemicals
4. **Long life span**
   reduce need to replace our chairs – timeless design – high quality – multiple use flexibility – changeable wearing parts
5. **Design for disassembly**
   keep materials in closed loop – easy to dismantle – easy to sort for recycling with marked parts

3(III) FOCUS AREAS

I. **Climate** – reduced carbon footprint and energy consumption
II. **Resources** – reduced use of materials and minimised waste
III. **Health** – reduced chemical use and avoid hazardous substances

Sustainability Management and Strategy

Flokk's company values are intended to spotlight our culture and practices and ensures sustainability awareness as a key aspect of our operations. Our core corporate values are:

HUMAN-CENTRED
SUSTAINABLE
INNOVATIVE

Flokk has pursued triple bottom line principles since 1990. With the majority of our production & inbound value chains in Northern Europe, our sustainability focus has been on environment. Following climate risk assessment in 2019, we have established cradle-to-grave CO_2e emissions pr net sales as a KPI on corporate level, going forward. From previous analysis, as an industrial company, we know that the vast majority of our environmental footprint is caused by our production and the material used in our products. Knowing this is a key lever to succeed for Flokk, we will continue to improve practices according to our circular design criteria.

However, our sustainability focus is not limited to environmental aspects only. Beyond responsibility for the sustainability section of our design philosophy, the Sustainability Department is responsible for and collaborates on a defined set of more broad sustainability measures across all departments and locations. The resulting sustainability strategy is integrated into the Group's three-year strategy plans. The Sustainability Department is part of the Products & Brands organisation, and reports to SVP Products & Brands.

The company vision INSPIRE GREAT WORK embraces this holistic approach to sustainability. The Group's owners focus on environmental, social and governance (ESG) issues, and maintain a close dialogue with the Sustainability Department.

ENVIRONMENTAL & ENERGY MANAGEMENT SYSTEM
The Group is ISO 14001:2015 and ISO 50001:2018 certified by KIWA.

Our commitment to work continuously to minimise our environmental impact is stated in Flokk's Environmental & Energy Policy, signed by our CEO. Each year, the Sustainability Department defines the Group's significant environmental & energy aspects through annual reviews of operational factors that potentially impact the external environment. Annual goals are drawn up for the sites involved, in close cooperation with local employees and the people in charge, and the status is followed up each quarter by Group Management.

Flokk's environmental performance and the efficiency and results of Flokk's management approach to material topics are evaluated in the ISO Management Review every annual ISO certification audit, followed up with actions if needed.

The environmental & energy goals for 2019 were based on aspect analysis of the factories at Røros, in Nässjö and Zwolle, as well as the head office in Oslo and sales offices in Germany.

kiwa certified ISO 50001

kiwa certified ISO 14001

NORWEGIAN ACCREDITATION MSYS 004

Sustainability Management

Long-term goal:
Continuous improvement

Measures 2019	Status	Measures 2020
Conduct Climate Risk Assessment	✔	Follow up outcomes, i.e. Establish set of Corporate KPI's: • tCO_2e pr MNOK net sales – Done! • % of electricity consumption renewable – Done! • % sales on products covered by EPD's • % of material consumption (post-consumer) recycled (Possible ratio: Amount recycled plastic / Units produced)
Assess EU NFRD compliance (Non Financial Reporting Directive) **Result – 3rd party gap analysis conducted – gaps identified**	✔	Flokk GRI report 2020 to be 100% EU NFRD compliant ESG reporting scope to include all acquisitions, not only integrated brands
Implement and roll out new KPI data tool, Normative **Result – Terminated subscription - turned out not suiting our needs**	●	Decide on new KPI data tool – prepare roll-out and implementation plan for 2021
M3 (ERP) improvements to enable updated BOM on demand & Supply Chain management **Result – Still not ready – linked to major ongoing corporate digitalization program**	➡	Contribute with needs and solutions for corporate M3 development
5-III transition and implementation at new acquisitions **Result – 5-III actively communicated towards new acquisitions**	✔	Continue 5-III transition and implementation at new acquisitions
Align 5-III in all our innovation processes and procedures	✔	Measure actual use & effect of 5-III in innovation process Develop more specific and context based 5-III Circular Design criteria for various market segments

Sustainability communication in 2019:

- Exhibited a DNA concept at Stockholm Design Week 2019, with a huge amount of positive feedback and runner up 'Best Stand' award
- Launched a DNA content series (6 movies) detailing our approach to sustainable design and sourcing materials on website and in social channels
- Rolled out facelift of our Sustainability webpage in multiple languages
- Launched Sustainability communication for re-launch for RH Logic across all digital platforms and in showrooms detailing the recycled materials used to produce the chair

LONG-TERM SUSTAINABILITY GOALS – HORIZON 2030

Flokk's strategic goals are defined to ensure we contribute to the achievement of the global targets as set e.g. by the European Green Deal, UN Sustainable Development Group and the UN Convention on Climate Change. Trends on our goals for 2010-2020 are positive; for HÅG, RH, RBM and BMA we have reduced energy consumed per unit with 24,9% since 2010. We are closing in on our target of an average of 60 percent recycled materials in our products – with two of our latest products RH New Logic and BMA Axia Vision containing 61% and 63% respectively. A complete review of the results of our last long-term window 2010-2020 will be presented in next year's GRI 2020 report.

We will continue our ambitions and hereby launch a comprehensive set of new and long-term targets towards 2030, widening the scope to include all new acquisitions:

Climate – GHG (CO_2e) Emissions and Energy

- Reduce CO_2e intensity per unit [kgCO_2e/unit] by 40% by 2030 (vs 2015) – (Scope 1,2,3)*
- Reduce CO_2e intensity per revenue [tCO_2e/MNOK] by 40% by 2030 (vs 2015) – (Scope 1,2,3)
- Reduce energy intensity per unit [kWh/unit] by 40% by 2030 (vs 2015) – (Scope 1,2)
- Reduce energy intensity per revenue [kWh/MNOK] by 40% by 2030 (vs 2015) – (Scope 1,2)
- 100% renewable electricity by 2025 – (Scope 2)
- 75% renewable energy by 2030 – (Scope 1,2)
- 0% fossil fuels for heating by 2025 – (Scope 1)

Flokk's contribution to:

- UN Sustainable Development Goals nos. 7 and 13
- The EU's 2-degree target to cut greenhouse gas (GHG) emissions by 40% by 2030

Resources – Materials and Waste

- Increase share of recycled materials used in the products to an average of 60% by 2030
  - 1 000 tonnes of recycled plastics used in our products by 2021
  - 100% recycled plastics in all plastic packaging by 2030
  - Increase recycled share of metals to 95% for aluminium + 50% for steel by 2025
- 100% FSC® certified wood by 2030
- 85% waste to material recycling by 2025
- Products in core markets will be distributed with clear obligations on end-of-first-use handling
  - 75% of HÅG, RH, Giroflex by 2030 (30% by 2025)
  - 50% of Flokk integrated brands by 2030

Flokk's contribution to:

- UN Sustainable Development Goals nos. 12, 14 and 15
- The EU Plastics Strategy launched in January 2018

Health – Chemicals

- Products and their manufacture must be free of chemicals that are hazardous to the environment and/or health, according to Globally Harmonized System of Classification and Labelling of Chemicals
- All standard fabrics must achieve the EU Ecolabel by 2022

Flokk's contribution to:

- UN Sustainable Development Goal no. 3

Competence – Commitment – Communication

- We seek to achieve our long-term goals through professional, lean and multi-stakeholder partnerships and initiatives - UN Sustainable Development Goal no. 17
- Our employees should be ambassadors for, and have in-depth knowledge of, our Environmental & Energy Policy, performance and goals
- We seek to educate our markets through trustworthy and transparent communication on our sustainability performance

* Scope 1 – Direct emissions (fuel for heating and sales/service travels), Scope 2 – Indirect emissions (district heating and electricity), Scope 3 – Other indirect emissions (air travel and goods transportation)

Risk and Opportunity Management

The framework for business risk management in Flokk is based on an Interest Parties Analysis, by identifying threats and opportunities for stakeholders' external and internal issues with impact on Flokk's strategy. This framework determines how to identify, handle and follow-up business risks and opportunities for the Group. The key strategies and operational risks are followed up closely through action plans and regular reporting. The Board is regularly briefed on this work.

Risk elements valued are not limited to those with financial impact. Wherever financial impact is quantifiable it is included in the assessment. Opportunities and investments are always subject to business case unless legal requirements apply.

Flokk is seeking to continuously grow both organically and through M&A. Most recently, the company acquired Profim in 2018, and 9to5 Seating in 2019, which both have affected the Group positively. We have strengthened our market position and pursue a strategy to spread our best practices to new acquisitions. This includes the effectiveness of our work on mastering the circular economy.

Nonetheless, a global structure and the expansion of production, sales and distribution, in which the entire value chain and all of our suppliers are addressed, entails both risks and opportunities, when it comes to maintain our role as a pioneer in sustainability.

Group risk management is also performed in several ways at different levels and scope:

- **Materiality analysis** – set of significant topics defined through survey & workshop on risks & opportunities
- **REQ Forum** – strategic sync/status meetings between Group Management and managers for Quality, HSE, Sustainability, Legal & Risk, Insurance (REQ – Risk Environment Quality)
- **Environmental and Energy aspect analysis** – procedure to define elements of Flokk's activities, products, or services that (can) interact(s) with the environment, evaluating our abilities to make a difference
- **Climate risk assessment** – climate-related impacts that have the potential to generate substantive changes in operations, revenue or expenditure are covered

CLIMATE RISK ASSESSMENT

As of 2019, a separate Climate Risk Assessment is conducted. The exercise was done not only to identify key climate risk elements, but also the opportunities that arise from the growing awareness of climate change in our markets. In the exercise, the information was provided in line with the recommendations from the Taskforce for Climate-related Disclosures (TCFD) and is based on interviews with key personnel from throughout Flokk's organization.

Review of climate risks & opportunities will be an element of Flokk's regular risk assessment cycle.

No Flokk facilities or suppliers have been defined to be situated in areas with high risk of physical impact of climate change. Our focus is on the business risks from climate change and the opportunities associated with this challenge

Climate Risk Assessment Outcomes:

- Corporate KPI's defined to ensure we continue to reduce our cradle to gate climate emissions
- Strengthened market communication to capitalize from long standing effort to develop market leading low carbon products
- Decision to improve digital infrastructure to document & generate environmental data for internal analysis and for tenders.
- Strengthened our focus on monitoring & pilot testing for future circular business models

<table>
<tr><th>Themes</th><th colspan="2">Identified Risks</th><th>Opportunities</th><th>Risk Management</th></tr>
<tr><td rowspan="4">Environmental issues
– own activities and operations, including R&D</td><td colspan="2">Environmental incidents & accidents</td><td rowspan="5">• Capitalize from long standing effort on leading low carbon furniture
• Tap into strong circular design capabilities through new products
• Tap into strong innovative capability to develop new business models & service concepts
• Advice customers on setting environmental purchasing criteria
• Continue migration of post-consumer recycled material in existing products
• Counter labour arbitrage by high industrialization rates & owned IP</td><td rowspan="5">• Sustainability topics included in Due diligence merging & acqusitions
• Environmental & Energy Policy
• ISO 14001 & 50001 – environmental & energy management system (EED compliance)
• Environmental & Energy Aspect Analysis
• Circular design principles (5-III) & supporting design tools to ensure products with minimised GHG emissions and resource use, with long life time and easy to disassemble for reuse & recycling
• Quantified targets for annual consumption of post consumer recycled material in production (both closed material loop & low carbon footprint materials)
• Risk reduction Production sites - Management system Risk module
• Waste Management
• Research projects & business model tests ongoing to explore circular solutions
• Chemical management – EcoOnline & MSDS archives
• ECO labeling
• Supplier Appraisal
• Environmental Requirements to Suppliers
• Code of Conduct – Business Partners
• Supplier Performance monitoring & Supplier audits
• Supply Chain Management digital tool (to be implemented)</td></tr>
<tr><td>Climate</td><td>• Global warming from GHG emissions
• Inefficient energy consumption
• Energy & heating emissions
• Transportation & travel emissions
• Dirty energy mixes</td></tr>
<tr><td>Resources</td><td>• Overconsumption
• Material scarcity
• Waste generation
• Barriers for full implementation Circular Economy</td></tr>
<tr><td>Health</td><td>• Use of chemicals harmful to health and/ or the environment</td></tr>
<tr><td>Responsible Supply Chain
– operations of suppliers and tiers</td><td colspan="2">• Growing supply chain - number and distribution
• Moving suppliers to low cost countries</td></tr>
<tr><td>Social Responsibility & Human Rights
– own + business partners</td><td colspan="2">• Negligence of terms of employment
• Discrimination
• Harassment</td><td>• Build corporate culture round Flokk's vision & values.</td><td>• HR Policy & Code of conduct – Employees
• Employee Management System - People@Flokk
• IDT - Individual Development Talks, Training & e-learning
• Trade unions & working environment committees/ survey</td></tr>
<tr><td>Health and Safety
– Workplace</td><td colspan="2">• Lost time injury frequency
• Strain - work exhaustion
• Chemicals exposure
• Fire at own premises</td><td>• Low sick leave
• Good work environment
• Pioneer company</td><td>• Health & Safety Policy
• Risk reduction HSE cases registered - Management system case Module
• Internal Audits
• Safety Rounds</td></tr>
<tr><td>Health and Safety
– Customers</td><td colspan="2">• Injuries & strain
• Chemicals exposure
• Customer satisfaction
• Reputation</td><td>• Safe products for customer during use
• No claims
• Good reputation</td><td>• Technical tests according to international standards with requirements concerning ergonomics, usability, safety, stability and strength
• Eco labelling - free of hazardous chemicals
• Customer training by sales persons in proper use of products
• Customer Service Module in CRM</td></tr>
<tr><td>Legal</td><td colspan="2">• Local laws & regulations
• New markets</td><td>• Market access
• Safe products
• Competent staff
• Low risk for penalties</td><td>• External Market Requirement</td></tr>
</table>

Climate – GHG (CO_2e) Emissions and Energy

Flokk has a continued effort to improve energy efficiency and reduce the carbon footprint as much as possible.

Flokk is now focusing on streamlining processes for data gathering and tracking performance, which has become increasingly important due to our extensive growth over the past years through integrating newly acquired brands and production facilities. The result will be a more transparent and scalable process, allowing us to identify and drive improvements even at small scale. Furthermore, it will facilitate staff training and increase engagement, which is key to enable our staff to continue identifying new improvement potentials and designing technical solutions to realize them.

Mirroring our high level of ambition, we have now hired a new resource to strengthen our sustainability team and manage the recently established Energy Management Team, composed of colleagues from across sites. Having extra hands on deck will allows us to have a more comprehensive approach to energy management, do energy training of our personnel and go further in our improvement projects.

Units produced	kg CO_2e/unit	kWh/unit	tCO_2e/MNOK revenue	kWh/MNOK revenue
547 436	**4,4**	**19,8**	**0,8**	**3 568**
Up 31% since 2015	Down 5,2% since 2015	Down 26% since 2015	Down 51,6% since 2015	Down 62,2% since 2015

We have chosen to use 2015 as our baseline year for CO_2e and energy indicators. From this year, we made our data gathering more systematic. Hence, we have better quality and coverage for our data, making our performance claims more reliable and transparent.

Performance indicators per MNOK refers to revenue for the whole Group (including all brands) while the CO_2e emissions are only to the GRI report scope. The indicator will progressively become more accurate as more Flokk brands are integrated in the reporting.

Climate – GHG (CO_2e) Emissions and Energy

Long-term goals:
- Reduce CO_2e intensity per unit and per revenue by 40% by 2030
- Reduce energy intensity per unit and per revenue by 40% by 2030
- 100% renewable electricity by 2025
- 75% renewable energy by 2030

KPI	Goal 2019	Goal 2020	Results 2019	Results 2018	Results 2017
CO_2e intensity per unit [$kgCO_2e$/unit] (Scope 1,2,3)	2% decrease	2% decrease	4,4	4	4,7
Energy intensity per unit [kWh/unit] (Scope 1,2)	2% decrease	2% decrease	19,8	18	24
CO_2e intensity per revenue [tCO_2e/MNOK] (Scope 1,2,3)	2% decrease	2% decrease	0,8	0,9	1,4
Energy intensity per revenue [kWh/MNOK] (Scope 1,2)	2% decrease	2% decrease	3 568	3 989	6 835
Share of renewable electricity	94% by 2025	96% by 2025	94%	95%	96%
Share of renewable energy vs total consumption (Scope 1,2)	52% by 2030	56% by 2030	52%	53%	54%
Use of Fossil fuels for heating [MWh]	257 by 2025	50% decrease	257	836	1 106

Measures 2019	Status	Measures 2020
Setup Energy Management team	✔	Consolidate team and setup energy management plan
Recruit energy management team leader	✔	Create ownership for the team members and assign responsibilities
ISO 50001 - training of energy management personnel **Result – Need further setup, tbc 2020**	➡	e-Learning course for all Energy management personnel
Define scheme for internal energy audits **Result – Few spotchecks added in 2019, tbc 2020**	➡	Crystalize and start implementing scheme for internal energy audits
Integration of German offices into ISO management system	✔	Investigate savings potentials in German offices
Efficiency improvements at Røros - 100% LED lights, lighting and ambient temperature automation, compressed air leakage reduction	✔	"Hunt" for energy saving potentials across sites
		Investigate potential for savings in ventilation system, including heat recovery across sites
		Map-out potential for efficiency gains in transport of goods
		Define scheme + install energy meters for high consumption/volume equipment in factories
		Reduce District Heating usage at Nässjö

Though the general trends for the KPIs above go in the right direction, the year of 2019 looks less positive, e.g. in terms of CO_2e and energy intensity per unit and share of renewables. Among other factors, this is mostly due to a lower number of produced units, an increase in the use of district heating in Nässjö and an increase in both air travel and the fuel consumption for sales and service travels. As mentioned in the Climate chapter, these are growing attention areas which Flokk will strive to improve over the coming years.

25,9% LOWER ENERGY INTENSITY PER UNIT

While units produced has increased 31% since 2015, the energy consumed per unit manufactured is nearly 26% lower than in 2015, result of many efficiency gains. Process and site improvements and the move of production from the Zwolle site to Nässjö are contributing elements to this achievement

We have implemented several efficiency measures (automation of lighting controls, ventilation and heating, reducing compressed air leakages, efficient lighting controls, etc.) at our production facility at Røros, which we will be rolling out to other facilities

GHG (CO_2e) EMISSIONS

Flokk's GHG emissions, market based [tCO_2e]

	2015	2016	2017	2018	2019
Scope 1 – Direct emissions	**814**	**824**	**911**	**862**	**853**
Fuel for heating (Burning oil, Natural gas)	281	212	209	158	47
Fuel for sales and service travels	533	612	702	704	806
Scope 2 – Indirect emissions	**153**	**285**	**162**	**146**	**209**
District heating	29	19	47	42	109
Electricity	124	267	115	104	100
Scope 3 – Other indirect emissions	**972**	**1 149**	**1 276**	**1 353**	**1 348**
Employees air travel	265	293	245	225	273
Goods transportation	707	856	1 031	1 128	1 075
Total [tCO_2e]	**1 938**	**2 259**	**2 349**	**2 361**	**2 409**

83,2% REDUCTION IN CO_2e EMISSIONS FROM BURNING OIL SINCE 2015

- Our efforts to reduce the use of fossil fuel for heating (Scope 1) have materialized and delivered a CO_2e emissions savings of 228 tCO_2e - over 83% reduction compared to 2015.
- Fuel for sales and service travels has remained relatively constant at around 30% of total emissions. We will have increased attention on this aspect to reduce the levels over the coming years.

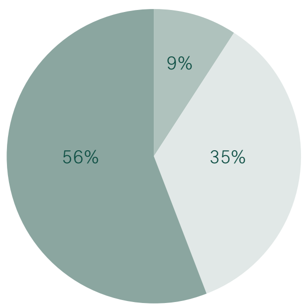
ALMOST 20% REDUCTION IN CO_2e EMISSIONS FROM ELECTRICITY USE

- Mirroring our commitment to reducing CO_2e emissions, a growing portion of our electricity comes from renewable sources. This has led to a decrease in our CO_2e footprint from electricity of 19,5% in 2019 compared to 2015.
- There is an increase in CO_2e emissions due to increased use of district heating in Sweden. Efforts to reduce emissions in its production have proved unsuccessful. We will therefore be working towards replacing district heating with more sustainable sources of heat, such as heat pumps using renewable electricity at our site in Nässjö.

56% OF FLOKK'S GHG EMISSIONS ARE INDIRECT EMISSIONS

- By having a consistent policy of improvements in place at our factories and offices we have considerably lowered our carbon footprint. Though there is still room for improvement, we increase our attention on the upstream and downstream footprints over the next few years. This will reduce the emissions associated with air travel and shipping of goods, but also the raw materials we use, in close cooperation with our suppliers.
- Environmental requirements have been defined and have been signed by all major transportation providers. We also conduct spot checks on the performance of lorries delivering to our locations.

Flokk GHG emissions in 2019



ENERGY

Flokk's energy consumption [MWh]

	2015	2016	2017	2018	2019
Fossil fuel sources:	**3 272**	**3 569**	**3 902**	**3 623**	**3 464**
Burning oil	333	56	86	59	1
Natural gas	953	1077	1020	777	256
Diesel (0, B5, NO, SE)	1 950	2 360	2 669	2 626	3 077
Petrol (0, SE)	36	76	127	162	131
Renewable fuel sources:	**1**	**1**	**25**	**34**	**77**
Biofuel*	1	1	25	34	77
District heating	1 237	1 313	1 278	1 165	1 325
Electricity	6 624	7 071	6 619	6 041	5 952
Total energy consumption [MWh]	**11 135**	**11 954**	**11 824**	**10 862**	**10 818**

*Sum of biofuel contained in the different types of fuel used for heating and sales and services travels: 0% in Diesel (0); 5% in Diesel (B5); 10% in Diesel (NO); 19,3% in Diesel (SE); 2,6% in Petrol (SE); 0% in Petrol (0)

FOSSIL FUEL FREE BY 2025

The use of fossil fuels has gone down significantly, but Flokk has the ambition to completely remove fossil fuels and respective CO_2e emissions from our Scope 1 activities by 2025. Heat pumps for heating and the use of electrical cars are two of the options being considered to realise this goal.

FLOKK IS ISO 50001:2018 CERTIFIED

Starting with compliance to the EED Directive, Flokk moved to an ISO 50001 process, hinging on its continuous improvement philosophy, also in terms of energy management. Internal energy audits will complement the ISO process and be rolled out to new companies joining the Flokk Group.

ELECTRICITY CONSUMPTION UP BY 15,9% FROM 2015

Electricity represents 55% of our total energy use but only 4% of our total GHG emissions, thanks to our growing use of renewable power at our factories and offices.

94% of the electricity we use comes from renewable sources (100% at the factories). The long-term goal is to reach 100% renewable electricity by 2025.

52% of all the energy used by Flokk comes from renewable source. The long-term goal is to have 75% of all energy consumed coming from renewable sources by 2030. The long term target is to have 75% of all energy consumed coming from renewable sources by 2030.

Resources – Materials, Waste, Chemicals

In 2019, we produced close to two million new products. With an estimated average weight of 15-20 kg per product, our operations naturally require large quantities of raw materials and components. The furniture industry uses chemicals in paints and glue, and in the production of textiles, foam and other plastics.

We know that our design choices and supplier selection are directly influencing how efficiently we use of resources, the amount of waste we generate and the chemical content of our products. Therefore, we seek to develop products with reduced weight, fewer numbers of parts, and an increased share of recycled materials. We reduce the number of chemicals in use and seek to identify and substitute unwanted chemicals in our products, in our production, and in our supply chain, without diminishing the properties of our products. We develop easy to disassemble products, and work on solutions to ensure that our products are returned, reuse and recycled - to increasing the share of materials recovered, in a closed loop.

Resources - Materials, Waste, Chemicals

Long-term goals:

- Increase share of recycled materials in our products to 60% by 2030 + 100% FSC® certified wood by 2030
- Reduce waste in general + 85% waste to material recycling by 2025
- No harmful chemicals in products or production + All standard fabrics with EU Ecolabel by 2022

KPI	Goal 2019	Goal 2020	Results			
			2019		2018	2017
Amount of recycled plastics used in our products [tonnes]	699t	802t	649t	●	583t	549t
Average quantity of recycled plastic used per produced unit [kg/unit]	New 2020	1,71	1,39	●	1,15	1,11
Number of factories FSC® Chain of custody certified	1 out of 7	1 out of 7	0	●	N/A	N/A
Share of waste to material recycling	75%	80%	77%	●	70%	69%

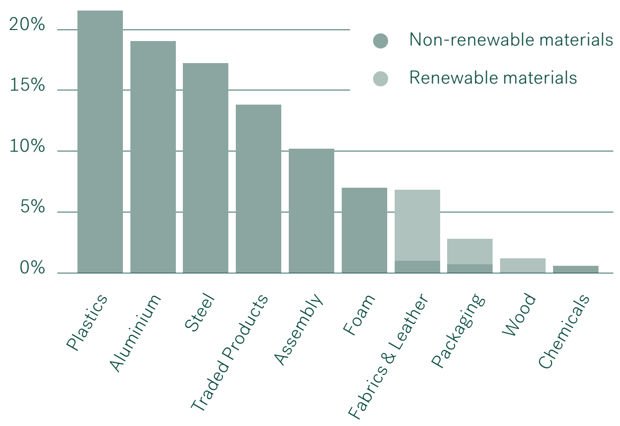
Measures 2019	Status	Measures 2020
MATERIALS		
Launch ocean plastic in 2019/20, depending on stable flow, quality and pricing	➡	First promising prototypes on RBM Ana and RBM Noor did not pass required strength tests. Will continue in 2020 to investigate possible property improvement with the supplier
Continue migration project - boost amount of recycled plastics into our existing portfolio	✔	Launch RBM Ana in recycled polypropylene
		Feasibility study on color sorted post-consumer PP – Target to launch with ongoing Essence development project
		Investigate alternatives to PUR foam in ongoing Essence development project
Oblige to our Grønt Punkt 'Control membership' – ensuring packaging producer responsibility in our Norwegian supply chain	➡	Measures from 2019 continued - now with an updated supplier list for 2020
Nässjö factory FSC® Chain of custody certified	➡	Measures from 2019 continued, lack of capacity due to other priorities
WASTE		
Røros: Continue ongoing work on sorting for recycled **Result – Waste to material recycling: 88%** Nässjö: Continue improvements on plastic and paper sorting **Result – Waste to material recycling: 63%**	✔	Røros: Manage to recycle hard plastic scrap vs incineration – SINTEF partnership Nässjö: Define sorting measures in audit Q2, focus: paper. Invest in new sorting station.
Start measuring the amount of incoming versus outgoing packaging, in order to identify the delta amount.	●	Not considered feasible way to improve on waste reduction
Explore the possibility of renewing contracts with our waste handlers, to achieve more efficient and specific sorting	➡	Røros: Improvements are discussed in weekly meetings, not to be agreed in contract Nässjö: 3 year contract to be renewed in May 2020
Continue process of establishing a reliable and effective recovery system for all protective materials used **Result – Nässjö: Several local initiatives on reducing packaging material already kicked off. Removed 2x plastic bags used in RH New Logic & J-bar bracket – saved: annual volume 80 000 bags**	➡	Kick-off plastic packaging campaign – "Reduce, Recycled, Return & Reuse!" Align local initiatives and define KPI's to measure effect of packaging campaign
CHEMICALS		
Reduce no of chemicals at production sites **Result – Røros: 12 (9 above target) – Nässjö: 4 (from 84 to 80)**	✔	Continue reduce no of chemicals at production sites
Replace chromed surfaces in the RBM portfolio with powder coatings - Metal Silver & Steel gray	➡	Chrome phase out delayed due to change of suppliers and production site fire in Poland. From May'20: RBM Ana sold with default Metal Silver & Steel gray – chrome only on request
Reduce use of glue at Nässjö **Result – 3 out of 4 glue work stations removed**	✔	Define KPI and target for glue consumption as input to PM (Product Maintenance), based on mapping done in 2019
Update Environmental Requirements with regard to chemical content – to ensure healthy materials	➡	Measures from 2019 continued. We will define a Flokk Core Certification regime in 2020 first, as input to an update of our requirements

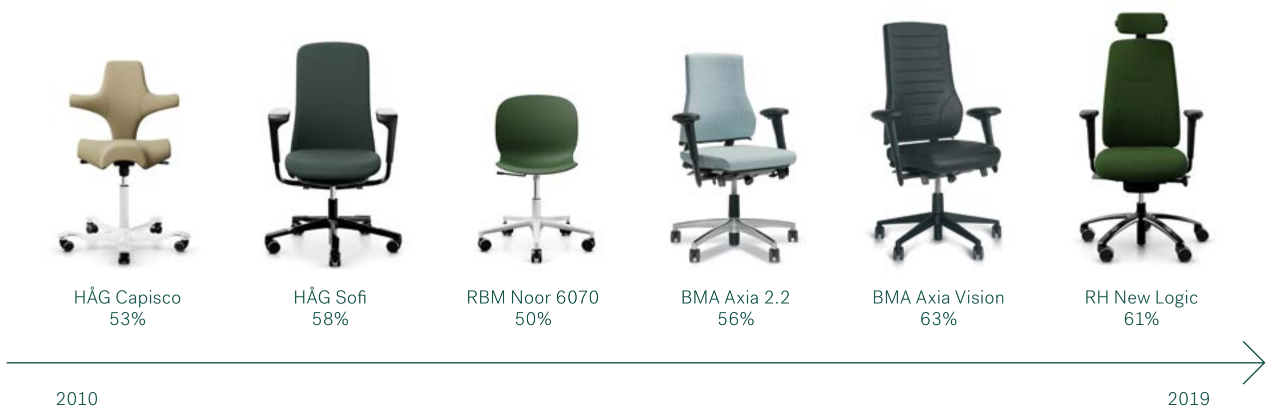
MATERIALS

Only 9% of our total APV is allocated to renewable materials (including wool, leather, cardboard and wood). Our long lasting and high quality products require construction with strong materials like metal and engineering plastic – making the renewable materials like wood less adapted to our needs.

Therefore, our strategy is to focus on recycled materials for our key resources – plastic, aluminium and steel – to put a value on waste and to consume less processing energy. The cosmetic and technical properties of recycled materials are poorer than those of virgin materials, however. For visual or critical components that require a colour range or great strength, we therefore sometimes need to use virgin materials. This means that, at the very least, we must ensure that these are recyclable.

Distribution of Flokk's 2019 procurement budget used on materials





Share of recycled materials

Today, our best chairs contain 50-60% recycled material. Our two latest products actually exceed our long-term target – 60% share of recycled materials. Our products' material composition, as well as the share of recycled materials, are declared in EPDs – Environmental Product Declarations.

PLASTICS

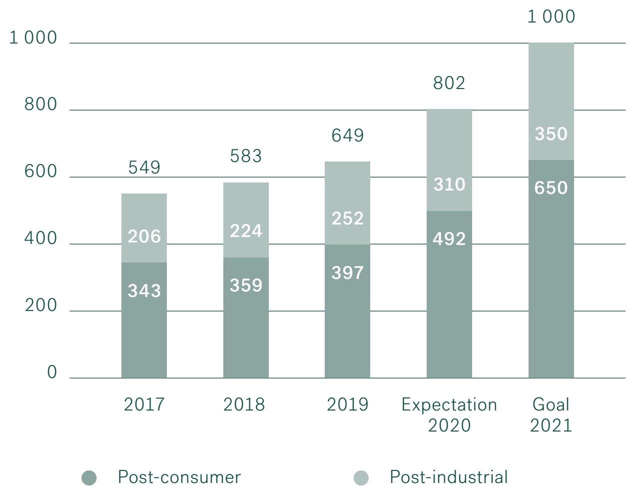
We introduced recycled plastics into our products in as early as 1995, and we aim to use as much polypropylene (PP) as possible, due to lower environmental impact than other alternatives (less CO_2e emissions and additives).

In 2019, we continued our project from 2018 to boost the migration of recycled plastics into our existing portfolio. We have been phasing in recycled plastic into the heaviest parts of our best seller products – with direct and important consequences on our total amount of recycled plastic used, and on average quantity of recycled plastic per product produced.

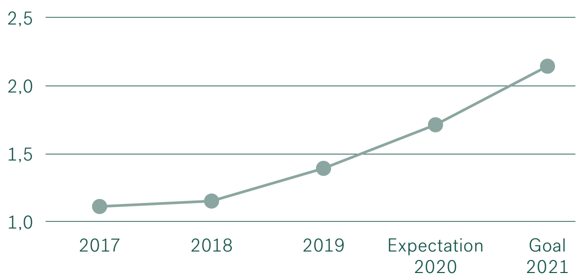
843 tCO_2e

saved in 2019
by using recycled instead of virgin plastic

Total amount of recycled plastics used in our products [tonnes]



Average quantity of recycled plastic used per produced unit [kg/unit] (incl. RH, RBM, HÅG and BMA)



METALS

Our die-cast aluminium parts contain an average of 95% recycled aluminium – the quality, durability and finish is just as good as for virgin material. Our extruded aluminium parts contain 30% recycled aluminium.

We use 20-40% recycled steel in our products, and with improved techniques we hope to increase this amount, year by year.

FABRICS & LEATHER

We strive to make responsible choices for our standard collection of textiles and leather. We offer durable wool, synthetic textiles, and different mixes of wool/synthetic. One of our bestsellers, Xtreme by Camira, is made from 100% post-consumer recycled polyester. Our standard leathers are chrome-free tanned.

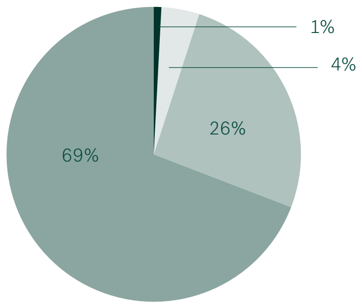
14 out of our 18 standard upholsteries are certified under various ecolabels, such as the EU Ecolabel, Oeko-tex® or The Blue Angel.

PACKAGING

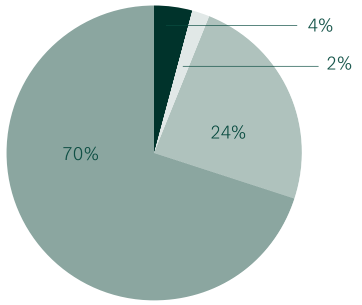
Our products are mostly delivered to customers flat packed in cardboard boxes. In 2019, our two factories in Scandinavia sent a total of 1 087 tonnes of packaging out into the market. This consisted of 68% cardboard, 26% plastics, 2% expanded polystyrene (EPS) and 5% other materials such as tape, bubble wrap, etc. Numbers for Zwolle and Koblenz are not available in the required fraction details.

Flokk is a member of several national takeback schemes, such as "Grønt Punkt" in Norway and FTI in Sweden. Each year, we report how much packaging we have sent out into the market and pay a charge on this basis. The charge ensures that old packaging is collected and recycled.

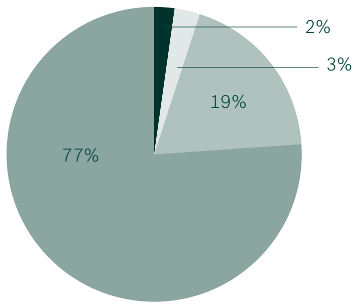
Factory waste [tonnes]



2017
Total 877



2018
Total 1 074



2019
Total 924

- Material recycling
- Incinerated with energy recovery
- Treated as hazardous waste
- Landfilled

WASTE

WASTE FROM PRODUCTS

Waste generation directly linked to our products takes the form of packaging, protective materials for transport, and used products. When we transport fully assembled chairs, we avoid using packaging. However, due to a high risk of damage, we need to protect our chairs with various types of protective covers. We do see a large potential to improve on our use of packaging material though, and will kick-off a plastic packaging campaign – "Reduce, Recycled, Return & Reuse!" in 2020.

WASTE FROM OPERATIONS AND OFFICES

Another source of waste generation is from our production processes and daily office routines. As far as our own factories are concerned, we have an efficient waste management plan in order to improve the systems for both collecting and sorting waste. As part of our Environmental Requirements, our suppliers commit to have a plan to minimise their waste volumes. We have scaled down returns of cardboard packaging to selected suppliers and recycle rather than reuse, due to quality and damage issues.

The significant improvement in Nässjö was achieved by changing from blue to transparent plastic films, so that it can be sorted as a recyclable fraction, instead of for energy recovery/waste incineration. In general, waste sorting has been improved through better solutions, spot checks and information to employees.

In 2019, 77% of our production waste (mostly steel and cardboard) is material recycled, while 19% is incinerated to recover energy. The remaining percentage of hazardous waste is declared pursuant to the requirements of the Waste Regulations and delivered to an approved reception facility. The information concerning the waste disposal methods have been given by our waste disposal contractors.

Waste fractions at Flokk factories in 2019 [tonnes], including hazardous waste breakdown.

	2019
Non-hazardous waste	899
Material recycling	707
Incinerated with energy recovery	172
Landfilled	19
Hazardous waste	26
Material recycling	0
Incinerated with energy recovery	15
Landfilled	11
Total [tonnes]	924

CHEMICALS

SUPPLIERS

We have strict standards for use of chemicals for our suppliers, which must commit to fulfilling our requirements in order to become a supplier to Flokk. We are looking into a new tool (supplier rating and management system) to improve the handling of chemicals at our suppliers for the entire supply chain.

We believe that we can be more proactive towards our suppliers in our efforts to avoid and handle any cases of hazardous chemicals found in products on the market.

Production and offices

We must ensure that our employees are not exposed to harmful substances. We keep inventory of all chemicals in use at our facilities, and their respective MSDS (materials safety data sheets) are readily available. We use EcoOnline to monitor and evaluate the risks associated with those chemicals every year, and undertake substitution of chemicals that may have undesirable effects.

PRODUCTS

Choosing the right materials includes avoiding chemicals that are hazardous to health and the environment. For many years we have not used what we call "banned" materials in any of our new products, such as glue, PVC, flame retardants and the chrome surface treatment of chair and table legs. Instead, we devote a lot of effort to developing attractive alternatives, such as:

- New polyester powder coatings with metal look – matching the shiny finish and tough surface obtained from chroming.
- Smart solutions to avoid the use of glue in upholstery.
- Using wool and polyester fabrics to avoid the use of flame retardants. Wool is a natural flame-retardant and the structure of polyester fibres provides good flame-retardant properties without chemical additives.
- Use of water-based wood lacquer and powder coating for metal coating to keep the emissions of Volatile Organic Compounds (VOC) as low as possible.

We analyse our existing portfolio for possible product improvements, including health considerations. For our older portfolio, we set strict requirements concerning the components of glue and paint, which might otherwise contain substances such as formaldehyde and bisphenol. Our standard PUR foam articles comply with the strict requirements of the Nordic Swan Ecolabel, and do not contain any harmful substances.

Our most important chair collections are GREENGUARD certified; a guarantee that the products contribute to a healthy indoor climate by not emitting hazardous gases.

Circular Economy – Closed Loop

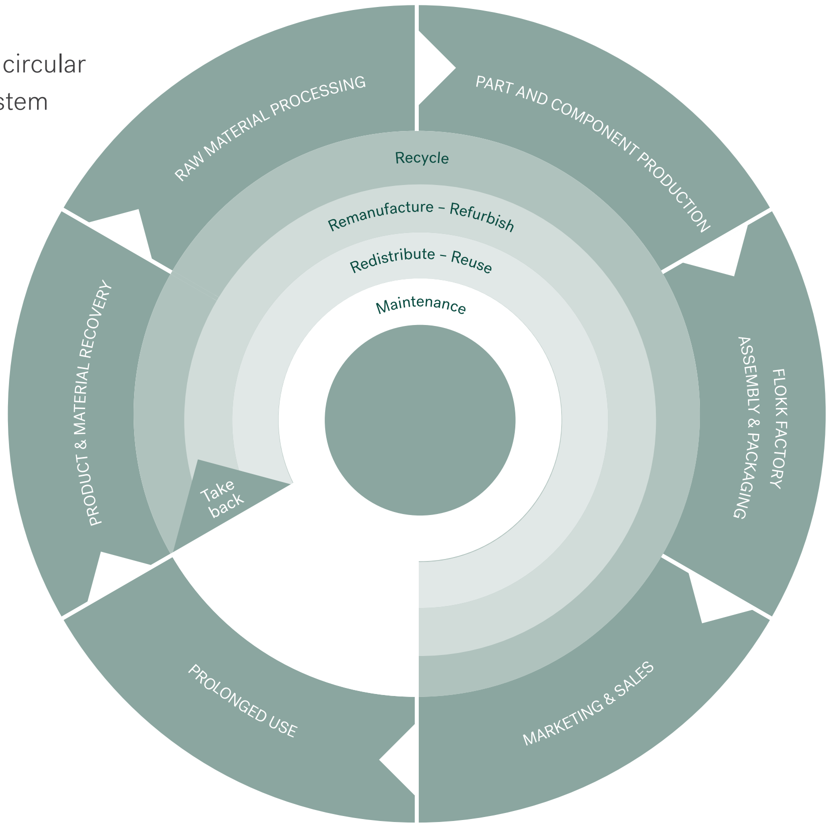
CLOSED LOOP – CIRCULAR ECONOMY
Flokk is working on solutions to ensure that our products are returned at some point by the end-customer, by taking control of them in the usage phase, and by facilitating systematic reuse and recovery of our "recycle-ready" products.

We include a circular business model test as a principle for new product development, ensuring that future products are feasible for future circular needs and also optimised within the existing business logic. In addition, we are exploring how to ensure full traceability of our chairs and secure a circular value chain.

In the Netherlands, we have practised the circular economy for many years and built up a system for taking back used chairs. Our partner Opnieuw has a dedicated disassembly line where returned chairs are dismantled. Parts and components are controlled and cleaned, and reused in "second life" chairs and defective parts are sent back to suppliers for recycling into new raw material.

The Dutch market is increasingly requiring circular solutions when office furniture is procured, so we are ramping up our aftermarket and service organisation in this market in particular.

We are exploring various circular business models such as furniture-as-a-service and new buy-back offerings, utilising new partner constellations. These efforts are in the pilot stage.



Circular Economy

Long-term goals:

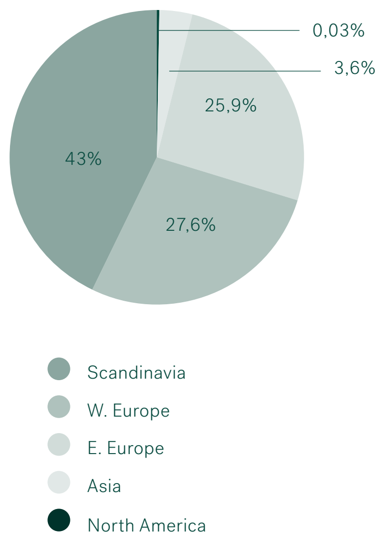
- Explore Circular Business Models
- Products in core markets will be distributed with clear obligations on end-of-first-use handling: 75% of HÅG, RH, Giroflex by 2030 (30% by 2025) and 50% of Flokk integrated brands by 2030

Measures 2019	Status	Measures 2020
Market test & develop scalable furniture-as-a-service model in Finland **Result – Gained valuable learnings for further strategy development**	✔	Market test and develop new scalable furniture-as-a-service concepts
Pilot HÅG buy-back & certified re-used program in Norway with two partners **Result – Not realised as one partner withdrewed**	●	Pilot buy-back and certified re-use programme in Sweden

Responsible Supply Chain

At Flokk, we aim to choose suppliers who share our environmental and social values, as the basis for long-term, sustainable relationships. When signing contracts with new suppliers they are made aware of our focus on these areas as they need to sign a Code of Conduct and an Environmental requirements document. With more than 95% of our products' environmental impact being related to the phases before parts and components even arrive at our factories, the choice of suppliers is crucial to our work of minimising environmental impacts.

Percentages of the 2019 procurement bugdet used for our significant locations of operation, that is spent on local suppliers (for purchases exceeding NOK 100 000)



LOCALISATION
As our main operations are spread across Northern and Western Europe, we regard our European suppliers as local suppliers (96,4% of total significant), since they deliver to all of these sites in various amounts and categories.

As we continue our strategy of acquiring and integrating other brands into the Flokk Group, new suppliers will come into our supply chain. However, we work dedicated to move the contractual relations with these new suppliers towards Flokk's standard terms and conditions as soon as possible as part of the integration process.

Flokk has a certain number of suppliers in low-cost countries in Eastern Europe and Asia. For the smaller number of suppliers in Asia, we have a particular focus on them meeting the requirements in international regulations concerning human rights and working conditions.

SUPPLIER SELECTION
Our strategy is to consolidate the number of suppliers as we grow, focusing on the higher performance ones; for this reason, decisions are based on Total Cost of Ownership, and are not focused solely on price (includes transport, cost of capital, overhead, etc.).

All new suppliers to Flokk in 2019 needed to fulfil the minimum requirements we have in our supplier appraisal audit and were screened on the basis of environmental and social criteria. All Flokk suppliers must sign our Code of Conduct – Business Partners and Flokk Environmental Requirements.

There have been many changes to our supply chain in 2019, but most of our focus has been to optimise the Profim supply chain Here are some highlights:

- Outsourcing of Giroflex steel parts. Some steel parts outsourced to the Flokk site in Turek, Poland
- Closing down our production unit in Zwolle, Netherlands and moving production to our site in Nässjö, Sweden
- Due to this move we have optimized the supply chain with new suppliers and a more streamlined value chain and removed Lego flows* where possible

SUPPLY CHAIN CONTROL – FOLLOW-UP AND ASSESSMENTS
In 2019, we strengthened our control of the supply chain, mostly focusing on the Profim suppliers and the change of suppliers triggered by the move from Zwolle to Nässjö. We are exploring possibilities for a supplier audit programme, in which we would have the capacity and resources to actually visit and assess suppliers worldwide.

* Lego flows - when we ship parts from one supplier to another and we own the material and stock at the other supplier.

Supplier Performance Status – SPS
As part of our procurement policy, we hold monthly SPS meetings to monitor and evaluate supplier and sub-supplier status and results on issues regarding Quality, Delivery and Risk, including environmental and social factors with a negative impact on society, labour market practices and human rights.

When a supplier or sub-supplier is low performing, we coordinate temporary measures to close the deviation. Repeated low performance can put suppliers in the "New Business on Hold" category.
Flokk has zero tolerance for corruption and we try to ensure that suppliers exercise environmental responsibility, have a shared respect for human rights and offer good working conditions.

In 2019, no suppliers were assessed for, or were considered to have, negative environmental or social impacts.

ASIAN SUPPLIERS
We have a more detailed follow-up of suppliers in Asia by way of introductory visits to suppliers and their factories, prior to signing new contracts, and through regular follow-up visits to the facilities. This is working well and enables us to develop long-term relationships with high-performing suppliers.

This allows good evaluation of their performance on environmental and social issues, including supplier appraisals reflecting the UN Global Compact, action plans and the possible exit of suppliers that do not fulfil Flokk's requirements.

SUPPLY CHAIN MANAGEMENT TOOL
As we grow as an organization, the complexity and need to find efficiency gains in our supply chain also increases. As part of a wider effort to digitalize and create deeper integration of our processes, we are evaluating tools to manage our supply chain, and keep good track of supplier performance and transparency in all quadrants.

This is also linked to an effort to consolidate our procurement management approach, in order to have more consistent supplier appraisal, relationships and routines.

Category	Number of signed CoC's	Percentage of total number (APV* > 100 000 NOK)
Aluminium	11	79%
Assembly	7	78%
Fabrics & leather	11	79%
Packaging	6	60%
Steel	19	49%
Traded products	11	61%
Wood	5	100%
Plastics im	16	94%
Foam	5	83%
Plastics others	6	46%
Chemicals	3	33%

Region	Number of signed CoC's	Percentage of total number (APV* > 100 000 NOK)
Asia	8	89%
E. Europe	20	87%
North America	0	0%
Scandinavia	50	89%
W. Europe	22	34%

Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to in 2019, broken down by type of business partner and region.
*APV - Annual Purchase Value = turnover

Our Employees

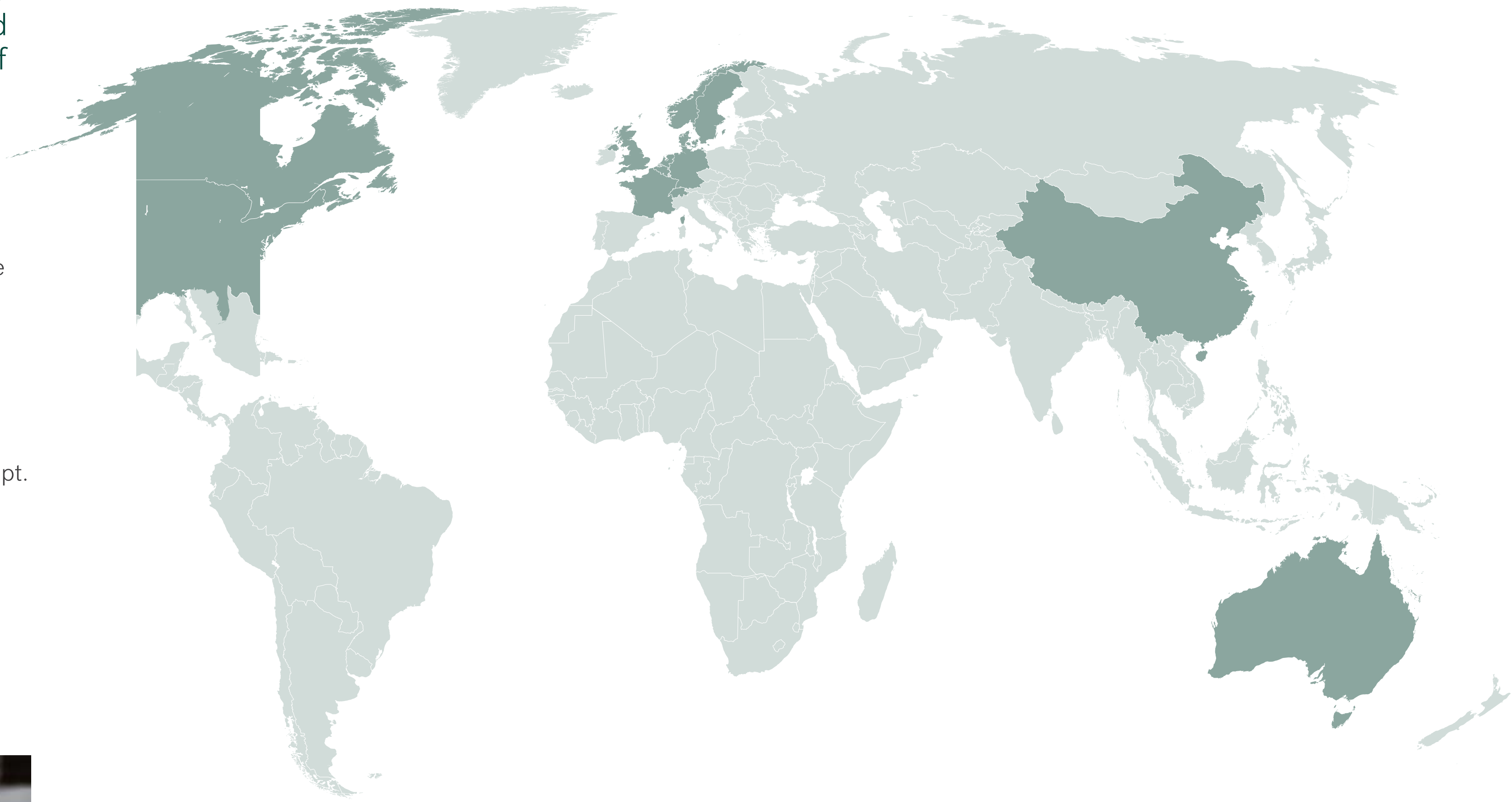
As a company, Flokk represents a safe and stable working environment. We act responsibly with respect to our customers and society in general. We support and follow the principles of the UN Global Compact. In relation to our employees, we have gathered the company's principles, values, standards and rules of ethical behaviour in our Code of Conduct – Employees.

We expect our employees to act as good ambassadors and to treat colleagues, business associates, the environment and our other stakeholders with respect and courtesy. We clearly distance ourselves from corruption and bribery, and support free competition and fair trade.

As of December 2019, the company had 712 employees (excluding Malmstolen, Offecct, Profim and 9to5 Seating). The percentage of women has slightly decreased from 36% in 2018 to 34,4% in 2019. We do not see any particular causes for this decline, but the company will closely monitor this development going forward.

All of our employees are directly employed by Flokk. In general we have very few temporary employees. However, in November and December, we experience seasonal fluctuations and peaks in production, and therefore need to increase our workforce with some temporary employees to meet market demands.

All employee data has been collected from our HRIS system, People@Flokk, where all employee data is kept.



Number of employees by employment contract, region and gender

Country	Permanent employee	Temporary employee
Australia	4	
Belgium	14	1
Canada	2	
China	10	
Denmark	17	
France	10	
Germany	59	2
Norway	270	5
Singapore	4	
Sweden	155	7
Switzerland	85	5
The Netherlands	34	6
UK	18	
USA	4	
Total women	239	7
Total men	447	19
Total employees	**686**	**26**

Number of employees by employment type and gender

Employment type	Full-time	Part-time
Total women	216	30
Total men	461	5
Total employees	**677**	**35**

Anti-Bribery & Corruption

We seek to conduct our business with a high ethical standard to be a respected and trusted business partner for all our stakeholders. Flokk expects all of its employees to avoid situations that may lead to a conflict between the company's interest and their own personal interests. Corruption or bribery in any form is unacceptable. This is set out in the Group's Code of Conduct – 70% of all employees has so far signed this as an integrated part of the employee contract. The aim for 2020, is to reach 100% when we implement a digital signature solution.

Flokk's Total Quality Management System (TQM) is the key for monitoring the code of conduct and related documents for ethics and anti-bribery & corruption. In case of uncertainty about compliance with these policies, all employees can seek guidance in TQM. Guidance can also be sought from line managers or Group Management.

COMMUNICATION

Flokks' guidelines for anti-bribery & corruption are communicated to the employees. As part of the onboarding process all new employees receive and must commit to a policy package containing the most important Main Group Policies such as the Code of Conduct and People, Ethical, Quality, Environmental & Energy, HSE, Group Internal Communication and IT Policies.

Anti-corruption measures focus specifically on the units that are most vulnerable (sales and purchasing). Our whistle-blower procedure describes how employees should report any suspected internal corruption or other types of misconduct which they may discover.

By end of 2019, the following groups at Flokk have received information about the anti-bribery & corruption guidelines; Group Management and all employees.

	Number	Percentage
Norway	8	100%
Sweden	1	100%
Poland	1	100%
Total employees	10	100%

Total number and percentage of Group Management that have received *both communication and training* on our Group's anti-corruption policies and procedures, by region.

TRAINING

In 2019, dedicated training of employees on anti-bribery & corruption prevention has not taken place in the organisation. Group Management has participated in anti-bribery & corruption training.

A learning management system, Learning@Flokk, will be implemented during the first half of 2020 and provide dedicated digital training for our employees. A mandatory anti-bribery & corruption course has high priority and will be launched shortly. The purpose is to ensure that all employees are familiar with, and comply with the company's framework for anti-corruption. This system gives us possibility for monitoring and tracking course completions for all employees and make reports to relevant stakeholders.

In 2020, we also plan to review our procedures and framework within ethics, compliance and anti-corruption in order to make the guidelines clearer and easier to understand.

	Number	Total	Percentage
Production workers			
Norway	3	125	2,4 %
Sweden	73	79	92,4 %
Koblenz	1	39	2,6 %
UK	3	3	100%
France	0	1	0%
The Netherlands	1	1	100%
Office workers			
All countries	418	464	90,1 %
Total	499	712	70%

Total number and percentage of Flokk employees that have received *communication* about Flokk's anti-corruption policies and procedures, by category and region.

Workplace - Health and Safety

The health, safety and working environment (HSE) is an essential aspect of Flokk's management system, based on the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018. Flokk is certified against all these ISO standards except ISO 45001:2018, where we are working in compliance with the requirements.

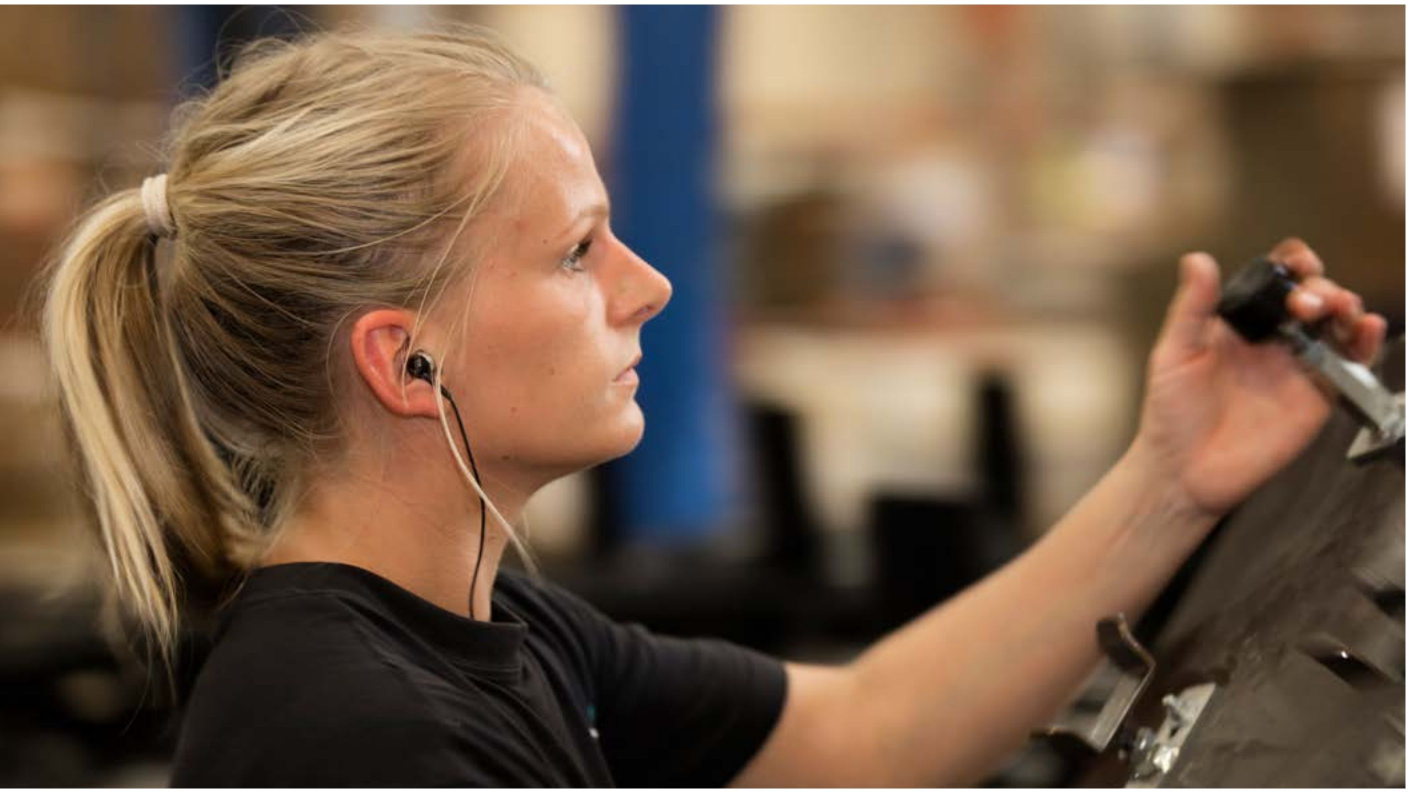
Workplace – Health & Safety

Long-term goals:
Zero number of fatalities + Zero high-consequence work-related injuries

KPI	Goal 2019	Goal 2020	Results		
			2019**	2018	2017
Number of fatalities	0	0	0 ●	0	0
High-consequence work related injuries	0	0	0 ●	0	0
Rate of recordable work-related injuries*	0	0	5,6 ●	2,9	5,7
Number of recordable work-related injuries	0	0	4 ●	2	3

Measures 2019	Status	Measures 2020
Continue with existing preventive HSE work	✓	Continue with existing preventive HSE work
Work preventatively to detect unsafe conditions. 2019: 12% increase from 2018	✓	Increase registration of unsafe condition from 48 to 70
Establish and conduct HSE spot checks - short audits	✓	Develop HSE training through e-Learning for new employees

*Recordable work-related injury rate = Recordable work-related injury number x Working hours/1,000,000 (Number of hours worked in 2019: 711 163)
**For 2019, numbers for non-employees are not included.



OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM AND ORGANISATION

All Flokk employees, in all activities, at all workplaces, are entitled to a safe and appropriate working environment – in which they are just as healthy when they leave work, as when they arrived. The responsibility lies with the employer, focusing primarily on prevention.

We achieve this through systematic HSE work, of which the core aspects are management, a solid organisation and the enabled participation and involvement of all employees. Top management guides daily operational HSE work which is centrally coordinated by an HSE manager and executed by HSE managers and Safety deputies in each production unit. All of the above are Flokk employees.

SYSTEMATISED HSE – HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

For Flokk, systematic HSE work means staying one step ahead, identifying risks, secure compliance with legal requirements and implementing actions – always, no matter how well we perform.
To anchor HSE aspects throughout the organisation, in compliance with Group HSE policy and legal requirements, we perform yearly risk analysis and regular internal audits as safety inspections, determine objectives and competence needs and follow up on action plans with responsible persons and deadlines.

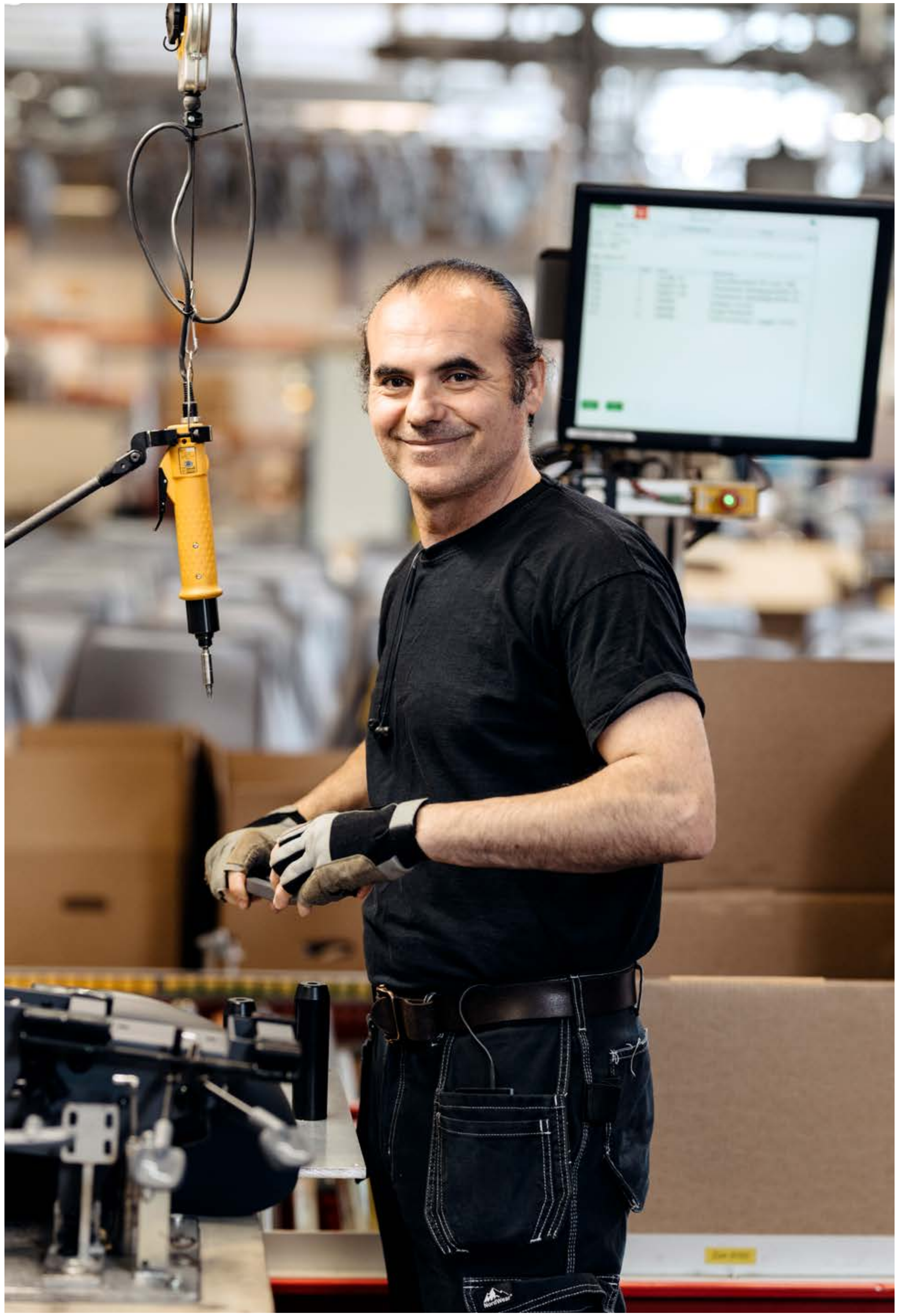
This results in a continuously improved and updated risk assessment process, which employees take as a natural part of their work – they are the frontline in terms of detecting issues and proposing or taking relevant action. By taking responsibility, they report all injuries and incidents, hazards and potentially hazardous situations in our management system (TQM). For all HSE cases, a risk assessment is performed and actions taken to avoid serious incidents. The most critical risks are escalated and addressed with the Group Management through HSE organisation in REQ forum, as a strategic part of Flokk`s Risk management model.

Flokk has a process for the employees' right to report unacceptable conditions without reprisals in the workplace.

WORKER TRAINING AND OCCUPATIONAL HEALTH TRAINING

All managers are responsible of addressing needed training and information for own employees, work and workplace to allow all personnel (employees or not) to perform their job in a competent and safe manner. Specific training for HSE Managers and HSE staff is being improved via our e-learning system to strengthen performance.

We have established an induction program to train all new employees, including Flokk safety rules, HSE, TQM case reporting, alongside sustainability and



corporate social responsibility issues. Further, all staff in production receives safety introduction before they start working.

Specific high risk activities as, e.g. Hot Work and Forklift driving are also provided special training and their competence are registered and followed up in a separate competence database.

PROMOTION OF WORKERS HEALTH

Flokk does not facilitate workers' access to non-occupational medical and health care services because we operate in countries, where there is high quality and accessible services.

Flokk has a policy of offering always voluntary health promotion services/programs to workers with drug and alcohol abuse issues. Occasionally we facilitate also services within stress reducing as yoga/massage and training/fitness-program. Flokk also offers healthy food in the canteens.

PREVENTIVE ACTIVITIES

Injuries and occupational diseases

All staff at Flokk's premises (employees or not) are stimulated to work preventively. Workstations are designed and organised to prevent injuries without compromising effective operations, and staff is encouraged to report unsafe conditions in our TQM. This allows us to do early risk assessment, take action and reduce serious injuries from occurring. In order to prevent repetitive strain injuries, employees have the opportunity to vary their tasks.
Despite our preventive activities, the recordable work-related injuries increased from 2018 (2) to 2019 (4), mainly due to more intense activities than normal when phasing in all BMA production at our Nässjö site.

Chemicals

Employees are not exposed to harmful substances to present knowledge. We undertake a yearly risk assessment with each chemical used in our facilities, and substitute the chemicals that have undesirable effects. All chemicals with known harmful effects have been replaced with non-toxic alternatives.

OCCUPATIONAL HEALTH SERVICES

Occupational health services are well established within the organization, with open and transparent dialogue between company representatives and external occupational health services. All employees are aware of the services provided, as follows:

- Attendance of follow-up meetings related to employees on sick leave, in order to customise rehabilitation programmes
- Attendance of meetings focused on general risk analysis and risk minimizing HSE work together with providing expertise related to safety aspects
- Participate in minimum one Working Environment Committees a year
- Offers of legal mandatory training and competence in relation to HSE work
- Participation in safety inspection rounds
- Follow-up on correct ergonomic practices

Working Environment Committees are in place at production units and HQ, with equal number of worker and management representatives. These committees meet 3-4 times per year and decisions are normally taken by majority votes. Management can use double voting unless agreement is reached. Agenda will cover following topics:

- Active participation in the company's health, environment and safety work. Participation in surveys, the preparation of action plans and giving advice on priorities and measures
- Evaluation of the health and welfare aspects of working time arrangements
- Review of all reports on occupational hygiene and measurement results
- Addressing issues concerning the facilitation of employees with reduced functional capacity
- Preparation of an annual report on the work
- Providing expertise related to safety aspects as noise, air quality, emergency preparedness, first aid to name a few

Product Liability

CUSTOMER HEALTH AND SAFETY
Our aim is to deliver safe and perfect products, and we are committed to ensuring our customers' complete satisfaction. With our level of technical expertise, combined with our honesty and sense of responsibility, our aim is for our customers to sit safe and comfortably every time they choose a Flokk chair. We demand high quality in everything we do so a Flokk chair is built to withstand stress and to last without injuries for the customer.

For these reasons, all of Flokk's products are tested according to specific international standards, with requirements concerning ergonomic execution, safety, stability and strength. The standards we meet stipulate guidelines for design, dimensioning and material choice, and are subject to continuous evaluation and testing throughout the product's development and use phases. Flokk's entire core portfolio is thus assessed for potential improvements regarding health and safety impacts. That is why we give a ten-year guarantee on most of our chairs.

Flokk has defined "Risk/Safety Claim" as when a customer is injured while using our product. We only experience few such cases, but when they do occur, they are followed up closely in our management case handling system.

LABELLING
All of our products have labels providing information concerning existing standards and certifications. They are also delivered with detailed user manuals and instructions for safe use, maintenance, cleaning and recycling.

Risk/Safety Claims – number of customers injured while using a Flokk product

2017		2018		2019	
Number	PPM*	Number	PPM*	Number	PPM*
3	5,78	2	3,4	4	7,47

Target each year: 0
No major customer injuries in 2019. However, increase from 2018 due to two of the injuries are with old products still out in the marked and are comprised by 10 years warranty.

*PPM = Part per millions.
Number of injuries is divided of number of produced chairs and multiplied with 10^6

ENVIRONMENTAL CERTIFICATIONS
The use of certifications is important to communicating our strong environmental commitment and performance to the general public, and in guiding our customers to make the right choices. With more than 500 "green" certificates in Europe alone, these are very difficult waters to navigate. Some certificates relate to business and corporates, and others to products. Some focus solely on the use phase, while others cover the entire life cycle. Some are national, and some are global.

The environmental certifications chosen by Flokk cover all important aspects and areas, and details are available at our website: www.flokk.com.

ENVIRONMENTAL PRODUCT DECLARATION – EPD
Our products' environmental performance throughout their life cycle is calculated and published as quantitative results in Environmental Product Declarations (EPD). EPDs are rapidly gaining recognition in the furniture industry, due to their ability to document and communicate the most important environmental indicators from cradle to gate, such as carbon footprint, energy consumption and share of recycled materials.

Flokk has EPDs for more than 30 products, with 1 new EPD obtained in 2019.

THE NORDIC SWAN ECOLABEL
The Nordic Swan Ecolabel for furniture is awarded to products that meet strict environmental, quality and health requirements. The use of harmful chemicals is strictly regulated, and a high content of recycled materials is required. In 2010, HAG Capisco became the first office chair in the world to qualify for the Nordic Swan Ecolabel. In 2020, the criteria will be revised.

Flokk has 4 Nordic Swan Ecolabelled product families, the latest obtained in 2018 with the HÅG SoFi.

GREENGUARD
To ensure that our products are not harmful to the indoor climate by emitting hazardous gases (specifically volatile organic compounds such as formaldehyde in glue), they are tested according to the requirements of the UL GREENGUARD Environmental Institute.

Flokk has 22 products certified with GREENGUARD, 1 new obtained in 2019.

MÖBELFAKTA
Möbelfakta is a Swedish certification scheme based on three requirement areas: quality, the environment and corporate social responsibility. This scheme sets external requirements such as CEN and ISO standards for quality and follows the environmental criteria of the Swedish Environmental Management Council, while the corporate social responsibility element is based on the ten principles of the UN Global Compact.

Flokk has 22 products with Möbelfakta certification, 2 new obtained in 2019.

CRADLE TO CRADLE™
The Cradle to Cradle Certified™ programme is an ecolabel that assesses several aspects, such as a product's safety for human beings and the environment, and design for future life cycles. Designers and manufacturers are guided through a continuous improvement process to evaluate a product through five quality categories – material health, material reutilisation, renewable energy and carbon management, water stewardship, and social fairness.

Flokk has 4 products that are Cradle To Cradle™ certified, bronze level.

Production site, Nässjö

Product Certifications

Overview of Flokk integrated brands' technical tests & approvals, environmental certificates & declarations.
Note: this list of products is not a full overview of our portfolio. For a wider selection and more details, please read our Price lists available on Flokk Brand Management Center.

	Technical									Environmental				
	EN 1335	EN 1729	EN 16139	IEC 61340 - ESD	GS	BS 5459	NPR 1813	ANSI BIFMA X5.1	EN 15372	MÖBELFAKTA	EPD, ISO 14025	THE NORDIC SWAN ECOLABEL	GREENGUARD	CRADLE to CRADLE™ BRONZE CERTIFICATE
HÅG														
HÅG Capisco	●		●	●	●					●	●	●	●	
HÅG Capisco Puls	●		●		●			●		●	●		●	
HÅG H03	●				●			●			●		●	
HÅG H04				●			●				●		●	
HÅG H05	●			●	●		●	●			●		●	
HÅG Creed	●						●			●	●			
HÅG Futu	●				●	●	●	●		●	●		●	
HÅG Futu Mesh	●				●			●			●		●	
HÅG SoFi	●				●	●	●	●		●	●	●	●	
HÅG SoFi Mesh	●				●		●	●			●		●	
HÅG Tribute	●				●						●		●	
HÅG Inspiration	●				●			●		●	●		●	
HÅG Excellence	●				●			●		●			●	
HÅG Conventio			●		●			●		●	●	●	●	
HÅG Conventio Wing		●	●					●		●	●		●	
RH														
RH Activ	●			●	●	●		●		●	●		●	
RH Mereo	●				●		●	●		●	●		●	
RH Extend	●			●	●	●	●			●	●		●	
RH Logic	●			●		●	●			●	●	●	●	
RH New Logic	●				●	●	●	●		●	●		●	
RH Support				●							●		●	
RBM														
RBM Noor		●	●		●			●		●	●		●	
RBM Noor Up			●		●			●		●	●		●	
RBM Ana		●	●							●	●		●	
RBM Ballet		●	●											
RBM Bella			●											
RBM Low-back Bella			●		●					●				
RBM TABLES														
RBM Allround									●	●				
RBM Ultima									●					
RBM Eminent									●					
RBM Standard folding table									●	●	●			
RBM u-Connect									●	●				
RBM e-Connect									●	●				
BMA														
BMA Axia 2.0 Series	●				●	●	●				●			●
BMA Axia Vision 24/7	●			●			●				●			
BMA Axia Focus	●				●	●	●	●						
BMA Secur24	●				●	●								
BMA Axia Visit			●											
GIROFLEX														
giroflex 10														
giroflex 151			●		●									●
giroflex 313	●		●	●	●									●
giroflex 353	●		●	●	●		●							●
giroflex 434	●		●		●									
giroflex 545	●		●	●	●									
giroflex 60	●			●	●	●								
giroflex 64	●		●	●	●	●								
giroflex 68	●		●	●	●	●								
giroflex ADAPT	●			●	●									

GRI-Index

This report has been prepared in accordance with the guidelines from the Global Reporting Initiative (GRI) – the GRI Standards: Core option.

GRI is a voluntary international network and is the most widely used international framework for reporting on corporate sustainability, enabling comparisons between companies within the same and different industries.

The GRI report has been reviewed and approved by Group Management. The selection of important topics is supported by the Group Management. The report has not been externally verified.

A list of GRI topics and disclosures is provided below, with references to where the topics are discussed in this report (DMA – Management Approach / PA – Partially addressed).

We link our reported GRI disclosures to both UN SDGs – Sustainable Development Goals and the ISO 26000 – Guidance on Social Responsibility, with cross-references in the GRI-index. This way the reader gets an overview on how our sustainability work is correlated with these two important guidelines for acting responsible towards the environment and social responsibility.

In 2020, we have an ambition to cross-check our GRI report vs EU NFRD – Non Financial Reporting Directive.

UN SDGs – Sustainable Development Goals

No 3	Ensure healthy lives and promote well-being for all at all ages
No 7	Ensure access to affordable, reliable, sustainable and modern energy for all
No 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
No 12	Ensure sustainable consumption and production patterns
No 13	Take urgent action to combat climate change and its impacts
No 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
No 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
No 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
No 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

ISO 26000 – Guidance on Social Responsibility

4.4	Ethical behavior
4.6	Respect for the rule of law
4.7	Respect for international norms of behaviour
5.3	Stakeholder identification and engagement
6.2	Organizational governance
6.3.3	Human rights Due diligence
6.3.4	Human rights risk situations
6.3.5	Avoidance of complicity
6.3.10	Fundamental principles and rights at work
6.4.1-6.4.2	Labour practices
6.4.3	Employment and employment relationships
6.4.4	Conditions of work and social protection
6.4.5	Social dialogue
6.4.6	Health and safety at work
6.5.3	Prevention of pollution
6.5.4	Sustainable resource use
6.5.5	Climate change mitigation and adaptation
6.5.7	Protection of the environment, biodiversity and restoration of natural habitats
6.6.1-6.6.2	Fair operating practices
6.6.3	Anti-corruption
6.6.6	Promoting social responsibility in the value chain
6.7.1-6.7.2	Consumer issues
6.7.4	Protecting consumers' health and safety
6.7.6	Consumer service, support, and complaint and dispute resolution
6.8.1-6.8.2	Community involvement and development
6.8.3	Community involvement
6.8.5	Employment creation and skills development
6.8.7	Wealth and income creation
6.8.8	Health
6.8.9	Social investment
7.3.1	Social Responsibility Due diligence
7.4.2	Setting the direction of an organization for social responsibility
7.4.3	Building social responsibility into an organization's governance, systems and procedures
7.5.3	Types of communication on social responsibility
7.6.2	Enhancing the credibility of reports and claims about social responsibility
7.7.5	Improving performance
7.8	Voluntary initiatives for social responsibility

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
GENERAL DISCLOSURES					
Organisational Profile					
102-1	Name of the organisation	Cover			
102-2	Activities, brands, products, and services	23-35, 60, 121			
102-3	Location of headquarters	144			
102-4	Location of operations	4-5, 8-11, 38-39, 124-125			
102-5	Ownership and legal form	13-14, 76			
102-6	Markets served	4-5, 8-11, 38-39, 98-99			
102-7	Scale of organisation	4-5, 38-43			
102-8	Information on employees and other workers	126-127		SDG No 8.	6.3.10 6.4.1-6.4.5 6.8.5 7.8
102-9	Supply chain	124-125			
102-10	Significant changes to the organisation and its supply chain	4, 8-11, 38-43, 124			
102-11	Precautionary Principle or approach	GRI-index	Flokk is committed to complying with the precautionary principle		
102-12	External initiatives	97, 105-107, 124-125, GRI-index	Member of IEH/ETIN - Ethical Trading Initiative Norway, Flokk Code of Conduct in accordance with the UN Global Compact, Long-term goals according to EU 2-degree target and selected numbers of the UN Sustainability Development Goals. Hold Norge Rent. ZERO Fossil free forum.		
102-13	Membership of associations	97-99			
Strategy					
102-14	Statement from senior decision maker	10, 41-42			4.7 6.2 7.4.2
102-15	Key impacts, risks and opportunities	10-11, 41, 108-109			
Ethics and integrity					
102-16	Values, standards, principles and norms	13-14, 40-41, 104, 126, 128		SDG No 16.	4.4 6.6.3
Governance					
102-18	Governance structure	13-14, 104			
102-20	Executive-level responsibility for economic, environmental, and social topics	104			
102-26	Role of highest governance body in setting purpose, values, and strategy	13-19, 102-105			6.2 7.4.3 7.7.5
102-32	Highest governance body's role in sustainability reporting	104			
102-35	Remuneration policies	PA 14 (b.), 70-72, 77, 80 (a. iv. - N/A)			
Stakeholder Engagement					
102-40	List of stakeholder groups	97-99			
102-41	Collective bargaining agreements	GRI-index	Share of total employees covered by collective bargaining agreements: Norway - 45%, Sweden - 53%. Data not available for other countries	SDG No 8.	5.3
102-42	Identifying and selecting stakeholders	97-98			
102-43	Approach to stakeholder engagement	98-99			
102-44	Key topics and concerns raised	98-99			

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
Reporting Practice					
102-45	Entities included in the consolidated financial statements	5, 47-48, 63, 76			
102-46	Defining report content and topic Boundaries	96-97			
102-47	List of material topics	96			
102-48	Restatements of information	GRI-index	Recalculation of total amount of recycled plastics used in our products for 2017 and 2018 due to new data available		
102-49	Changes in reporting	96			
102-50	Reporting period	GRI-index	2019		
102-51	Date of previous report	GRI-index	2018		7.5.3 7.6.2
102-52	Reporting cycle	GRI-index	Annual		
102-53	Contact point	143			
102-54	Claims of reporting in accordance with the GRI Standards	GRI-index	This report has been prepared in accordance with the GRI Standards: Core option		
102-55	GRI content index	138, GRI-index			
102-56	External assurance	138, GRI-index	The report has not been independently verified. However, each year The Governance Group (TGG) perform independant gap analysis towards GRI Standards to ensure compliance		
MANAGEMENT APPROACH (DMA)					
103-1	Explanation of the material topic and its Boundary	96, GRI-index for each material topic	General approach in the Materiality and Boundaries chapter. Specific approach in respective material topic chapters and GRI-index		
103-2	The management approach and its components	96, 104, GRI-index for each material topic	General approach in the Materiality and Boundaries chapter. Specific approach in respective material topic chapters and GRI-index		
103-3	Evaluation of the management approach	104			
MATERIAL TOPICS					
Economic Performance & Climate Risk					
DMA		14-15, 104, 108			
201-1	Direct economic value generated and distributed	39-40, 44, 46, 68-69, GRI-index	i. Payment costs by country 2019 [MNOK] – **Total**: **30,9.** Norway: 26,4 / Sweden: 13,7 / Denmark: 2,8 / The Netherlands: (1,3) / Belgium: 1,7 / Germany: (0,8) / UK: 0,5 / France: 1,4 / Switzerland: (2,2) / Singapore: 0,8 / China: (0,6) / USA: (1,1) / Australia: (0,3) / Poland: (10.0)	SDG No 8.	6.8.1-6.8.3 6.8.7 6.8.9
201-2	Financial implications and other risks and opportunities due to climate change	108-109		SDG No 13.	6.5.5
Procurement Practices					
DMA		104, 124-125			
204-1	Proportion of spending on local suppliers	124		SDG No 8. SDG No 12.	6.6.6 6.8.1-6.8.2 6.8.7
Anti-corruption					
DMA		104, 128			

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
205-2	Communication and training about anti-corruption policies and procedures	125, 128			
205-3	Confirmed incidents of corruption and actions taken	GRI-index	a. No incidents of corruption have been registered in 2019 b. No confirmed incidents in which employees were dismissed or disciplined for corruption c. No confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption d. No incidents of corruption have been registered in 2019	SDG No 16.	6.6.1-6.6.3 6.6.6
Materials					
DMA		100, 103-104, 114			
301-1	Materials used by weight or volume	116		SDG No 12. SDG No 15.	6.5.4
301-2	Recycled input materials used	118-119			
Chemicals					
DMA		100, 103-104, 121			
Energy					
DMA		100, 103-104, 110			
302-1	Energy consumption within the organization	110-113, GRI-index	No heating and cooling consumed. No energy produced and sold from our premises. **Source of emission factor:** **Scope 1** - DEFRA 2019, 'Nasjonale Standard faktorer' from Miljødirektoratet published in 2015 (NO), 'Faktablad Process & Teknikstod' published in 2018 by BioGas2020 (SE) **Scope 2** - DEFRA 2019, Dansk Fjernvarme 2018 (DK), Energi - Foretagen, Lokala miljovarden 2018, International Energy Agency 2019 (3-years rolling average 2015-2017), European Residual Mixes 2019 **Scope 3** - DEFRA 2019	SDG No 12. SDG No 13.	6.5.4-6.5.5
302-3	Energy intensity	110-112, GRI-index	Energy intensity is drawn by including all relevant sources of energy covered by scopes 1 and 2		6.5.5
302-4	Reduction of energy consumption	110-111, 113, GRI-index	We use CEMAsys to gather and calculate the data. Energy reduction figures are based on absolute numbers as available		
Emissions					
DMA		100, 103-104, 110			
305-1	Direct (Scope 1) GHG emissions	110-113, GRI-index	Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs. No biogenic carbon dioxide emissions to report as there is no combustion or decomposition of biologically-based materials other than fossil fuels in the premises. Flokk uses operational control approach for its carbon audit. See direct answer in Disclosure 302-1.	SDG No 12. SDG No 13.	6.5.5
305-2	Energy indirect (Scope 2) GHG emissions	110-113, GRI-index	Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs. Flokk uses operational control approach for its carbon audit. See direct answer in Disclosure 302-1.		

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
305-3	Other indirect (Scope 3) GHG emissions	110-113, GRI-index	Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs. To current knowledge, no biogenic CO_2 emissions associated with Flokk's indirect GHG emissions. Flokk uses operational control approach for its carbon audit See direct answer in Disclosure 302-1.	SDG No 12. SDG No 13.	6.5.5
305-4	GHG emissions intensity	110-113, GRI-index	Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs		
305-5	Reduction of GHG emissions	110-113, GRI-index	Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs. We use CEMAsys to gather and calculate the data. Emission reduction figures are based on absolute numbers as available. See direct answer in Disclosure 302-1.		
Effluents and Waste					
306-2	Waste by type and disposal method	120		SDG No 12. SDG No 14. SDG No 15.	6.5.3-6.5.4
306-3	Significant spills	GRI-index	There has been no leakages to the environment in 2019		
Environmental Compliance					
DMA		10, 104, 109, 130-131			
307-1	Non-compliance with environmental laws and regulations	GRI-index	One small deviation identified in 2019 at HQ Oslo. Garbage bin with spraypaint boxes not emptied on time according to Avfallsforskriften. Internal NCR registrated - TQM id 5404. Action done. Case closed	SDG No 16.	4.6
Supplier Environmental Assessment					
DMA		104, 124-125			
308-1	New suppliers that were screened using environmental criteria	124-125		SDG No 12.	6.3.5 6.6.6 7.3.1
308-2	Negative environmental impacts in the supply chain and actions taken	125			
Occupational Health and Safety					
DMA		104, 131-133			
403-1	Occupational health and safety management system	131			
403-2	Hazard identification, risk assessment, and incident investigation	131-133			
403-3	Occupational health services	133			
403-4	Worker participation, consultation, and communication on occupational health and safety	131-133			
403-5	Worker training on occupational health and safety	131-133			
403-6	Promotion of worker health	133			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	133			
403-9	Work-related injuries	130		SDG No 3. SDG No 8.	6.4.6 6.8.8
Supplier Social Assessment					
DMA		104, 124-125			
414-1	New suppliers that were screened using social criteria	124-125		SDG No 8. SDG No 16.	6.3.3-6.3.5 6.6.1-6.6.2 6.6.6 6.8.1-6.8.2 7.3.1

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
414-2	Negative social impacts in the supply chain and actions taken	125			
Customer Health and Safety					
416-1	Assessment of the health and safety impacts of product and service categories	134		SDG No 3.	6.7.1-6.7.2 6.7.4-6.7.5 6.8.8
Socioeconomic Compliance					
419-1	Non-compliance with laws and/or regulations in the social and economic area	GRI-index	No cases registered in 2019	SDG No 16.	4.6 6.7.1-6.7.2 6.7.6

For comments and questions on Flokk's work and reporting on the environment, energy and corporate social responsibility, please contact:

Atle Thiis-Messel
VP Sustainability
atle.messel@flokk.com

Laura Fouilland
Sustainability Advisor – Chemicals
laura.fouilland@flokk.com

Sérgio Alexandre Ferreira
Senior Sustainability Advisor – Energy
sergio.ferreira@flokk.com

Contacts

HEADQUARTER
Fridtjof Nansens vei 12
P.B. 5055 Majorstuen
NO-0301 Oslo, Norway
Tel: +47 22 59 59 00
flokk.com

PRODUCTION SITES
Røros, Norway
Hunnebostrand, Sweden
Tibro, Sweden
Nässjö, Sweden
Koblenz, Switzerland
Turek, Poland
Hawthorne, CA, USA

Norway
Espen Wibe
Country Manager
espen.wibe@flokk.com

Sweden
Johanna Hedström
Country Manager
johanna.hedstrom@flokk.com

Denmark
Dorrit Hoffmann
Country Manager
dorrit.hoffmann@flokk.com

Germany
René Sitter
Managing Director
rene.sitter@flokk.com

Netherlands
David Coenen
Country Manager
david.coenen@flokk.com

Belgium & Luxembourg
Tom Clays
Country Manager
tom.clays@flokk.com

UK
Bernhard van Ommen
Managing Director
bernhard.vanommen@flokk.com

France
Olgica Pezin
Managing Director
olgica.pezin@flokk.com

Singapore
Michael Brisbane
Vice President APAC
michael.brisbane@flokk.com

China
Cherry Yan
Vice President China
cherry.yan@flokk.com

Switzerland
Marijo Butkovic
Managing Director
marijo.butkovic@flokk.com

OFFECCT
Jukka Tullbacka
COO
jukka.tallbacka@offecct.se

Australia
Andrew Green
Regional Manager
andrew.green@flokk.com

Malmstolen
Magnus Lignell
CEO
magnus.lignell@malmstolen.se

USA
Jörgen Josefsson
Country Manager
jorgen.josefsson@flokk.com

Profim
Piotr Chełmiński
CEO Profim
piotr.chelminski@profim.pl

Canada
Lars Helge Lund
Country Manager
lars.lund@flokk.com

9to5 Seating
Dara Mir
President & CEO
dara.mir@9to5seating.com

Credits

Photo
Anne Valeur
Björn Ceder/NY
Jonas Anhede
Jonas Lindström
Lars Petter Pettersen
Lasse Olsson (Cover)
Margaret M de Lange
Martin Sølyst
Mathias Fossum
Per Gunnarsson
Ragnhild Nøst Bergem
Signe Fuglesteg Luksengard

Design
Flokk

Print
KLS PurePrint A/S

No. 001
CARBON NEUTRAL PRINT

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022933

ENVIRONMENTALLY FRIENDLY PRINTING
This printed material is produced as environmental friendly as possible.

Both the paper and ink we use is Cradle to Cradle certified, made entirely without any harmful chemicals and heavy metals in accordance with the banned list of chemicals.

Cradle to Cradle certification is one of the world's most stringent environmental certifications which guarantees that the product is designed to minimise pollution and use as little resources as possible, and to be part of nature's own cycle after use. It also ensures production in as environmentally friendly conditions as possible.

The trees used in this catalogue were sourced from sustainable FSC forestry in Europe. This means that the origin is 100% controlled - and at the same time, no more wood is cut than the forests can reproduce.

The printing of this document was powered using wind turbines, making the process completely C02 neutral.

Printed in Denmark

Flokk is the leading manufacturer of high-quality workplace furniture in Europe, developing a growing family of global brands. We are the proud owner of product brands HÅG, Offecct, Giroflex, RH, Profim, 9to5 Seating, BMA, RBM and Malmstolen. A structured focus on the environment through several decades has enabled us to be a leader in the development of sustainable furniture.

Our head office is in Oslo, Norway, with main production sites in Røros (Norway), Nässjö (Sweden), Turek (Poland) and Hawthorne (USA). In addition, we keep sales offices in Norway, Sweden, Denmark, Germany, Belgium, the Netherlands, UK, France, Switzerland, Singapore, USA, Canada, China and Australia. Flokk products are sold in more than 80 countries worldwide. About 2500 employees work together to realize the vision of Flokk: Inspire great work.