Sustainability is in our DNA

Annual Report 2021

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HÅG Tion 2200

IMPORTANT EVENTS IN 2021

COVID-19 PANDEMIC RECOVERY

- Gradual recovery from Covid-19 pandemic led by markets in Europe and followed by the US in the fourth quarter. Strong development in China. All time high order entry end of year.

CONTINUED DIGITIZATION

- Improved digital backbone, digitizing the order flow from dealers to production planning.
- Launch of own web shops – direct to consumer in Norway, Poland and USA.
- Strengthening position with the growing online dealers in our markets.

REBUILDING IN TUREK

- Started rebuilding in Turek after the fire in 2019 – a new warehouse is in place of additional 2300 m^2.

EXTENSION OF PRODUCTION FACILITIES AT RØROS

- Increasing the capacity to cope with the increased demand for HÅG products.

CORPORATE EFFICIENCY PROGRAM

- Stabilizing operational expenses at a lower level.

REALIZING SYNERGIES FROM PAST ACQUISITIONS

- Move of Offecct production to Turek
- Move of Giroflex production to Turek
- Sale of buildings in Hunnebostrand, Koblenz and Tibro

PRODUCT LAUNCHES

- HÅG Capisco Puls Auburn colour - made from collected and discarded 'snow plough markers', a unique Nordic recycled material source.
- HÅG Tion by Andersen & Voll, Hunting Narud, Big-Game – award winning and leading the way on sustainability with a content of more than 70% recycled material.
- The strongest pipeline of planned product launches ever.
- Offecct: Jasmine panel by Layla Mehdi Pour
- Offecct: Phoenix table by Luca Nichetto
- Offecct: Font sofas by Matti Klenell
- Offecct: Falabella stool by Lucy Kurrein
- 9to5 Seating Kip

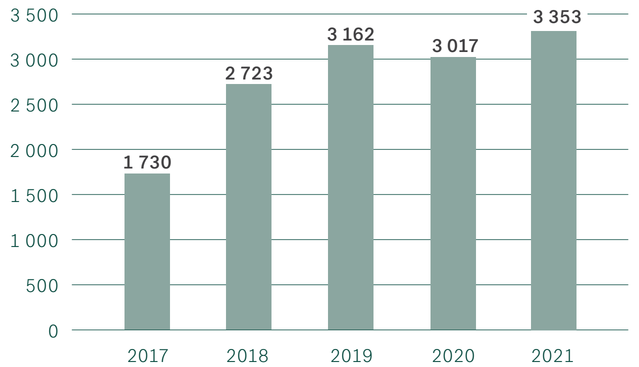
CONTINUING ACTIVE USE OF M&A

- In March 2022 Flokk acquired Connection in the UK to significantly strengthen the market position in the UK.
- In April 2022 Flokk divested its shares in the Latvian chair mechanism manufacturer RingBaltic SIA in an effort to further optimize production footprint and focus resources on our core business areas.

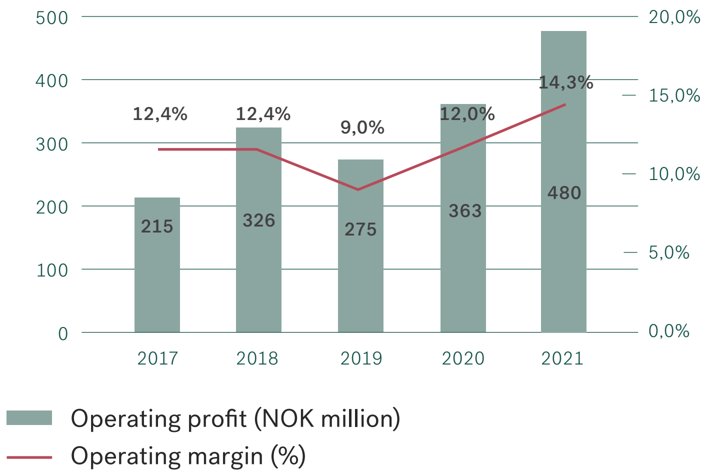
Key figures

		2021	2020	2019	2018	2017
Total operating income	NOK million	3 353	3 017	3 162	2 723	1 730
Sales revenues	NOK million	3 260	2 929	3 015	2 723	1 730
Operating profit	NOK million	480	363	275	326	215
Operating margin	%	14,3	12,0	8,7	12,0	12,4
Profit before tax	NOK million	390	57	157	84	62
Profit for the year	NOK million	306	(2)	139	51	42
Total assets	NOK million	6 090	6 063	5 796	4 414	2 898
Total interest bearing-liabilities	NOK million	3 592	3 909	3 831	2 904	1 386
Cash and cash equivalents	NOK million	734	819	497	407	150
No. of employees per 31.12.		1 816	1 840	2 521	2 517	829
Full time equivalents per 31.12.		1 787	1 827	2 505	2 496	800

Operating income (NOK million)

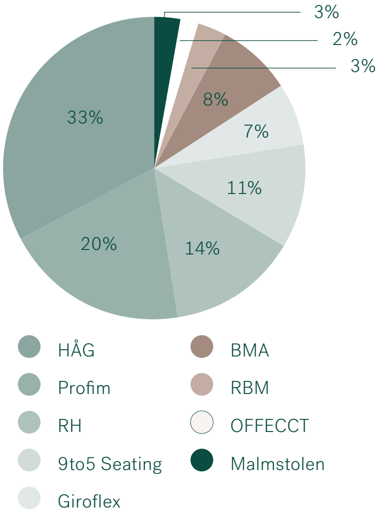


Operating profit and operating margin



1 787 Full time equivalents	**6** Production Sites	**36%** Lower energy consumption per revenue since 2015	**86%** Renewable share of total purchased electricity
10 Brands	**16** Sales offices worldwide	**41%** Lower energy consumption per unit since 2015	**1 328t** Recycled plastics in our products

Sales per brand



Sales per market

- Germany 17%
- USA 12%
- Norway 11%
- Sweden 10%
- The Netherlands 8%
- Denmark 8%
- Poland 7%
- Switzerland 5%
- Belgium 4%
- United Kingdom 4%
- France 4%
- Other countries 9%

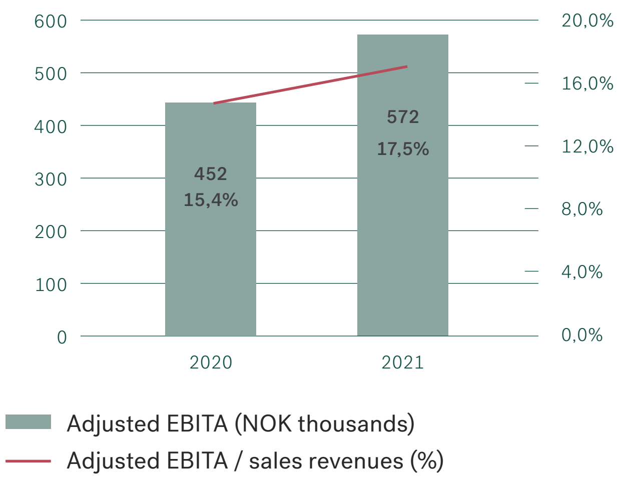
Falabella by Lucy Kurrein

Alternative performance measures

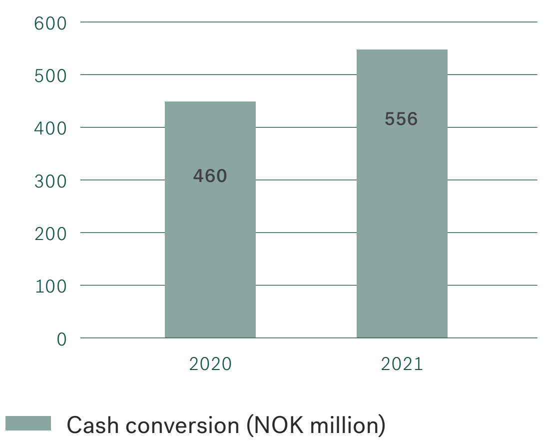
		2021	2020
1. Opex	NOK millions	870	844
2. Opex/sales revenues	%	27 %	29 %
3. Contribution margin / sales	%	44 %	47 %
4. Adjusted EBITDA	NOK millions	725	613
5. Adjusted EBIT	NOK millions	550	434
6. Adjusted EBITA	NOK millions	572	452
7. Adjusted EBITA / sales revenues	%	17,5 %	15,4 %
8. Product development and improvement spend / sales revenues	%	4 %	3 %
9. Capital expenditures	NOK millions	113	96
10. Capital expenditures / sales revenues	%	3 %	3 %
11. Net interest bearing debt	NOK millions	2 858	3 091
12. Return on operating capital employed	%	36 %	29 %
13. Cash conversion	NOK millions	556	460

For definitions, see from page 94.

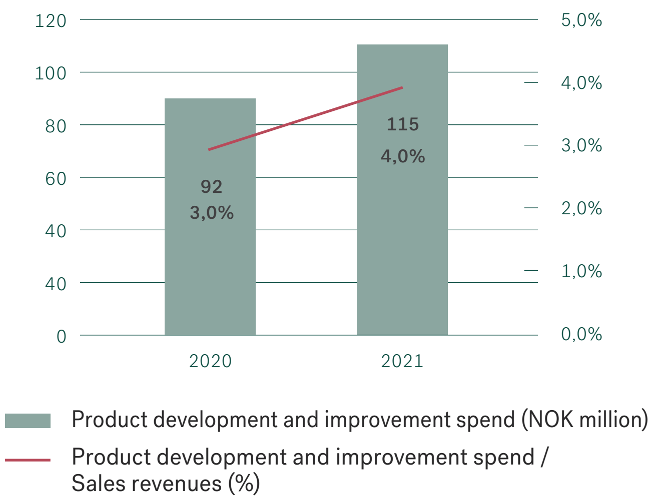
Adjusted EBITA / sales revenues



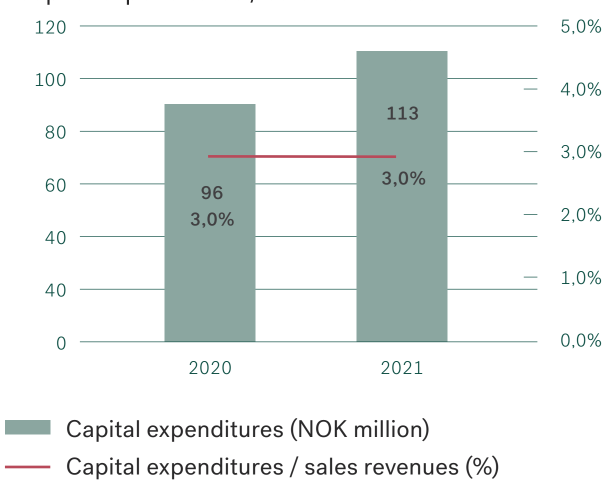
Cash conversion



Product development and improvement spend / Sales revenues



Capital expenditures / sales revenues



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CEO's introduction:
A strong year based on a consistent strategy

2021 was a year of great achievements for Flokk!

Financially, we delivered both top-line growth and margin expansion. Flokk's underlying profitability and cash flow is strong and unrivalled within our industry.

Furthermore, we have gained market share and solidified our position as the market leader within office seating in Europe, to which we have added a solid foothold in the US through 9to5 Seating, which was acquired in the end of 2019.

There are several reasons why Flokk is an industry leader, and I would like to highlight some of them here and illustrate how they are related to our consistent long-term strategy.

OFFERING A COMPLETE PORTFOLIO OF SEATING SOLUTIONS
The Flokk portfolio now consist of brands and products which can serve the entire seating needs of our customers. We are therefore now able to address the market as a total solution seating solution provider, not just a manufacturer of office chairs. We have developed this offering significantly in our core markets through 2021 and see high potential in leveraging this position to continue winning market share going forward.

This position has enabled us to benefit from work trends that have grown stronger over the past couple of years, partly driven by the global pandemic. The key word is flexibility. Offices are increasingly set up with a mixture of desks with task chairs, collaboration areas, meeting rooms and lounges with soft seating.

These trends require a broad product offering across all seating categories, which Flokk supplies. It also enlarges the potential market, as businesses invest in more chairs and other seating products in more collaborative workspaces, in addition to the employees' personal workspaces .

Furthermore, this new flexibility also implies working from home, either all the time or some of the time. This also offers a larger potential market for Flokk, with other requirements and preferences than the traditional office market.

The HÅG Tion task chair, which we launched in 2021, exemplifies this. With its minimalistic and elegant design, Tion is perfect for home offices as well as shared workspaces. Tion illustrates the substantial efforts Flokk puts into product design and development. We spend significant resources on improving existing products and designing new ones and have built a strong track-record of delivering high returns on these investments on an ongoing basis.

SUSTAINABILITY
The HÅG Tion may also serve as an example of the increasingly important area where Flokk excels: Sustainability. Since the early 90s we have set an example in the industry through intelligent development of circular products and efficient operation of our production sites. Always with the aim to minimise the overall environmental impact of the Group and our products without compromising on design and quality. We designed Tion from the bottom up based on Flokk's long-standing circular design principles. The chair is made with close to 75 percent recycled materials as well as above 90 percent of the recycled plastics and aluminium are post-consumer materials.

Additionally, the quality is first-rate. HÅG Tion comes with a 10-year warranty, and the core components are designed to last much longer. It is designed for disassembly, meaning that parts can easily be exchanged for repairs, and in the end, the parts can be recycled. Instead of buying off-the-shelf components, we design all key components ourselves, with recycling in mind. And lastly, the Tion has few components and is extremely lightweight, giving it a smaller carbon footprint.

Sustainability has been in Flokk's DNA for decades, and that DNA carries through to our products, services, and processes where we set strategic targets to be resource and energy efficient, to generate minimum greenhouse gas emissions, and to not present a risk to health or the environment.

EFFICIENT OPERATIONS AND GREAT DESIGN

We have built a strong organization over many years and invested in modern facilities to produce high-quality products extremely efficiently. We have world-class production facilities covering both Europe and the US. Over the past year, we have invested significantly in our Polish factory, which has become our biggest. In 2021, we successfully moved the production of our Giroflex and Offecct brands to Poland from Switzerland and Sweden respectively. We are currently also investing in additional production capacity and increased automation of our Norwegian plant at Røros, where we produce our HÅG brand, which has experienced double digit annual growth over the past years. With the recent acquisition of Connection, we have also gained a production presence in the UK to further develop our position in this important market.

Our efficiency is fundamentally rooted in industrialized design, in addition to having the best people across all the very modern and highly automized production facilities. We have spent decades developing and tweaking designs for efficient production and circularity, and this pays off today, both in terms of gross margins and carbon efficient products.

SUCCESSFUL M&A STRATEGY

There is also efficiency in scale, and Flokk has pursued a long-term M&A strategy to consolidate the fragmented European industry as an addition to organic growth.

We believe there is a compounder effect in our M&A strategy, as the acquired companies are integrated and trend towards best practices in the group, increasing the scale and profitability both in the existing and new brands.

One such transaction that we started working on in 2021 was the formerly mentioned acquisition of the UK firm Connection, which we announced in March of 2022. By combining Connection with our existing UK operation, we join the major league in the strategically important UK market, the second largest office furniture market in Europe. We gain an excellent position with architects and designers in the project market, leveraging Connection's strong offering within flexible workspaces and soft seating, supported by Flokk's existing brands, primarily HÅG, RH, Profim and Offecct.

The quest for efficiency extends to finances as well. In 2021, we sold the facilities in Koblenz, Tibro and Hunnebostrand in order to release capital that we can better utilize to pursue organic growth and acquisitions.

DIGITALIZATION

The last factor I would like to highlight is digitalization. Flokk has long had a strong digital back-end infrastructure, supporting highly efficient order registration, planning, manufacturing, and logistics. Increasingly, the front-end is also digital, both our own channels as well as other high-quality partners. Especially small- and medium-sized businesses are increasingly buying online. This trend became even more pronounced in 2021.

I believe digitalization is a trend favouring larger companies, as the investments are substantial and hard to sustain for smaller niche players.

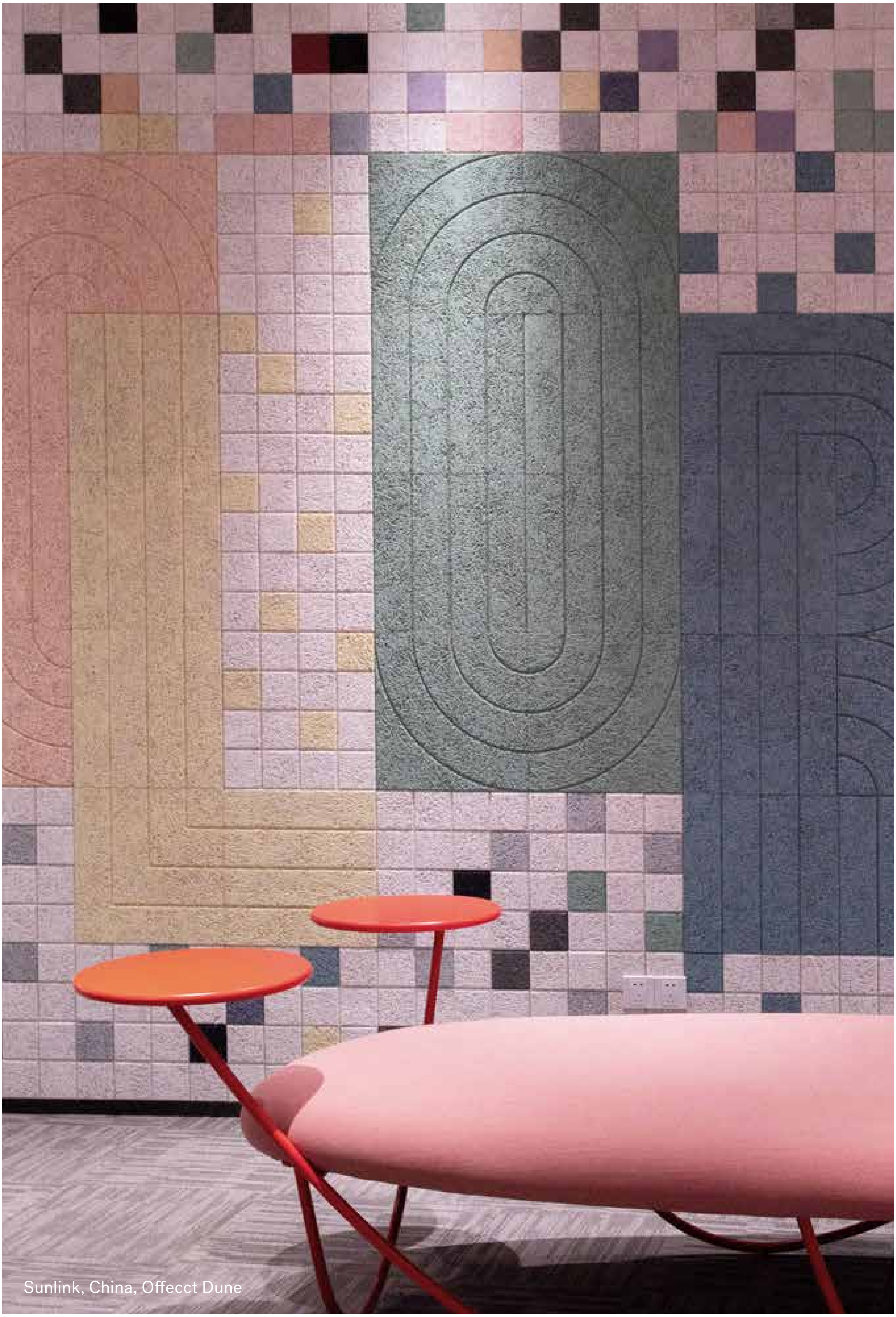
LOOKING AHEAD

In 2022, Flokk is in a very strong position to continue winning market share going forward. In 2021 we saw a partial rebound after a 2020 that was heavily affected by the pandemic. We expect this trend to continue in 2022, although the ongoing war in Ukraine has increased the uncertainty in the market.

However, we continue to believe there is a very attractive long-term outlook for the industry driven by significant refurbishing activity combined with the shift to more flexible workspaces and home offices requiring investments in new seating solutions. Against this backdrop, Flokk will continue to improve on all aspects of our operations. We will drive further improve efficiency in our existing and acquired businesses, we will strive even harder for first-class design and sustainability, we will move more and more of our business online, and we will continue to explore potential acquisitions to consolidate an industry which is still highly fragmented.

In conclusion, I am truly proud of the way the Flokk team performed in 2021, and I am confident that the progress will continue in 2022.

Lars I. Røiri
Chief Executive Officer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Corporate Governance

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Flokk complies with the Norwegian code of practice for corporate governance issued by the Norwegian Corporate Governance Board. As Flokk is not listed on the stock exchange, its corporate governance has been tailored to Flokk's situation. Flokk 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 Group's way of working. In combination with the Group'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 companies and employees in the Group must comply with the relevant laws and regulations in the country in which they work. The Group practices values-driven management based on its values and has drawn up guidelines for ethics and corporate social responsibility, which are clearly communicated to all employees. All employees must attend an e-learning course focusing attitude and behaviour related to Flokk's values as part of an overall Code of Conduct program.

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, industry consolidation and synergy realization through M&A's, a cost-efficient procurement function, flexible production, familiarity with the market, and effective sales work are key success factors. 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 management team currently has eleven members. They cover the Group's main processes in the value chain: CEO, R&D, sustainability and corporate social responsibility, production and procurement, sales and marketing, HR, M&A, business development, strategy, corporate processes, ESG and finance/IT. The Group's management team is constantly tailored to suit the Group'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 Groups equity share as at 31.12.2021 was 22.4%. 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. Flokk 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 April.

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. In the Polish subsidiary an internal "union" has been established consisting of employees representing various parts of the value chain. The aim is to secure an open and transparent dialogue between local management team representatives and employee representatives.

The boards of Flokk's other subsidiaries consist of the CEO of Flokk and members of the Group's Management team.

THE WORK OF THE BOARD OF DIRECTORS

The board has overall responsibility for the management and control of the Group. The management group updates the Group's three-year strategy plan every year on behalf of the board. This plan also contains the Group's financial target figures. The board approves general strategies and sets strategic and financial goals, which are maintained in the Group'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 Group'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, governance, and has contact with the company's auditor.

Environmental, social, and corporate governance (ESG) is on the agenda at the Group's board meetings. The governance topics are also reviewed by the audit committee. Social topics are handled in the dedicated group committees that have members from management and employee representatives.

The board annually reviews and approves the Group's policies, including energy & environmental policy, code of ethics and personnel policies.

RISK MANAGEMENT AND INTERNAL CONTROL

Every month, and as needed, the CEO reports on the Group'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 Group'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

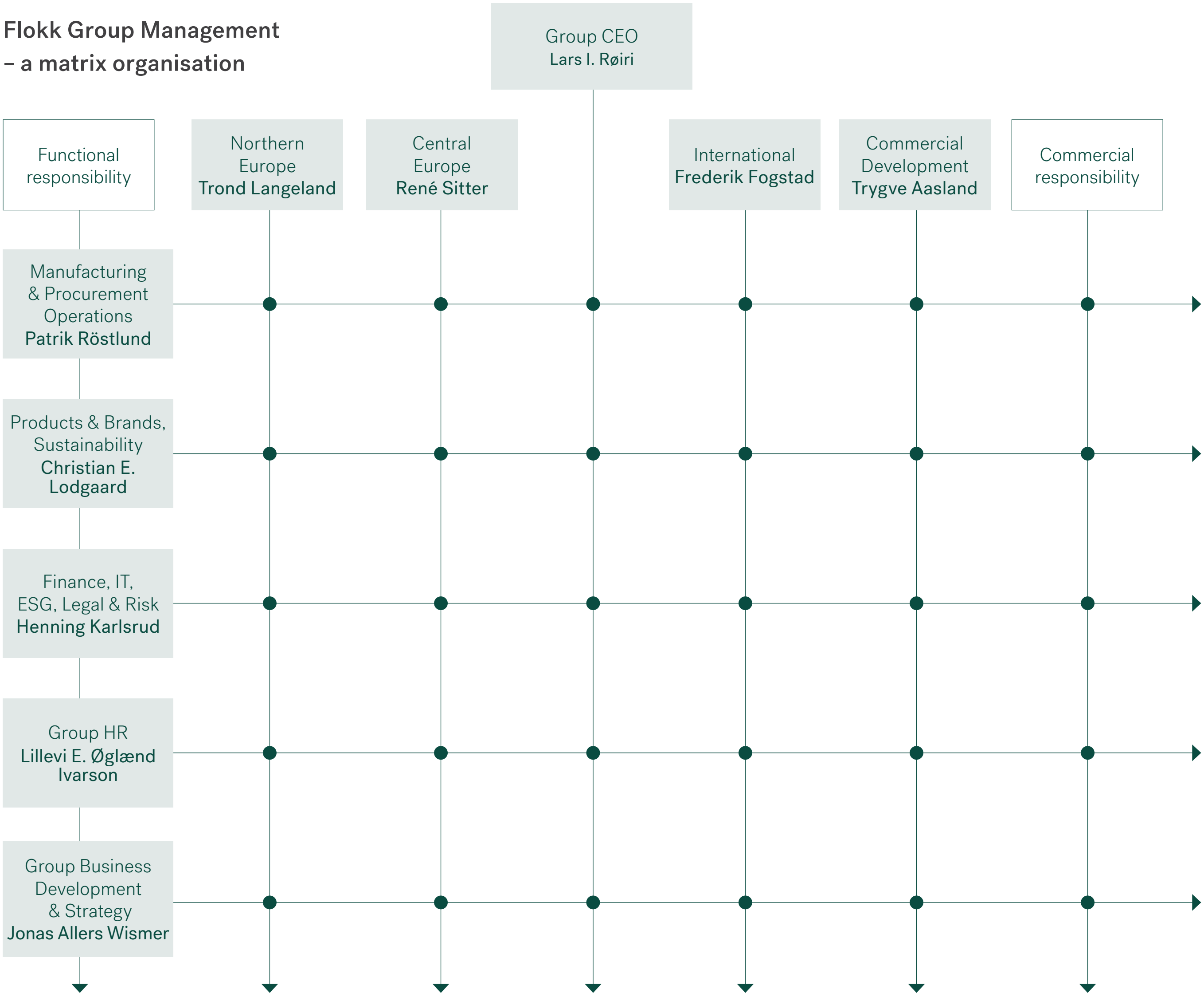
The remuneration of the CEO and other group management is reported in note 25 of the company's consolidated annual report. The board fixes the terms of contract for the CEO based on a proposal from the chairman of the board. There is no fixed bonus system for executives. However, various forms of bonus 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 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 the environmental and energy management system ISO 14001 and ISO 50001 are reviewed and revised annually by the external certification body KIWA. As from 2021, Flokk is certified according to the information security management system standard ISO 27001. 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.

Henning Karlsrud (b. 1974)
Chief Financial Officer
Karlsrud joined Flokk in March 2021 and is responsible for the Group's finance, tax, treasury, legal, audit, IT, ESG and investor relations. He holds a Master of Science in Business Administration and Finance from the Norwegian School of Economics (NSE) where he graduated in 2000. Karlsrud also has shorter postgraduate studies at Insead, the Singularity University and NSE. Karlsrud has prior work experience within consulting, corporate finance and strategy from The Boston Consulting Group, Kearney, Handelsbanken Capital Markets and Telenor, and most recently as a CFO in Ice Group, listed on Euronext Expand in Oslo.

Trond Langeland (b. 1966)
Senior Vice President, Northern Europe
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.

René Sitter (b. 1975)
Senior Vice President, Central 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 as ThyssenKrupp.


Sunlink, China, Profim Fan

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.

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.

Frederik Fogstad (b. 1965)
Senior Vice President, 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.

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. Prior to joining Flokk, Lodgaard worked for Hydro Aluminium Automotive.

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.

Trygve Aasland (b. 1964)
Senior Vice President, New Business Development
Aasland joined Flokk in 2018 with key responsibilities for commercializing new business initiatives in Flokk. He holds a Master of General Management from BI, Norwegian Business School. Aasland has prior work experience from Tandberg, Norman, Fora Form, Lammhults Design Group and North Investment Group (Sono Group).

Piotr Chełmiński (b. 1964)
CEO Flokk Sp. z o.o.
Chełmiński joined the Group in 2018 with Flokk's acquisition of Profim, the largest office seating manufacturer in Poland. 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. Chelminski has prior work experience from companies such as Unipetrol, Schöller, Carlsberg Polska and Aronia. Mr. Chełmiński steps out of the Group Management in 2022.


Heng Bang Building, China,
RBM Noor Offecct Oyster High

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. The market for contract furniture is large and attractive, and when leaving the pandemic behind, it is expected to continue to grow well from the current estimate of EUR 8 billion in Europe and the USA combined. Our intention is to strengthen our leading position in this market – and we will succeed by being different from competitors.

We provide our customers with an alternative that they do not yet have and 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 being at the centre of our processes. We will deploy the best of our capabilities, invite first-class designers with perspectives different from our own, in comprehensive 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 and effective. Our products are engineered for assembly with no glue, making them easy to maintain, 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 postconsumer recycled material in our products.

And it makes us design for the highest of industrialization rates, giving us economy of scale. We conceive everything bottom-up, 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. It means that our production efficiency is stellar. And we know we can recreate this – because we have done it before. Hence, our agenda is to continue to grow the Flokk family through acquisitions. New members of the Flokk family, like 9to5 Seating, which was included in 2019 and Connection Seating, which is joining in 2022, will all have the benefit of the shared competence from the rest of the Flokk group, in order to optimize efficiency and quality to create additional value for all stakeholders.

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 have industry leading profitability. 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 and 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.


RH Secur24

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.

The past few years have many of us been forced to work from home. Not only a day now and then, but for an extended period. Many became more conscious about the importance of having a proper home office chair, and chose HÅG, and particularly HÅG Capisco Puls, as a solution. This tells us that we somehow have succeeded with the aesthetically in a combination with a healthy approach, by providing chairs that suits the needs for an appropriate domestic work situation. The introduction of HÅG Tion at the end of 2021 will strengthen our position even further in the home office segment.

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.

EP-PharmaLine, Japan,
Giroflex 313

DO Technology, China,
9to5 Seating Vault

BAIUDBw, Germany
BMA Secur24

Meiyi International Kindergarten,
RBM Noor

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. RBM offers a new range of soft seating furniture of meeting chairs, sofas and tables that will enable our customers to create great and flexible working environments.

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

The Profim brand stands for 30 years of tradition, Polish values, and passionate work. Throughout its history, Profim's development has been dynamic – and brought new infrastructure, tools, and knowledge. This is how a strong brand with a rich product portfolio was created.

Profim offers swivel armchairs and chairs, visitor chairs and soft seating furniture. Since its founding 30 years ago, Profim has been manufacturing products which meet the highest standards in terms of ergonomics, quality and design. Profim has always pursued conscious and authentic design, with a close attention to detail. 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. Profim was the first Polish manufacturer of office chairs to receive ISO 9001 Quality Management Systems certificate.

9TO5 SEATING

Sit down and get comfortable. While sitting comes naturally, there's much more to the "get comfortable" part of this saying. It might take a simple height adjustment or a slide of the seat pan, but if the price of the chair does not align with your budget, it'll never be the right fit for you. Our team of industrial designers, engineers, and manufacturing automation specialists is constantly improving the product and discovering efficiencies in processes, resulting in greater value and shorter lead times.

From task to lounge, we are designing and delivering chairs that are as gorgeous as they are functional, yet most find the quality most attractive. When comparing seating, fit and finish is often a pretty good indicator of price, but with us that's not the case. Our award-winning chairs are often perceived to be much more expensive than they are. Innovation, along with unmatched manufacturing prowess, is why other brands only talk about quality while we're able to back it up with one of the best warranties in the industry. Not only will you be comfortable choosing 9to5 Seating, you'll be able to relax, knowing you will be sitting pretty for years to come.

CONNECTION

Established in 1997, Connection is a British brand with British manufacturing at its heart. Having grown from humble beginnings, once creating a limited range of operator and task seating chairs; we are now a large-scale, established designer and manufacturer of dynamic furniture solutions.

We specialise in creating furniture, which is intuitive and gives purpose to the working practices of all environments, from complex office settings to large-scale education projects and everything in between.

We champion agile working and furniture that adapts and support the ever-changing ways in which people effectively work and learn. We don't just make furniture, we create products and solutions that elevate a space, to work harder, smarter and altogether better.

Some Flokk Projects delivered in 2021

EDPR, Spain
70 Offecct Carry On,
24 Profim Ellie

Boston Consulting Group, Singapore
498 Offecct Jasmine Soundwave

Kammeradvokaten, Denmark
800 HÅG SoFi

Continental Automotive, Romania
390 Profim Trillo Pro

Department of Defence, Australia
172 RBM Noor,
12 Offecct Carry On

Stockholm University – Albano, Sweden
1049 HÅG SoFi mesh,
236 RH Activ

Rikuzen Takata City, Japan
82 Giroflex 353,
2 Giroflex 64

Canal +, France
2168 Profim Light Up,
129 Profim Vancouver,
1019 RBM Noor

Deutsche Bahn, Germany
784 BMA Secur24

DNB, Norway
700 HÅG SoFi mesh

King Abdullah Financial District, Saudi Arabia
1600 Profim Xenon Net

RAI Television, Italy
80 HÅG Capisco

Bandlab, Singapore
150 9to5 Seating Strata mesh

Sharaton Gateway Toronto, Canada
24 Offecct Carry On

Implenia, Switzerland
145 HÅG Capisco

DLA Piber, Denmark
200 HÅG SoFi

Scandic Hotels, Sweden
1500 RBM Noor

Ajinomoto AGF, Japan
26 Offecct Soundwave Botanic

Best Seller Shanghai, China
183 HÅG SoFi mesh

Porsche, China
1183 Profim Fan

Rahn und Bodmer, Switzerland
232 Giroflex 64

Okayama City Hospital, Japan
56 Giroflex 353

DO Technology, China
18 HÅG Futu 18,
120 9to5 Seating Vault

First Office (Klövern co-working spaces), Sweden
500 HÅG Futu

Nykredit, Denmark
650 HÅG SoFi

Raiffeisen Bank, Switzerland
280 Giroflex 313

Malakoff Humanis, France
818 HÅG SoFi mesh,
537 RBM Noor

Bundesamt für Infrastruktur, Umweltschutz und Dienstleistungen der Bundeswehr (BAIUDBw), Germany
865 BMA Secur24

Advokatfirmaet Thommesen, Norway
213 HÅG SoFi mesh

Ramsay Healthcare, Australia
205 HÅG SoFi mesh

Billiken Hotel Osaka, Japan
17 Offecct Oyster Wood Low

Tryg Forsikring, Norway
550 HÅG Capisco, HÅG SoFi Mesh, HÅG Creed, HÅG Futu, RH Logic, RBM Nu, RBM Softbox, Offecct Nobis, Offecct Swell, Offecct Shift High, Offecct Shift Ottoman

Røros Hotell, Norway
351 RBM Nu, RBM Chic, RBM Allround, Offecct Font, Offecct Nobis, Offecct Bop, Offecct Bop Bar, Offecct Consist

Mattilsynet, Norway
86 HÅG Creed

Sparkasse Köln Bonn, Germany
200 HÅG SoFi mesh

Deutsche Bahn, Germany
572 Profim Chic Lounge, Profim Vancouver Lite, Profim Vancouver Oto, Profim Wall In, Offecct Smallroom

Careritz & Partners, Inc, Japan
76 Giroflex 313

NTT Data Corporation, Japan
23 Giroflex 313,
18 HÅG

HABO Pastorat (The Swedish church), Sweden
120 Offecct Lite,
3 Offecct Playback,
3 Offecct Nobis

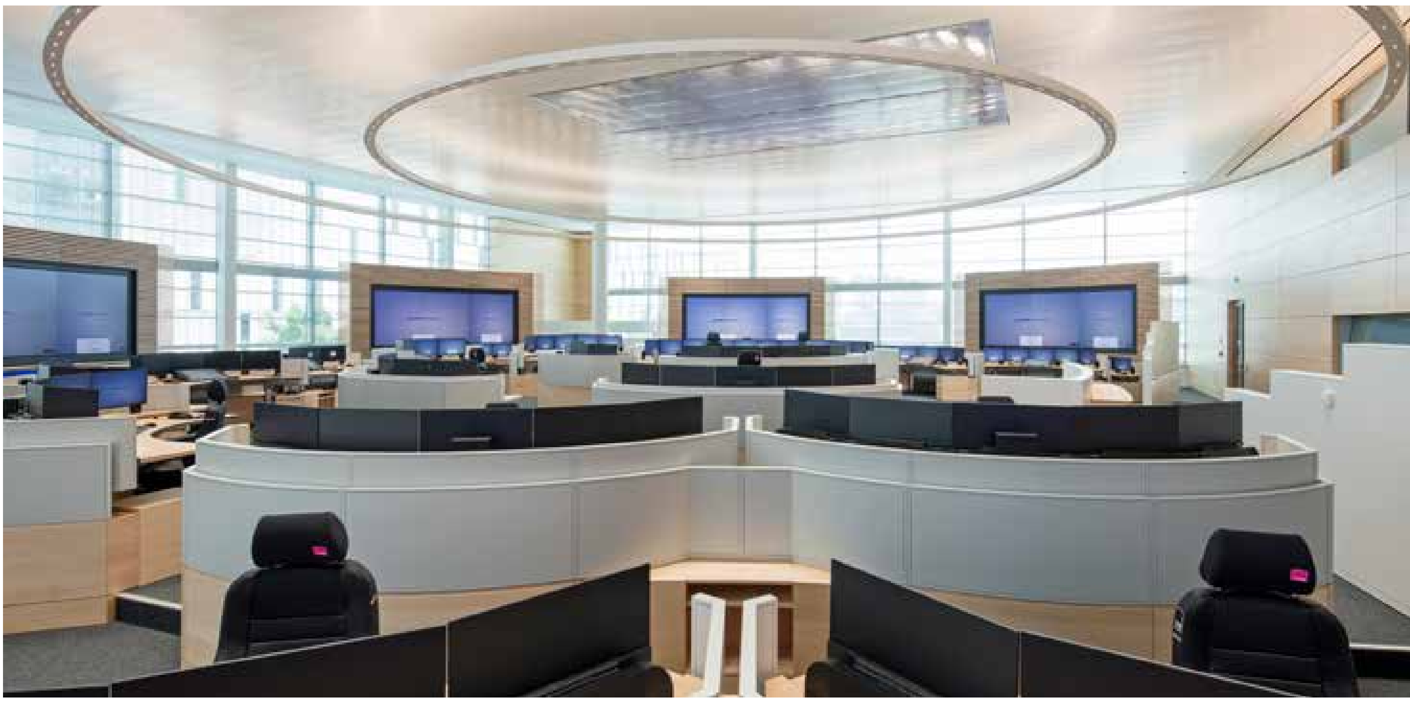
Isbank, Turkey
500 Profim Light up and Xenon

Tesla, USA
500 9to5 Seating Neo

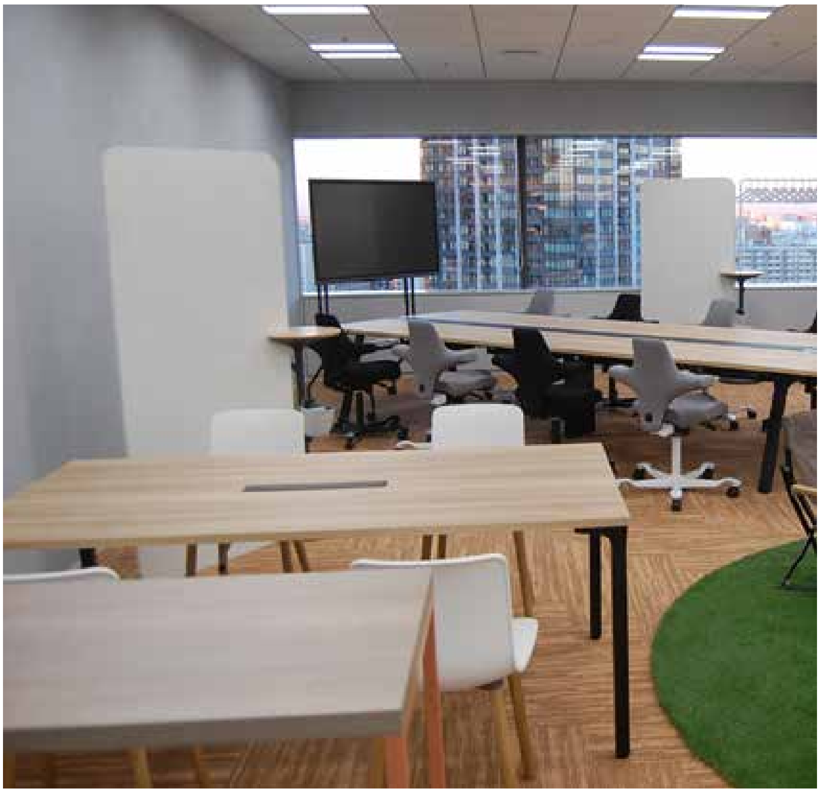
Pacific Gas & Electric (PG&E), USA
5830 9to5 Seating Vault

New Mexico State University, USA
1560 9to5 Seating Strata

BAIUDBw Germany BMA Secur24
Photo: Oliver Heissner



Heng Bang Building, China,
Offecct Oyster High



Toyosu Center, Japan,
HÅG Capisco

DO Technology, China,
9to5 Seating Vault

Meiyi International Kindergarten
RBM Twisted Little Star

Heng Bang Building, China,
HÅG SoFi mesh

Toei Logistics, Japan ,
Giroflex 313

Sunlink, China ,
HÅG Capisco puls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Flokk HQ

Annual Accounts

Board of Directors' Report 2021

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

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

GOING CONCERN

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

GENERAL CONDITIONS

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

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

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

STRUCTURAL CHANGES

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

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

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

MARKETS

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

Through 2021 Flokk made further steps from being a house of brands to being a total seating solution provider. HÅG continues to be the largest and most profitable brand in the Group and saw growth in revenues of 23.8% compared to 2020. The Profim brand remains the second largest brand in the Group with a sales growth of 6,8% from 2020. The Malmstolen brand had sales growth of 52.3% compared to 2020. 9to5 Seating in the US was impacted by the pandemic through 2021, leading to a decline in net sales of 8.2% compared to 2020 but with a strong development in the second half of the year.

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

THE GROUP'S RESULTS

INCOME STATEMENT

The Flokk Group had sales revenues of NOK 3 260.4 million compared to NOK 2 929.3 million in 2020, an increase of 11.3%. Total operating income was NOK 3 352.6 million compared to NOK 3 017.4 million in 2020. The operating profit for the period was NOK 479,8 million compared to NOK 362.9 million in 2020. The operating margin in 2021 was 14.3%. Net financial expenses amounted to NOK 90.0 million compared to NOK 305.9 million in 2020. The decrease in financial expenses is mainly caused by lower interest expenses, and reduced loss on foreign exchange deviation on loans in foreign currency. Profit before tax amounted to NOK 389,8 million, compared to NOK 57.0 million in 2020. Profit for the year amounted to NOK 306.4 million compared to NOK -2.0 million in 2020.

FINANCIAL POSITION

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

Total cash flow for the Group derived from operating activities amounted to NOK 239.5 million. The difference in relation to the operating profit is mainly due to depreciation, taxes paid, unrealised exchange rate differences and changes in working capital.

The Group's total assets at the end of the year stood at NOK 6 089.8 million, an increase of NOK 26.3 million from the end of 2020. The equity ratio was 22.4% compared to 18.1% in 2020. The Group's current liabilities at the end of the year was 18.1% of its total liabilities, on same level as the year before. The total debt ratio was 77.6% vs. 81.9% in 2020.

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

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

FINANCIAL RISK

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

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

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

RESEARCH AND DEVELOPMENT

2021 has been rendered by structural changes in pursuit of operational efficiency, and initiatives to drive growth. The outreach of Flokk's digital marketing has continued to grow steadily, driven by strong thought leadership content published on focus.flokk.com and shared social media platforms and by carefully selected influencer campaigns. Flokk focus, the Group's digital portal for news and stories, grew 79% through 2021, reaching 150 k page views, while flokk.com had 3 million page views. The average session lasted more than two minutes, meaning visitors find content of interest. Our community of followers on social media is now close to 46k users, up 36% from last year.

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

The new HÅG Tion was an important product launch in 2021. The chair embraces all forms of remote work. HÅG Tion offers the opportunity to create a personalized fit and represents a breakthrough on sustainable design with a content of 75% post-consumer recycled material by weight.
Consolidating Flokk's production footprint, the moving of Giroflex and Offecct production to Turek, has required capacity from product development through 2021. Going into 2022, Flokk has a restructured products and brands organisation concentrated on fewer locations. The expected outcome is a strong uptick in new product launches, continued sustainability improvements and marketing reaching a greater audience.

MANUFACTURING AND PURCHASING OPERATIONS (MPO)

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

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

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

In 2022, Flokk will continue to streamline and optimize its total value chain, with the greatest focus on the Turek facility, to achieve profitability requirements and maintaining customer satisfaction in all markets and brands.

An initiative will be made in consolidating the entire supply base, focusing on the global footprint. The overall ambition is to lower the material spend, reduce transportation lead times, and minimized warehouse value.

WORKING ENVIRONMENT, EQUAL OPPORTUNITIES, AND DISCRIMINATION

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

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

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

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

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

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

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

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

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

EXTERNAL ENVIRONMENT

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

In 2021, the Group has focused on communicating the Sustainability Goals 2030, and on strategic work to ensure effective sustainability documentation and certification of its growing portfolio. The sustainability team was strengthened with an energy manager to take care of corporate energy and carbon management. The Group's environmental and energy management system is certified in accordance with ISO 14001:2015 and ISO 50001:2018. Annually, the Group reviews the aspects of the operation, which affect the external environment and energy consumption. Risks and opportunities are assessed at the factories and headquarters, and the most significant aspects defined provide guidance for the annual targets, in compliance with the Group's long-term targets aligned with global strategies.

Climate - with the long-term target of 55% reduction in energy consumption per unit by 2030, the Group contributes to the EU's objective of cutting greenhouse gas emissions by 50-55% by 2030. 86% of the Group's electricity is renewable, with a

16% reduction in CO_2e emissions per unit since 2015. As the Group is ISO 50001:2018 certified, it complies with EU's EED – Energy Efficiency Directive.

Resources - with the long-term target of an average of 60% recycled materials in its products by 2030, the Group contributes to the UN's Sustainable Development Goal number 12, designed to "Ensure sustainable consumption and production". Flokk's latest launched task chairs contain 60-74% recycled materials (HÅG Tion, HÅG Capisco Puls Black, RH New Logic and BMA Axia Vision), assuring that the strategy and its activities give tangible results. In 2021, Flokk used 1 328 tonnes recycled plastics in its products including Turek numbers (2020: 735 tonnes). With 70% of generated waste being material recycled (2020: 71%). Flokk did not reach the target of 82%, a result of adding Turek to the reporting scope.

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

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

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

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

MANAGEMENT CHANGES

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

FLOKK HOLDING 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 2021. Its operating expenses amounting to NOK 11.3 million 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 was NOK 167.6 million, compared to NOK -65.0 million in 2020. Profit for the year amounted to NOK 130.7 million compared to NOK -62.9 million the previous year. At year end, Flokk Holding AS had total assets of NOK 6,113.7 million.

ALLOCATION OF PROFIT OF THE YEAR

The board proposes that the annual profit of the year of NOK 130.7 million in Flokk Holding AS be allocated as follows:

Transferred to other equity	NOK 130.7 million

FUTURE PROSPECTS

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

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

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

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

Oslo, 25 May 2022

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 income statement

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Sales revenues	6	3 260 417	2 929 347
Other income	6, 26	92 218	88 025
Total operating income		**3 352 635**	**3 017 372**
Cost of materials		1 245 583	1 093 663
Inventory movements, in-house production	15	(539)	(31 797)
Personnel expenses	10	862 839	848 686
Depreciations, amortization and impairment	7, 12, 22	174 521	178 463
Other operating expenses	10,13	590 478	565 454
Operating expenses		**2 872 882**	**2 654 469**
Operating profit		**479 753**	**362 903**
Financial income	17	1 050 292	1 668 623
Financial expenses	17	(1 140 269)	(1 974 499)
Net financial income/(expense)		**(89 977)**	**(305 876)**
Profit before tax		**389 776**	**57 027**
Taxes	14	83 394	58 989
Profit for the year		**306 382**	**(1 962)**
Profit for the year attributable to:			
Equity holders of the parent		305 528	(3 029)
Non-controlling interests		854	1 067
Information concerning:			
Earnings per share	20	10 184	(101)
Diluted earnings per share	20	10 184	(101)

Consolidated statement of comprehensive income

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Profit for the year		**306 382**	**(1 962)**
Exchange differences on translation of foreign operations		(56 881)	(11 939)
Items that may be reclassified subsequently to income statement		**(56 881)**	**(11 939)**
Remeasurement of defined benefit pension plans, net of taxes	11	31 701	(20 635)
Other changes		(15 930)	
Items that will not be reclassified to income statement		**15 771**	**(20 635)**
Other comprehensive income, net of taxes		**(41 110)**	**(32 574)**
Total comprehensive income		**265 272**	**(34 536)**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	19	264 245	34 210
Non-controlling interests		1 027	(326)

Consolidated statement of financial position

31 December

NOK (thousands)	Notes	2021	2020
Assets			
Deferred tax assets	4, 14	160 390	155 765
Goodwill	4, 7	3 197 555	3 205 282
Other intangible assets	4, 7	313 492	330 860
Right-of-use assets	22	221 921	224 466
Property, plant and equipment	12	467 930	517 401
Other long term receivables	10	15 524	14 675
Total non-current assets		**4 376 812**	**4 448 449**
Inventories	15	490 135	378 302
Trade receivables	16	451 543	378 911
Other short-term receivables	16	37 354	37 210
Derivatives	8		1 882
Cash and cash equivalents	9	733 911	818 712
Total current assets		**1 712 943**	**1 615 017**
Total assets		**6 089 755**	**6 063 466**
Equity and Liabilities			
Share capital	19	90	90
Share premium		755 720	755 720
Total paid in capital		**755 810**	**755 810**
Retained earnings		564 157	299 912
Non-controlling interests	3	44 838	43 811
Total other equity		**608 995**	**343 723**
Total equity		**1 364 805**	**1 099 533**
Pension obligations	4, 11	11 528	98 056
Deferred tax liabilities	14	166 417	165 446
Warranty provisions	23	3 020	3 312
Long-term interest-bearing loans	8, 9	3 515 345	3 645 004
Lease liability	22	172 420	172 100
Other long-term liabilities		489	1 047
Total non-current liabilities		**3 869 219**	**4 084 965**
Short-term interest-bearing loans	8, 9	35 401	206 051
Lease liability	22	53 747	57 690
Trade payables		321 369	258 267
Taxes payable	14	97 718	69 768
Accrued liabilities		90 796	87 029
Warrenty provisions	23	7 612	8 348
Other short-term liabilities	24	249 088	191 815
Total current liabilities		**855 731**	**878 968**
Total liabilities		**4 724 950**	**4 963 933**
Total equity and liabilities		**6 089 755**	**6 063 466**

31 December 2021
Oslo, 25 May 2022

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

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Operating activities			
Profit before tax *)	7,12,22	389 776	57 027
Depreciations, amortization and impairment		174 521	178 463
Unrealised exchange rate differences		(112 177)	92 084
Profit sales assets included in profit before tax		(86 320)	
Settlement pension agreement in Switzerland	11	(18 190)	
Accrued interest loans		(4 307)	33 209
Capitalised borrowing costs		16 899	14 340
Taxes paid	14	(58 670)	(7 720)
Cash flow from operating activities before change in working capital		**301 532**	**367 403**
Cash flow from change in working capital:			
Change in inventories		(123 877)	(28 924)
Change in current receivables		(95 590)	188 353
Change in payables		72 941	40 441
Change in current liabilities		84 518	(51 240)
Cash flow from operating activities		**239 524**	**516 033**
Investing activities			
Acquisition of business, net of cash acquired	3		(6 448)
Purchase of property, plant and equipment	12	(131 048)	(87 952)
Capitalised development expenditures	7	(35 339)	(8 397)
Sale of tangible assets		159 426	4 021
Sale of financial assets		15	290
Cash flow from investing activities		**(6 946)**	**(98 486)**
Financing activities			
Other long-term liabilities		(1 020)	
Borrowing costs paid			(10 361)
Down payment of interest-bearing loans	9	(216 471)	(50 968)
Settlement to pension agreement in Switzerland	11	(23 514)	
Payment of principal portion of lease liabilities (IFRS 16)		(54 884)	(56 498)
Group contributions paid			(2 000)
Cash flow from financing activities		**(295 889)**	**(119 827)**
Cash flow for the year		**(63 311)**	**297 720**
Cash and cash equivalents at the beginning of the period		818 712	497 486
Exchange rate differences in cash and cash equivalents		(21 490)	23 506
Cash and cash equivalents at the end of the period		**733 911**	**818 712**
Cash and cash equivalents booked as bank deposit		733 911	818 712
*) Includes			
Interest income received		1 190	1 800
Interest expenses paid		155 080	157 698
Interest portion of lease liabilities (IFRS 16)		6 150	5 163

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

Consolidated statement of changes in equity

For the years ended 31 December 2020 and 2021

NOK (thousands)	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total other equity	Total equity
Equity 01.01.20	**90**	**755 720**	**(7 818)**	**341 940**	**44 137**	**378 259**	**1 134 069**
Profit for the year				(3 029)	1 067	(1 962)	(1 962)
Other comprehensive income			(10 546)	(20 635)	(1 393)	(32 574)	(32 574)
Equity 31.12.20	**90**	**755 720**	**(18 364)**	**318 276**	**43 811**	**343 723**	**1 099 533**
Equity 01.01.21	**90**	**755 720**	**(18 364)**	**318 276**	**43 811**	**343 723**	**1 099 533**
Profit for the year				305 528	854	306 382	306 382
Other comprehensive income			(56 881)	15 598	173	(41 110)	(41 110)
Equity 31.12.21	**90**	**755 720**	**(75 245)**	**639 402**	**44 838**	**608 995**	**1 364 805**

Notes – Group

NOTE 1 – GENERAL INFORMATION

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

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Board of Directors on 25 May 2022.

NOTE 2 – ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. Below we have listed the amendments in IFRS which have been applicable for the Group's 2021 financial statements, as well as the effect of the amendments.

AMENDMENT TO IFRS 16 - COVID-19-RELATED RENT CONCESSIONS

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

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

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

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

THE AMENDMENT HAS HAD MINIMAL EFFECT ON THE GROUPS FINANCIAL STATEMENT.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (phase 2). The amendments include requirements related to accounting of financial instruments when the contractual cash flow changes as an effect of a changed benchmark rate, including the impact on the hedge accounting and disclosures.

The amendment had no effect on the Groups financial statement.

CLASSIFICATION

Assets related to normal operating cycles for goods and services that are held for the purpose of trading or are expected to be realised within 12 months after the reporting period, are classified as current assets. Cash and cash equivalents are also classified as current unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. Correspondingly, liabilities related to normal operating cycles for goods and services that are held for the purpose of trading or are expected to be realised within 12 months after the reporting period are classified as current liabilities. Liabilities are also classified as current if there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

THE USE OF ESTIMATES AND JUDGEMENTS

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

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

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

OPERATING SEGMENTS

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

PROPERTY, PLANT AND EQUIPMENT

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

When assets are sold or disposed of, the difference between the consideration and the asset's carrying amount is recognized in the consolidated income statement. Depreciation is calculated using the linear method over the following period:

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

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

INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

RESEARCH AND DEVELOPMENT COSTS
(INTERNAL DEVELOPMENT)
Expenses related to research activities are recognized in the consolidated income statement when incurred. Expenses related to development activities are capitalized as an intangible asset when the Group can demonstrate:

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

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

OTHER INTANGIBLE ASSETS

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

FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

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

Financial liabilities

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

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

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

TRADE RECEIVABLES AND PROVISIONS

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

INVENTORIES

Inventories, including semi-fabricated products, is recognised at the lowest of cost price and net realisable value. Net realisable value refers to the net amount that is expected to be realized from the sale of inventory in the ordinary course of business. Costs are established using the FIFO method. The processed inventories include variable costs and fixed costs that can be allocated to goods based on normal capacity. Obsolete inventories are written down in its entirety.

Inventories are assessed for obsolescence. Obsolescence arises when the inventories contain faulty components or components for products which are no longer for sale, and thus do not represent any value to the Group. Provisions for obsolescence are reversed in those instances when the components are nonetheless able to be used in production.

CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

EXCHANGE RATE DIFFERENCES
Foreign currency transactions are translated at the exchange rate on the transaction date. Monetary items (debt or receivable) in foreign currency are translated into functional currency using the exchange rate on the statement of financial position date. Non-monetary items measured at historical rates expressed in foreign currency are translated into functional currency using the exchange rate at the time of the transaction. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate determined at the time of measurement. Exchange rate fluctuations are recognized in the consolidated income statement under financial income and expenses on an ongoing basis, except for exchange rate changes on foreign currency loans designated as effective hedging of a net investment in a foreign entity, or monetary items that are considered part of the net investment. These changes in exchange rates are recognized as part of other comprehensive income.

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

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

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

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

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

LEASES

Identifying a lease

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

Recognition of leases and exemptions

At the lease commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

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

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

Lease liabilities

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

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

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

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

Right-of-use assets

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

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

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

WARRANTY PROVISIONS, SEE NOTE 23

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

PENSIONS

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

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

The effect of accrued pension benefits is divided over the remaining average accrual period. In the case of contribution plans, payments have been made to the insurance company. Once the contribution has been paid there are not further liabilities. Payments linked to the contribution plans are recognized as a cost in the period to which the contributions relate. The AFP contractual pension scheme is a multi-employer defined benefit but is recognised as a defined contribution plan. Companies that participate in the AFP scheme are jointly responsible for two-thirds of the payable pension. Flokk recognises this as a cost on a current basis. The pension earning period coincides with the period of employment.

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

SALE OF GOODS

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

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

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

FREIGHT EARNINGS

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

GOVERNMENT GRANTS

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

RELATED PARTIES

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

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

EARNINGS PER SHARE

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

NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

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

The amendments must be applied retrospectively and are effective for annual periods beginning on or after 1

January 2023. The Group does not intend to early adopt the amendments.

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

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

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

NOTE 3 – BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

NOTE 4 –ESTIMATES, ASSUMPTIONS AND SIGNIFICANT JUDGEMENTS

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

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

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

BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS

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

GOODWILL

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

In accordance with IAS 36 Impairment of assets, the recoverable amounts of assets and companies is the higher of value in use and fair value less cost of disposal. Value in use, particularly when discounted cash flow methods are used, must in part be based on management's evaluations, including determining appropriate cash-generating units, determining the discount rate, estimated of future performance, revenue generating capacity of the assets, margins, and assumptions of the future market conditions. 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 3 197 million (NOK 3 205 million). Further details and assumptions used are disclosed in note 7.

DEFERRED TAX ASSETS

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

NET PENSION OBLIGATIONS

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

NOTE 5 – MANAGEMENT OF CAPITAL AND FINANCIAL RISKS

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

OBJECTIVES AND STRATEGY

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

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

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

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

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

Giroflex 313

NOTE 6 – SEGMENT INFORMATION

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

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

Outside the main markets, importers buy directly and sell on to dealers and end-customers. The size of the customers varies significantly, with no customer representing 10% or more of the Group's turnover.

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

NORTHERN EUROPE
Norway, Sweden, Denmark, Belgium, The Netherlands and Luxemburg

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

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

OTHER
Ikea and Contract Manufacturing

Per 31.12.2021	Northern Europe	Central Europe	International	Other	Unallocated	Consolidated
Sales revenues	1 283 398	1 262 842	618 084	96 092		3 260 417
Other income, see note 26					92 218	92 218
Total operating income	**1 283 398**	**1 262 842**	**618 084**	**96 092**	**92 218**	**3 352 635**
Operating costs					2 872 882	2 872 882
Operating profit						**479 753**

Per 31.12.2020	Northern Europe	Central Europe	International	Other	Unallocated	Consolidated
Sales revenues	1 014 062	1 151 190	650 639	113 456		2 929 347
Other income, see note 26					88 025	88 025
Total operating income	**1 014 062**	**1 151 190**	**650 639**	**113 456**	**88 025**	**3 017 372**
Operating costs					2 654 470	2 654 470
Operating profit						**362 903**

OTHER INFORMATION

Transactions between the regions are priced on market terms.

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

SALES REVENUES

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

RECONCILIATION TO PROFIT FOR THE YEAR

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

GEOGRAPHIC INFORMATION

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

NOK (thousands)	2021	2020
Distribution of revenue per brand		
HÅG	1 062 980	858 505
RH	460 091	383 694
RBM	107 134	94 772
BMA	245 783	203 122
Giroflex	225 000	255 063
Malmstolen	94 363	61 977
Offecct	70 838	86 760
Profim	639 460	598 810
9to5 Seating	354 766	386 643
Total	**3 260 417**	**2 929 347**
Fixed assets		
Poland	244 691	209 700
Norway	205 292	189 560
Sweden	107 139	151 032
USA	27 388	34 495
China	24 505	6 583
Switzerland	24 096	74 943
Germany	18 153	21 843
Belgium	10 039	12 939
Denmark	7 688	10 054
Latvia	7 251	9 204
UK	5 979	9 580
The Netherlands	3 709	5 707
Czech Republic	1 502	2 711
France	1 311	1 806
Australia	632	1 271
Singapore	477	439
Total	**689 851**	**741 867**

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

NOTE 7 – INTANGIBLE ASSETS

NOK (thousands)	Goodwill	Internal development	Other intangible assets	Total
Fiscal Year 2020				
Carrying amount 01.01.2020	3 248 467	114 758	190 405	3 553 630
Investments		7 993	403	8 397
Additions through acquisitions[1]	23		5 442	5 465
Adjustment of purchase price allocation [2]	(24 150)			(24 150)
Translation differences	(19 058)	5 167	(1 128)	(15 019)
Impairment [3]		(2 397)		(2 397)
Reclassifications		(13 375)	60 476	47 101
Depreciation/amortization		(19 395)	(17 492)	(36 887)
Carrying amount 31.12.2020	**3 205 282**	**92 752**	**238 107**	**3 536 139**
Per 31.12.2020				
Initial cost	3 205 282	218 926	335 973	
Accumulated depreciation /write-downs		(126 174)	(97 865)	
Fiscal year 2021				
Carrying amount 01.01.2021	3 205 282	92 752	238 107	3 536 139
Investments		18 629	16 710	35 340
Translation differences	(7 727)	(4 238)	(9 620)	(21 585)
Sold/Disposed		(81)	(528)	(609)
Depreciation/amortization		(16 853)	(21 386)	(38 239)
Carrying amount 31.12.2021	**3 197 555**	**90 209**	**223 283**	**3 511 046**
Per 31.12.2021				
Initial cost	3 197 555	228 397	318 886	
Accumulated depreciation /write-downs		(138 187)	(95 603)	
Useful life	Indefinite	6-15 years	4-10 years	

[1] See note 3 for information on intangible assets in acquired companies.
[2] Adjustment of Goodwill in final PPA following the acquisition of 9to5 Seating in 2019.
[3] An amount of NOK 2 397 thousand related to discontinued product is recognized as depreciation in the consolidated income statement on 31 December 2020.

OTHER INTANGIBLE ASSETS

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

RESEARCH AND DEVELOPMENT AND PUBLIC GRANTS

The Group performs its own research and development within the field of seating solutions. External parties within a number of fields are often used as part of this work. The Group has several external designers who are engaged in product development. In most cases the designers are compensated for their work in the form of royalties on sales of the individual product. The Group also have some designers who receive a one-time payment for their services. in both cases, the cost is presented as other operating expenses in the income statement. A not inconsiderable proportion of the total R&D costs are royalties from sales that are recognised as costs in the individual year. Development costs incurred in the period and which satisfy the criteria for asset recognition are recognised in the statement of financial position. An impairment test is performed every year. The test uses the same preconditions for growth and return on investment and WACC as for goodwill. Costs for ongoing Development activities as per 31 December are expected to have future earnings that exceed the value recognised in the statement of financial position and expected future costs. As per 31 December 2021, the Group had 17 R&D projects ongoing of which 11 will be launched during 2022.

The Group receives government grants for research and development.

NOK (thousands)	2021	2020
Skattefunn (tax deduction of R&D)	660	712
Training grant	439	496
The Research Council of Norway		2 612
Grant from EU		419
Sum	**1 099**	**4 238**
Research and development recognised in the consolidated income statement	58 185	55 760

GOODWILL

Goodwill distributed per enterprise purchase and CGU NOK (thousands)	Acquired in	Goodwill
Scandinavian Business Seating Holding AB	2014	524 928
Scandinavian Business Seating Holding AS	2014	1 111 592
BMA Ergonomics BV	2015	38 773
Giroflex AG	2017	13 332
Offecct AB	2017	55 137
Flokk Sp. Z.o.o. (Formely Profim Sp. Z.o.o.)	2018	520 880
Ring Baltic SIA	2020	571
Flokk		**2 265 213**
Malmstolen AB	**2017**	**49 125**
9to5	**2019**	**883 217**
Total goodwill		**3 197 555**

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

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

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

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

ASSUMPTIONS

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

Revenues

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

Gross margins

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

Weighted average cost of capital (WACC)

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

The Group has applied the following assumptions for estimating WACC:

- The long term risk-free interest rate is equivalent to the interest rate on 10 year government bonds as this corresponds with the time horizon on the relevant cash flows.
- The risk premium is 4-5% based on market research undertaken by the Norwegian Society of Financial Analysts and the recommendation from its members.
- Beta is 1.5 due to the cyclical nature of the industry
- Corporate Spread is 3.0%, where 1.25% reflects the current uncertainty in the borrowing market plus the NIBOR/STIBOR spread against a long-term risk-free interest rate.

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

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

IMPAIRMENT TESTS OF GOODWILL

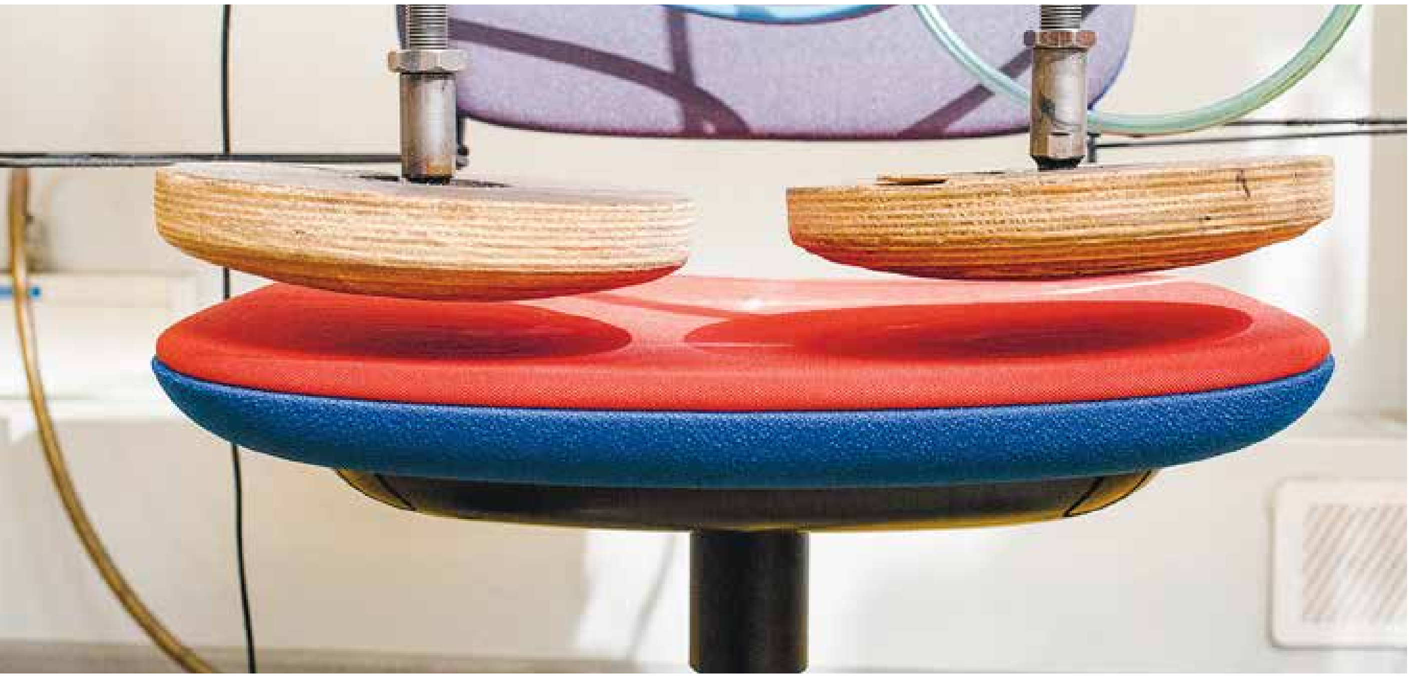
As a result of the impairment test performed in 2021, no impairment has been recognised. It is the managements opinion that the assumptions used in the tests are the best estimate for long term market development combined with the development of the Group.

SENSITIVITY

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

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

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



NOTE 8 – FINANCIAL INSTRUMENTS AND RISKS

MARKET RISK

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

Price risk

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

Effects of increase/reduction in selling prices and rebates:

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

Foreign currency risk

NOK 2 939 million (NOK 2 685 million in 2020) of the Group's sales revenues are denominated in foreign currency. The Group has an even flow of revenues, and its sales are not generally based on a few large individual orders generating a large share of the sales. The Group invoices the customer in the customer's own currency. This means that a large share of the company's financial risk is attached to changes in exchange rates, especially in SEK, DKK, GBP, EUR, PLN, and USD. The Group has foreign currency risk connected to future cash flow in foreign currency. To limit the effect of fluctuating exchange rates, the company uses foreign currency derivatives. Normally, between 50-70% of expected net foreign currency exposure is secured through use of derivatives. However, due to the Covid-19 pandemic and uncertainty thereof, no derivates have been entered into as per end of 2021. The forward contracts are with a large, well-known recognised finance institution in Norway and any credit risk is therefore considered minimal. These contracts are treated as ordinary derivatives where the unrealised gains and losses are recognised in the in the consolidated income statement as currency gains/losses and are recorded at fair value. The Group has investments in subsidiaries in foreign currency where the net investments are exposed for currency risks by conversion. The Group has trade receivables, trade payables and external loans in foreign currency that are exposed for currency risk by conversion to the functional currency NOK. Some fluctuations in exchange rate are treated as ordinary course of business, but a change in foreign currency rates vs. NOK above 5% will be monitored closely by the management.

Interest rate risk

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

Effects of increase/reduction in interest:

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

CREDIT RISK

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

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

NOK (thousands)	2021	2020
Gross trade receivables (note 16)	457 915	387 520
Other receivables	37 354	37 210
Cash and cash equivalents	733 911	818 712
Total	**1 229 180**	**1 243 442**

LIQUIDITY RISK

The Group's activities are not capital intensive and the past years, the annual investment represents 3-6% of the Group's sales. The Group regards its liquidity as good.

Attention is given to the Group's liquidity throughout the year, in terms of both working capital elements and operational activities. The working capital elements have been in focus for several years and the Group has strategies, key figures and action plans that are continuously followed up on during the year. The Group carefully considers the effects on liquidity of operational activities, projects, and investments before these are initiated, in order to retain predictability in liquidity development. The Group's focus on operational effectiveness in all parts of the value chain and close follow-up on working capital ensure that there is satisfactory liquidity for further investment in product development and market development and for servicing debt. No decision has been made to implement any measures that will change the liquidity risk.

THE GROUP'S LIABILITIES AND MATURITY PROFILE

NOK (thousands)	31.12.2021	Total maturity	2022	2023	2024	2025	2026 and later
Interest-bearing liabilities							
Bank loans	3 592 221	3 592 221	50 000	63 000	3 479 221		
Interest on bank loans		383 032	141 747	138 470	102 815		
Lease liabilities*)	226 167	252 685	54 616	44 208	37 551	26 486	89 824
Sum of interest-bearing liabilities	**3 818 388**	**4 227 938**	**246 363**	**245 678**	**3 619 587**	**26 486**	**89 824**
Non-interest-bearing liabilities							
Trade payables	321 369	321 369	321 369				
Other short term liabilities and provisions	347 496	347 496	347 496				
Other long term liabilities	489	489	122	122	122	123	
Sum of non interest-bearing liabilities	**669 354**	**669 354**	**668 987**	**122**	**122**	**123**	
Total	**4 487 742**	**4 897 292**	**915 350**	**245 800**	**3 619 709**	**26 609**	**89 824**

NOK (thousands)	31.12.2020	Total maturity	2021	2022	2023	2024	2025 and later
Interest-bearing liabilities							
Bank loans	3 909 428	3 909 428	220 698	50 000	63 000	3 575 730	
Interest on bank loans		570 847	154 979	152 894	150 844	112 130	
Lease liabilities*)	229 790	258 170	57 759	41 973	33 247	26 880	98 311
Sum of interest-bearing liabilities	**4 139 218**	**4 738 445**	**433 436**	**244 867**	**247 091**	**3 714 740**	**98 311**
Non-interest-bearing liabilities							
Trade payables	258 267	258 267	258 267				
Other short term liabilities and provisions	287 192	287 192	287 192				
Other long term liabilities	1 047	1 047	262	262	262	261	
Sum of non interest-bearing liabilities	**546 506**	**546 506**	**545 721**	**262**	**262**	**261**	
Total	**4 685 724**	**5 284 951**	**979 157**	**245 129**	**247 353**	**3 715 001**	**98 311**

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

USE OF FAIR VALUE

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

The Group does not practice hedge accounting. Financial derivatives are recognised at fair value. Fair value is based on statements from credit institutions. As at 31.12.21, the fair value of forward currency exchange contracts amounted to NOK 0 (1 882) thousand. Value change recognised for 2021 was a gain of NOK 1 882 (5 224) thousand.

FAIR VALUE HIERARCHY

NOK (thousands)	Category	Fair value	Book value	Fair value	Fair value level *
2021					
Non-current assets					
Shares in other companies	B	205	205	205	3
Total		**205**	**205**	**205**	
Current assets					
Trade receivables	A		451 543	451 543	
Cash and cash equivalents			733 911	733 911	
Total			**1 185 454**	**1 185 454**	
Long-term liabilities					
Long-term interest-bearing loans	A		3 542 173	3 542 173	
Total			**3 542 173**	**3 542 173**	
Short-term liabilities					
Short-term interest-bearing loans	A		50 048	50 048	
Trade payable	A		321 369	321 369	
Total			**371 417**	**371 417**	
2020					
Non-current assets					
Shares in other companies	B	206	206	206	3
Total		**206**	**206**	**206**	
Current assets					
Trade receivables	A		378 911	378 911	
Derivatives	B	1 882	1 882	1 882	2
Cash and cash equivalents			818 712	818 712	
Total		**1 882**	**1 199 505**	**1 199 505**	
Long-term liabilities					
Long-term interest-bearing loans	A		3 688 730	3 688 730	
Total			**3 688 730**	**3 688 730**	
Short-term liabilities					
Short-term interest-bearing loans	A		220 698	220 698	
Trade payable	A		258 267	258 267	
Total			**478 965**	**478 965**	

Category:
A: Assets/liabilities at amortised cost
B: Assets/liabilities at fair value through profit and loss

*) The following hierarchy is used for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

NOTE 9 – LOANS, MORTGAGES AND GUARANTEES

NOK (thousands)	2021	2020
Long-term interest bearing loans		
Bank loans	3 542 173	3 688 730
Borrowing costs	(26 828)	(43 726)
Total	**3 515 345**	**3 645 004**
Short-term interest bearing loans		
Bank loans	50 048	220 698
Borrowing costs	(14 647)	(14 647)
Total	**35 401**	**206 051**
Maturity dates down payment, interests and borrowing costs		
Within 1 year	176 363	190 332
From 2 to 5 years	3 756 467	4 060 680
5 years or later		
Interest rate and currency rates as per 31.12. is used for calculating future amortisation and interests.		
Carrying amount of loans per currency:		
NOK	113 000	163 000
EUR	2 597 088	2 722 278
USD	881 940	853 260
Total long-term	**3 592 028**	**3 738 538**
USD - Drawdown revolving credit facility		170 652
CZK - car financing	193	238
Total	**3 592 221**	**3 909 428**
Changes interest-bearing liabilities		
Per 01.01.	3 909 428	3 831 224
Down payments	(216 426)	(50 968)
Car financing	(45)	238
Loan in purchased business		968
Exchange differences on translation of loans in foreign currency	(100 736)	127 966
Per 31.12.	**3 592 221**	**3 909 428**

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

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

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

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

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

Besides the Group's strategy for future growth and profitability, the management specifically follows up the specific requirements stipulated in the agreement with the Group's main banker. Those parts of the business that particularly influence the development of these requirements (covenants) are subject to special follow up. In case of a decline in demand for Flokk's products, the Group has processes and contingency plans for rapid changes the activity levels, investments, and general expenses to secure covenant levels. Forecasts are reviewed frequently. The bank covenants are the ratios NIBD/EBITDA, EBITDA/Total Net Finance Charges, and an investment limit. Bank covenants are calculated at the end of every quarter but monitored monthly. A renegotiation of the bank agreement was completed in December 2020 with new levels of the NIBD/EBITDA covenant going forward. The company fulfilled the covenants in the loan agreement as of 31 December 2021.

NOTE 10 – PERSONNEL EXPENSES AND AUDITOR'S FEES

NOK (thousands)	1.1-31.12 2021	1.1-31.12 2020
Personnel expenses		
Salaries	722 565	686 950
Social security contributions	102 216	104 664
Pension expenses, see note 11	14 957	37 260
Other benefits	23 101	19 812
Total personnel expenses	**862 839**	**848 686**
Average number of full-time equivalent employees	1 778	2 023
The Group has received government grants related to the Covid-19 pandemic.		
Covid 19-support	13 413	46 540
Received government grants are recognized in the income statement as a reduction in the personnel expenses.		
Loan to employees		
One employee was given a loan of USD 1 582.5 thousand in 2019. The loan is due on 26 November 2029 and free of interest. The amount is presented as other long term receivable in the statement of financial position. No other loans have been provided to employees in the Group as of 31 December 2021.	13 957	13 503
Audit fee - NOK (thousands) excl. VAT		
Audit fee	5 626	7 332
Other assurance fees	196	225
Tax services fees	877	2 017
Other fees	465	1 131
Total	**7 164**	**10 705**

NOTE 11 – PENSIONS

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

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

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

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

The Group's employees in Switzerland have a pension scheme that falls under the provisions for defined benefit pension in accordance with IAS 19. The scheme includes all employees of Flokk AG. Pension funds are managed by a private pension fund which is independent of the companies. Following the closure of the Switzerland production site in Koblenz in December 2021, the assets and liabilities were transferred to a public pension insurance company. Following this transfer, Flokk AG was released from all obligations to retirees. The settlement resulted in an income of NOK 18 190 thousand recognized in personnel expenses in the consolidated income statement. Prior to the settlement, an amount of NOK 23 514 thousand was contributed to the fund as an extraordinary payment.

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

ASSUMPTIONS USED TO DETERMINE DEFINED BENEFIT OBLIGATIONS AS OF 31 DECEMBER

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

Parameters such as salary growth, increase in the basic amount (G) and inflation are determined in accordance with recommendations in the different countries. The mortality estimate is based on tables for the different countries that are as up to date as possible. In Norway, the K2013 life table is used. In Switzerland, the BVG2015 GT is used. The actuarial gains and losses are recognised in other comprehensive income and are essentially related to changes in economic assumptions. Return on pension funds are expected to be on same level in 2022. Future returns are uncertain and dependent on interest rates, stock market fluctuations and risk management. Contributions to the pension scheme for 2022 are calculated to NOK 1 907 thousand.
For the group's companies in other countries, defined contribution pension plans for all employees are established.

COMPONENTS OF NET PENSION COST

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

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

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

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

NOK (thousands)	Land, buildings and other property	Machinery and equipment	Furniture and fittings 1)	Assets under construction	Total
Fiscal year 2020					
Carrying amount 01.01.20	209 686	85 773	154 368	97 027	546 854
Investments	10 388	310	16 817	60 437	87 952
Acquisitions through business combinations		354	63		417
Disposals	(4 096)	(688)	(4 327)		(9 111)
Transferred assets under construction	10 037	16 506	18 343	(92 206)	(47 320)
Reclassifications	12 624	(4 331)	(19 684)	13 737	2 346
Recognised as an expense			(10 225)	(126)	(10 351)
Depreciation	(19 014)	(19 883)	(31 302)		(70 199)
Translation differences	7 005	1 755	5 507	2 546	16 813
Carrying amount 31.12.20	**226 630**	**79 796**	**129 560**	**81 415**	**517 401**
Per 31.12.2020					
Initial cost	558 103	706 005	643 244	81 415	1 988 767
Accumulated depreciation /write-downs	(331 473)	(626 209)	(513 684)		(1 471 366)
Carrying amount 31.12.20	**226 630**	**79 796**	**129 560**	**81 415**	**517 401**
Fiscal year 2021					
Carrying amount 01.01.21	226 630	79 796	129 560	81 415	517 401
Investments	2 855	724	11 524	115 964	131 067
Disposals	(74 246)	(2 951)	(7 942)	(308)	(85 447)
Transferred assets under construction	25 925	11 194	24 555	(61 674)	0
Reclassifications		517			517
Recognised as an expense			(163)	(939)	(1 102)
Depreciation	(17 002)	(19 026)	(35 441)		(71 469)
Translation differences	(10 030)	(5 329)	(4 224)	(3 692)	(23 275)
Carrying amount 31.12.21	**154 132**	**64 925**	**117 869**	**130 766**	**467 692**
Per 31.12.2021					
Initial cost	287 172	298 973	616 945	131 003	1 334 093
Accumulated depreciation /write-downs	(133 040)	(234 047)	(499 076)		(866 163)
Carrying amount 31.12.21	**154 132**	**64 926**	**117 869**	**131 003**	**467 930**
Useful life	10-25 years	6-8 years	3-10 years		

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

NOTE 13 – OTHER OPERATING EXPENSES

NOK (thousands)	1.1 - 31.12.2021	1.1 - 31.12.2020
Premises expenses	54 584	48 325
Marketing expenses	46 749	46 753
Travelling expenses	8 619	11 046
Fees	83 938	83 666
Business acquisition expenses		6 852
External freight expenses	208 266	176 314
Royalty	45 469	19 931
Car expenses	11 891	12 273
IT-expenses	54 128	46 792
Other operating expenses	76 834	113 502
Total other operating expenses	**590 478**	**565 454**

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

Covid 19-support	674	3 870

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

NOTE 14 – TAXES

The major components of income tax expense are:

NOK (thousands)	2021	2020
Taxes payable on this years result, Norway	39 443	7 776
Taxes payable on this years result, abroad	49 146	40 656
Changes in deferred tax and deferred tax benefit, Norway	(1 723)	(8 622)
Changes in deferred tax and deferred tax benefit, abroad and Group	(5 883)	15 316
Taxes previous years	2 411	3 863
Income tax expense reported in the income statement	**83 394**	**58 989**

Reconciliation of the Group's tax rate.
IIn the following table, reported taxes are reconciled with the tax expense based on the Norwegian tax rate of 22% (22% in 2020). The main components are:

Profit before tax	389 774	57 027
Norwegian tax rate (22%)	85 750	12 546
Change of assessment previous years 2)	310	25 293
Permanent differences	(2 105)	19 866
Effect of change in tax rate 1)	(15)	(26)
Other: differences in tax rates, currency etc.	(547)	1 310
Income tax expense	**83 393**	**58 989**
Effective tax rate	**21%**	**103%**

1) The tax rate in Sweden changed from 21.4% to 20.8% from 01.01.2021. Revaluation of deferred tax is included in change in deferred tax and deferred tax benefit, abroad and Group.
2) The amount consists of changes in income tax expenses, deffered tax and expired tax loss carry forward.

Tax rates outside Norway that deviate from 22%:
The largest effects are related to 9to5 Seating LLC. (US 29.8%) and Flokk GmbH (Germany 30%) which have higher nominal tax rates than the nominal tax rate in Norway, while Flokk AG (Switzerland 19%) and Flokk Sp. Z.o.o. (Poland 19%) have lower nominal tax rates.

TAX EFFECT OF TEMPORARY DIFFERENCES AND TAX LOSS CARRIED FORWARD AS OF DECEMBER 31

NOK (thousands)	2021		2020	
Deferred tax on temporary differences:	**Temporary Difference**	**Deferred tax recognized in the income statement**	**Temporary Difference**	**Deferred tax recognized in the income statement**
Property, plant and equipment	(474 741)	(9 350)	(524 574)	20 573
Intangible assets	(201 444)	17 597	(142 536)	22 107
Current assets	6 686	587	10 180	3 366
Liabilities and other differences	307 120	(9 233)	250 265	(36 644)
Tax loss carried forward	274 870	(15 699)	228 448	(4 732)
Pension obligations not covered	11 006	8 491	97 440	2 024
Total	**(76 503)**	**(7 606)**	**(80 777)**	**6 694**

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

	2021	2020
Deferred tax asset	160 390	155 765
Deferred tax	(166 417)	(165 446)
Net deferred tax	**(6 027)**	**(9 681)**

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

NOK (thousands)	2021	2020
Reconciliation of deferred tax		
Opening net balance as of 01.01.	(9 861)	(5 535)
Deferred tax acquired in business combinations		(1 729)
Tax expense during the period recognised in consolidated income statement	7 606	(6 694)
Tax expense during the period recognised in OCI	(7 280)	4 705
Other: differences in tax rates, currency etc.	3 327	(429)
Closing net balance 31.12.	**(6 027)**	**(9 861)**
Reconciliation of taxes payable for the year ended 31.12.		
Current income tax charge	88 581	48 432
Tax payment, not settled	33 280	35 368
Prepaid income tax	(22 882)	(10 608)
Other changes	(1 261)	(3 424)
Closing balance 31.12.	**97 718**	**69 768**

NOTE 15 – INVENTORIES

The Groups's total inventories include the following:

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

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

NOTE 16 – TRADE RECEIVABLES AND OTHER RECEIVABLES

NOK (thousands)	2021	2020
Carrying amount	457 915	387 520
Provisions for bad debt	6 372	8 609
Total trade receivables	**451 543**	**378 911**
Prepaid expenses	31 237	29 001
Deposits	1 772	553
Other receivables	4 345	7 656
Total other receivables per 31.12	**37 354**	**37 210**
Total receivables per 31.12	**488 897**	**416 121**
Change in provision for bad debt:		
Provision per 01.01.	8 606	4 133
Change in provision during the year	(2 234)	4 476
Provision per 31.12.	**6 372**	**8 609**
Realized losses	101	372

BREAKDOWN OF TRADE RECEIVABLES BY DUE DATE:

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

Provisions are made for expected losses on receivables based on relevant information available at the time of reporting, including historical, current and future information in accordance with a simplified expected loss model. The provision is to be based on objective criteria. Further, the Group utilizes external and internal credit ratings, as well as a comprehensive assessment of each individual customer.

NOTE 17 – FINANCIAL ITEMS

NOK (thousands)	1.1 - 31.12.2021	1.1 - 31.12.2020
Financial income		
Interest income	1 190	1 801
Foreign exchange gain derivatives	41 898	62 982
Other foreign exchange gain [1)]	1 007 138	1 603 823
Other financial income	62	17
Total	**1 050 288**	**1 668 623**
Financial expenses		
Interest expenses	150 462	190 908
Interest expense on lease liabilities	6 150	5 163
Foreign exchange loss derivatives	41 821	67 530
Other foreign exchange loss [1)]	917 932	1 692 822
Other financial expenses	23 899	18 076
Total	**1 140 264**	**1 974 499**
Net financial income/(expenses)	**(89 976)**	**(305 876)**

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

NOTE 18 – LIST OF GROUP COMPANIES

The following companies have been consolidated:

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

NOTE 19 – SHARE CAPITAL

As of 31 December 2021, Flokk Holding AS had a share capital of NOK 90 thousand divided into 30 shares 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 and number of shares outstanding in Flokk Holding AS as per 31 December 2021:

Shareholder	Share capital	No. of shares
Flokk Holding II AS	NOK 90 000	30
No. of outstanding shares per 31.12.20		30
No. of outstanding shares per 31.12.21		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. With the exception of the rights in § 7 in the company's articles of associations, the preference shares, preference B-shares and the ordinary shares give equal rights in the Flokk Holding II AS.

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

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

NOTE 20 – EARNINGS PER SHARE

NOK (thousands)	2021	2020
Earnings per share	10 184	(101)
Diluted earnings per share	10 184	(101)
Profit for the year attributable to equity holders of the parent	305 528	(3 029)
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's lease agreements mainly relate to the lease of buildings, machinery and equipment and vehicles.

RIGHT-OF-USE ASSETS

The Group leases several assets such as offices and other facilities, machinery and equipment and vehicles. The Group's right-of-use assets are categorised and presented in the table below:

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

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

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

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

Summary of other lease expenses recognised in the consolidated income statement		
Payments of variable,short term and low value leases	55	266
Total lease expenses included in other operating expenses	**55**	**266**

PRACTICAL EXPEDIENTS APPLIED

The Group also leases personal computers, IT equipment and machinery with contract terms of 1 to 3 years. The Group has elected to apply the practical expedient of low value assets for some of these leases and does not recognise lease liabilities or right-of-use assets. The leases are instead expensed when they incur. The Group has also applied the practical expedient to not recognise lease liabilities and right-of-use assets for short-term leases, presented in the table above.

VARIABLE LEASE PAYMENTS

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

EXTENSION OPTIONS

The Group's lease of buildings has lease terms that vary from 0 years to 72 years, and several agreements involve a right of renewal which may be exercised during the last period of the lease terms. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right.

PURCHASE OPTIONS

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

NOTE 23 – WARRANTY PROVISIONS

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

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

The Group has a warranty period of 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)	2021	2020
Accrued salary expenses	100 567	71 454
Other accrued expenses	148 521	120 361
Total other short-term liabilities	**249 088**	**191 815**

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

NOK (thousands)	CEO	Other members of Group Management[1)]	Board
2021			
Board of Directors fee			1 688
Salaries	4 727	22 180	
Bonuses	1 200	6 003	
Other benefits	144	1 505	
Pension expenses	190	5 817	

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

2020			
Board of Directors fee			1 827
Salaries	4 596	21 410	
Bonuses	360	1 522	
Other benefits	144	1 713	
Pension expenses	183	1 421	

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

The CEO has an agreement for full pay for up to 24 months in the event of termination of employment by the company. There is no agreement for any remuneration in the event of the chair of the board leaving the position.
In accordance with the current bonus scheme for management and senior employees, the Group has accrued an amount of NOK 15 184 thousand in the consolidated income statement as of 31.12.21. The bonus will be due for payment in 2022. There are no option programs or agreements of share-based payment in the company.

Shares owned by management and board members in the parent company Flokk Holding II AS through the company Spinnaker Norway MipCo AS per 31.12.21:	Ordinary shares	Preference shares
Group Management		
Lars Ivar Røiri (Røiri Invest AS)	400 000	10 000
Lillevi Ivarson (Tunset AS)	160 000	4 000
Patrik Röstlund	80 000	2 000
René Sitter	80 000	2 000
Christian Lodgaard	48 000	1 200
Frederik Fogstad	16 000	400

Shares owned by management and board members in the parent company Flokk Holding II AS through the company Spinnaker Norway MipCo 2 AS per 31.12.21:	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
Lars Ivar Røiri (Røiri Invest AS)	140 426	2 694
Patrik Röstlund	140 426	2 694
Aiguille AS (Henning Karlsrud)	138 565	2 985
Frederik Fogstad	127 500	2 250
Cross Invest AS (Trygve Aasland)	127 500	2 250
Zoute Invest GmbH (Rene Sitter)	83 139	1 791
Trolan AS (Trond Langeland)	65 863	3 227
Christian Lodgaard	42 500	750
Jonas Allers Wismer	42 500	750

NOTE 26 – OTHER INCOME

RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

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

NOTE 27 – EVENTS AFTER THE REPORTING DATE

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

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

The Group is monitoring the ongoing war in Ukraine. The Group does not have any suppliers in any of the countries, but the Group is monitoring the raw material prices, as the involved countries are significant producers of raw material, of which especially wood and steel are relevant to Flokk Group.

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

Flokk Holding AS – Income statement

1 January - 31 December

NOK (thousands)	Notes	2021	2020
Personnel expenses	2	1 214	2 083
Other operating expenses	2, 10	10 070	6 567
Total operating expenses		**11 284**	**8 650**
Operating profit		**(11 284)**	**(8 650)**
Financial income	3	1 046 456	1 538 066
Financial expense	3	867 591	1 594 411
Net financial income/(expense)		**178 866**	**(56 345)**
Profit before tax		**167 582**	**(64 994)**
Taxes	4	36 868	(2 102)
Profit for the year		**130 714**	**(62 892)**
Information concerning:			
Transferred to other equity		130 714	(62 892)
Total distribution		130 714	(62 892)

Flokk Holding AS – Balance sheet

31 December

NOK (thousands)	Notes	2021	2020
Assets			
Deferred tax benefit	4	16 301	14 406
Shares in subsidiaries	5	3 380 657	3 380 657
Loan to subsidiaries	6	2 015 105	2 141 329
Total non-current assets		**5 412 064**	**5 536 392**
Group receivables	6	248 435	202 386
Cashpool receivables	6	31 287	134 798
Other receivables		41 582	58 558
Total receivables		**321 304**	**395 742**
Cash and cash equivalents		380 381	569 965
Total current assets		**701 685**	**965 708**
Total assets		**6 113 749**	**6 502 100**
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	1 100 997	970 283
Total equity		**1 856 807**	**1 726 093**
Long-term interest-bearing loans	8	3 542 028	3 688 538
Total long-term liabilities		**3 542 028**	**3 688 538**
Short-term interest-bearing loans	9	50 000	220 652
Taxes payable	9	38 763	9 007
Trade payable	9	77	649
Value added taxes		5 539	
Cashpool liabilities	6,9	584 679	820 564
Group payable	6,9	2 118	571
Other short-term liabilities	9	33 737	36 026
Total current liabilities		**714 913**	**1 087 469**
Total liabilities		**4 256 941**	**4 776 007**
Total equity and liabilities		**6 113 749**	**6 502 100**

31 December 2021
Oslo, 25 May 2022

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

1 January - 31 December

NOK (thousands)	2021	2020
Profit before tax	167 582	(64 994)
Group contribution	(199 634)	(133 342)
Change in cashpool recevables	103 511	20 197
Change in cashpool liabilities	(235 884)	488 194
Change receivables	20 311	(43 026)
Change in payables	975	182
Change in other provisions	(55 806)	93 890
Paid taxes	(6 933)	
Cash flow from operating activities	**(205 877)**	**361 100**
Loan to subsidiary		(11 049)
Proceeds from borrowings	99 377	393
Down payment of interest-bearing loans	(216 426)	(50 000)
Group contribution received	133 343	119 535
Cash flow from financing activities	**16 294**	**58 879**
Cash flow for the year	(189 583)	419 979
Cash and cash equivalents at 01.01	569 965	149 986
Cash and cash equivalents and cashpool deposit at 31.12	**380 381**	**569 965**
Specification:		
Bank deposits at 31.12	3 536	556
Cash pool deposits at 31.12	376 846	569 409

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 no 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, Drammensveien 145, 0277 Oslo.

NOTE 2 – OPERATING EXPENSES

NOK (thousands)	2021	2020
Fees auditor	446	2 429
Fees consultancy	7 882	2 223
Financial and legal consultancy	1 234	1 752
Provision directors' fee	1 214	2 083
Other operating expenses	508	163
Total operating expenses	**11 284**	**8 650**

NOTE 3 – AGGREGATED FINANCIAL INCOME/EXPENSE

NOK (thousands)	2021	2020
Financial income		
Interest income	66 318	84 979
Foreign exchange gain	780 505	1 319 745
Group contribution	199 634	133 342
Total	**1 046 456**	**1 538 066**
Financial expense		
Interest expense	148 083	188 042
Foreign exchange loss	698 053	1 390 632
Other financial expenses	21 455	15 737
Total	**867 591**	**1 594 411**

NOTE 4 – TAXES

NOK (thousands)	2021	2020
Taxes payable this years result	38 763	6 933
Change deferred tax	(1 895)	(9 035)
Income tax expense	**36 868**	**(2 102)**
Profit before tax	(32 051)	(198 337)
Group contribution	199 634	133 342
Tax loss carried forward	(31 326)	
Change temporary differences	16 908	3 950
Interest deduction carried forward	23 033	92 558
Basis for taxes payable	176 197	31 514
22% taxes payable	**38 763**	**6 933**
Profit before tax	167 582	(64 994)
22% taxes	36 868	(14 299)
Taxes due to:		
Permanent differences		
Change previous years		12 197
Income tax expense reported in the income statement	**36 868**	**(2 102)**
Specification of the basis of deferred taxes		
Temporary differences included in the provision for deferred taxes:		
Borrowing costs	(41 493)	(58 401)
Tax loss carried forward		31 326
Unutilized interest deductibility	115 591	92 558
Total temporary differences	**74 098**	**65 483**
Net deferred tax	**16 301**	**14 406**
Deferred tax and deferred tax benefit are booked as gross value in the balance sheet statement.		
Deferred tax benefit	25 430	27 255
Deferred tax	(9 129)	(12 848)
Total	**16 301**	**14 406**

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	1 153	(20 960)
Flokk AS	Oslo	2016	100 %	100 %	2 438 417	1 439 381	180 828
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)	2021	2020	2021	2020	2021	2020	2021	2020
	Flokk AS		Flokk BV		Flokk Holding GmbH		Flokk Holding ApS	
Loan to subsidiaries	265 548	274 367			108 159	113 372	100 231	105 000
Accrued interest loan	5 183	4 909			2 080	3 851	1 935	2 027
Group receivables								
Cashpool receivables			22 328	132 609			8 959	2 190
Group contribution	194 752	128 491						
Total	**465 483**	**407 767**	**22 328**	**132 609**	**110 238**	**117 223**	**111 125**	**109 216**

NOK (thousands)	2021	2020	2021	2020	2021	2020
	Sia Ring Chairtech		Flokk USA Holding LLC		Sundveien AS	
Loan to subsidiaries		570	1 031 894	998 337		
Accrued interest loan			15 019	20 112		
Group receivables			15 186	25 683		
Cashpool receivables						
Group contribution					4 882	4 851
Total		**570**	**1 062 098**	**1 044 131**	**4 882**	**4 851**
	Trispin Acquico AB		Flokk Holding II AS		Total	
Loan to subsidiaries	509 274	649 683			2 015 105	2 141 329
Accrued interest loan	9 399	12 094			33 615	42 991
Group receivables				370	15 186	26 052
Cashpool receivables					31 287	134 798
Group contribution					199 634	133 342
Total	**518 672**	**661 777**		**370**	**2 294 827**	**2 478 513**

LIABILITIES

NOK (thousands)	2021	2020	2021	2020	2021	2020	2021	2020
	Flokk AS		Flokk BV		Flokk GmbH		Flokk Holding GmbH	
Group payable	2 118	571						
Cashpool liabilites	148 095	105 665		83 535	34 506	42 132	14 719	8
Total	**150 213**	**106 236**		**83 535**	**34 506**	**42 132**	**14 719**	**8**
	Flokk NV		Flokk AB		Flokk Sarl		Flokk Ltd	
Group payable								
Cashpool liabilites	26 267	8 294	21 067	56 945	8 874	7 657	45 271	47 263
Total	**26 267**	**8 294**	**21 067**	**56 945**	**8 874**	**7 657**	**45 271**	**47 263**
	Flokk A/S		Malmstolen AB		Offecct AB		Flokk sp. z.o.o.	
Group payable								
Cashpool liabilites	73 419	31 033	47 674	18 979	4 231	7 232	74 909	278 382
Total	**73 419**	**31 033**	**47 674**	**18 979**	**4 231**	**7 232**	**74 909**	**278 382**
	Sundveien AS		Fastighet AB Stolhuset		Trispin Acquico AB		Total	
Group payable							2 118	571
Cashpool liabilites	13 676	12 755	9 818	11 041	59 822	109 645	582 349	820 564
Total	**13 676**	**12 755**	**9 818**	**11 041**	**59 822**	**109 645**	**584 467**	**821 134**

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 31.12.20	**90**	**755 720**	**970 283**	**1 726 093**
Profit for the year			130 714	130 714
Equity per 31.12.21	**90**	**755 720**	**1 100 997**	**1 856 807**

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.

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

NOTE 8 – RECEIVABLES AND LIABILITIES

NOK (thousands)	2021	2020
Long-term liabilities with maturity later than 1 year		
Bank loan	3 542 028	3 688 538
Total	**3 542 028**	**3 688 538**
Loans secured by mortgage	3 592 028	3 738 538
Assets mortgaged		
Shares	3 380 657	3 380 657

Per 31 December 2021, the loan is drawn in NOK, EUR and USD and is due in 2024. The borrowing costs are capitalised and expensed over the lifetime of the loan. The bank overdraft as per 31 December 2020 of USD 20,0 million (NOK 170,7 million) was repaid in May 2021.

The interest is variable and normally tied for three months at a time. The average interest rates in 2021 was for the NOK-loan 0.49%, the EUR-loan 0% and USD-loan 0.22% plus margin. The interest rates correspond to the sum of relevant IBOR and an interest margin based on the key figures NIBD/EBITDA, EBITDA/Total Net Finance Charges and an investment limit. The margin is set every quarter according to an incremental scale in relation to key performance indicators (covenants) achieved. The company fulfilled the covenants in the loan agreement as at 31.12.2021.

At the end of 2021, the company had a total credit line of NOK 3 959,0 million, consisting of bank loan of NOK 3 592,0 million and an unused bank overdraft limit of NOK 367,0 million.

NOTE 9 – CURRENT LIABILITIES

NOK (thousands)	2021	2020
Short-term interest-bearing loans	50 000	220 652
Group payable	2 118	571
Cashpool liabilities	584 679	820 564
Trade payable	77	649
Value added taxes	5 539	
Taxes payable	38 763	6 933
Taxes previous year		2 074
Other short-term liabilities	33 737	36 026
Total current liabilities	**714 913**	**1 087 469**

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)	2021	2020
Auditor (excl. VAT)		
Audit fee	313	957
Audit related consultancy services	97	1 401
Tax consultancy fee	37	72
Directors' fee		
Directors' fee paid out in 2020	1 688	1 827

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 25 May 2022.

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Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Flokk Holding AS

Opinion

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

In our opinion

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Oslo, 25 May 2022
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

Independent auditor's report - Flokk Holding AS 2021

A member firm of Ernst & Young Global Limited

Definitions

ALTERNATIVE PERFORMANCE MEASURES

Flokk Group's financial information is prepared in accordance with International Financial Reporting standards (IFRS). In addition, it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Flokk's performance, but not instead of the financial statements prepared in accordance with IFRS.

The alternative performance measures presented may be determined or calculated differently by other companies. The principles for measurement of the alternative performance measures are in accordance with the internal reporting to Group Management (chief operating decision makers) and are consistent with financial information used for assessing performance and allocating resources.

ORGANIC REVENUE GROWTH

Organic revenue is defined as revenue adjusted for the effects of mergers, acquistitions, disposal of operations and currency effects. Organic growth is measured by eliminating sales by acquired business in the year of acquisition and then add whole year revenue by use of proforma when measuring growth to the following year. We believe that the measure provides useful and necessary information to stakeholders for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance
- it is used for internal performance analysis, and
- it facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

RECONCILIATION

NOK (thousands)	2021	2020	Change whole year	Change YoY
Revenue growth	3 260 417	2 929 347	331 070	11%
Impact of using exchange rates for 2021		(150 212)		
M&A				
Organic revenue growth	**3 260 417**	**2 779 135**	**481 281**	**17%**

NOK (thousands)	2020	2019	Change whole year	Change YoY
Revenue growth	2 929 347	3 015 477	(86 130)	-3%
Impact of using exchange rates for 2020		238 528		
M&A		389 745		
Organic revenue growth	**2 929 347**	**3 643 750**	**(714 403)**	**-20%**

ORGANIC EBITA GROWTH

Organic EBITA growth is defined as the earnings before interest, tax and amortization, adjusted for the effect of mergers, acquisitions, disposal of operations and currency effects. Organic growth is measured by eliminating EBITA by acquired business in the year of acquisition and then add whole year EBITA by use of proforma when measuring growth to the following year. We believe the measures provide useful and necessary information to stakeholders for the following reasons:

- it provides additional information on underlying growth in the profitability of the business without the effect of certain factors unrelated to its operating performance
- it is used for internal performance analysis, and
- it facilitates comparability of underlying growth in profitability with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

RECONCILIATION

NOK (thousands)	2021	2020	Change whole year	Change YoY
Operating profit	479 752	362 903	116 849	32%
Amortization and impairment	21 390	17 531	3 860	
EBITA	**501 142**	**380 434**	**120 708**	**32%**
Impact of using exchange rates for 2021		(28 142)		
M&A				
Organic EBITA growth	**501 142**	**352 292**	**148 850**	**42%**

NOK (thousands)	2020	2019	Change whole year	Change YoY
Operating profit	362 903	275 081	87 822	32%
Amortization and impairment	17 531	2 977	14 554	
EBITA	**380 434**	**278 058**	**102 376**	**37%**
Impact of using exchange rates for 2020		34 162		
M&A		89 885		
Organic EBITA growth	**380 434**	**402 105**	**21 672**	**-5%**

CONTRIBUTION MARGIN

Contribution margin is defined as net sales minus the total of all variable cost for the manufacturing and distribution operations. This is key performance indicator to management because it provide additional information on product profitability and distribution efficiency. It is also used for internal performance analysis.

RECONCILIATION

NOK (thousands)	2021	2020
Sales revenues	**3 260 417**	**2 929 347**
Cost of goods sold	(1 245 044)	(1 061 866)
Salary production workers	(279 795)	(222 090)
Sales freight	(200 735)	(174 324)
Other variable cost	(102 570)	(85 888)
Contribution margin	**1 432 273**	**1 385 179**
Contribution margin/Sales revenues	**44%**	**47%**

OPERATING EXPENSES (OPEX)

Operating expenses is a key financial paramenter for Flokk and comprise of total cost for non-production personnel and other operating cost. Management monitor the operating expenses in its continuous effort to improve efficiency and increase profitability.

RECONCILIATION

NOK (thousands)	2021	2020
Sales revenues	**3 260 417**	**2 929 347**
Other operating Cost	590 478	565 454
Reclassifications		
Fixed personnel expenses	583 044	626 597
Fire incident Turek		(88 025)
Sales freight	(200 735)	(174 324)
Other	(102 570)	(85 888)
OPEX	**870 217**	**843 813**
OPEX/Sales revenues	**27%**	**29%**

ADJUSTED EBIT

Earnings before interest, tax, and impairment (EBIT) is a key financial parameter for Flokk. Adjusted EBIT is EBIT ex. items affecting comparability (cost and income) and is defined as EBIT less gains and losses on M&A activities, workforce reductions and integration cost. These measures are useful to stakeholders in evaluating and comparing operating profitability across time periods.

RECONCILIATION

NOK (thousands)	2021	2020
Sales revenues	**3 260 417**	**2 929 347**
Operating profit	479 752	362 903
Amortization and Depreciation	174 522	178 463
EBITDA	**654 273**	**541 366**
Items affecting comparability:		
Merger and acquisition cost	4 240	5 026
Integration activities	54 005	98 391
Turek fire incident	24	(62 076)
Strategic review of Flokk	167	7 371
Other	12 243	22 514
Adjusted EBITDA	**724 953**	**612 591**
Depreciations	(153 131)	(160 933)
Adjusted EBITA	**571 821**	**451 659**
Adjusted EBITA/Sales revenues	**17%**	**15%**
Amortization and impairment	(21 390)	(17 531)
Adjusted EBIT	**550 431**	**434 128**
Adjusted EBIT/Sales revenues	**17%**	**15%**

PRODUCT DEVELOPMENT AND IMPROVEMENT SPEND

The product development and improvement spend shows how much the group is investing in either launching new products or improving margins and / or adding updated versions of current products, either recognized as an expense in the income statement or as an asset in the statement of financial position. Flokk believes this is relevant for investors as it shows the group's investsments in products that shall generate revenues and profits in the future.

RECONCILIATION

NOK (thousands)	2021	2020
Sales revenues	**3 260 417**	**2 929 347**
Recognized as an expense	90 170	69 994
Recognized as an asset	24 469	21 516
Product development and improvement spend	**114 639**	**91 510**
Product development and improvement spend / Sales revenues	**4%**	**3%**

CAPITAL EXPENDITURES

Capital expenses (capex) are derived from the statement of financial position and consists of investments in PPE and intangible assets, excluding business combinations and extraordinary items. Capex is a measure of investments made in the operations in the relevant period and is useful to stakeholders in evaluating the capital intensity of the operations and to understand the level of underlying investments.

RECONCILIATION

NOK (thousands)	2021	2020
Sales revenues	**3 260 417**	**2 929 347**
Tangible assets	131 067	87 952
Development	18 629	7 993
Other intangibles	16 710	403
Rebuild plant in Turek	(53 837)	(231)
Capital expenditures	**112 569**	**96 117**
Capital expenditures / Sales revenues	**3%**	**3%**

AVAILABLE CASH AND CASH EQUIVALENTS

Available cash and cash equivalents are monitored by Flokk on a frequent basis to understand the flexibility with regards to potential investments or acquisitions. Unused credit facilites are defined as the group's revolving credit facilities less what is used of these facilities for guarantees in rental agreements and similar.

RECONCILIATION

NOK (thousands)	2021	2020
Cash and cash equivalents	**733 911**	**818 712**
Unused credit facilities	367 000	195 278
Available cash and cash equivalents	**1 100 911**	**1 013 990**

RETURN ON OPERATING CAPITAL EMPLOYED

Return on operating capital employed measures the capital efficiency of the group's assets. Goodwill and intangible PPA assets from acquisitions have been excluded, to show the returns on the group's investments in tangible and intangible assets. Excess cash and cash equivalents are assumed to be all cash holdings above 5% of the sales revenues the last 12 months. This cash is retained for future acquisitions and for the years 2020-2021 due to dividend restrictions in the loan agreements.

RECONCILIATION

NOK (thousands)	2021	2020
Adjusted EBITA, ex impairment on intangible assets recognized in business combinations	**571 821**	**451 659**
Total assets	6 089 754	6 063 467
Current liabilities	(855 730)	(878 968)
Interest-bearing current liabilities	103 795	278 389
Goodwill	(3 197 555)	(3 205 282)
Intangible assets recognized in business combinations	(2 709)	(3 925)
Excess cash and cash equivalents	(570 890)	(672 245)
Total operating capital employed	**1 566 664**	**1 581 436**
Return on operating capital employed	**36%**	**29%**

NET DEBT

Net debt consists of both current and non-current interest-bearing loans less cash and cash equivalents. Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. Net debt/adjusted EBITDA is a key ratio that Flokk considers to be relevant to investors who want to assess Flokk's opportunity to meet its financial obligations.

RECONCILIATION

NOK (thousands)	2021	2020
Adjusted EBITDA	**724 953**	**612 591**
Cash and cash equivalents	(733 911)	(818 712)
Interest bearing loans	3 592 221	3 909 428
Net Debt	**2 858 310**	**3 090 716**
Net Debt/Adjusted EBITDA	**3.9**	**5.0**

CASH CONVERSION

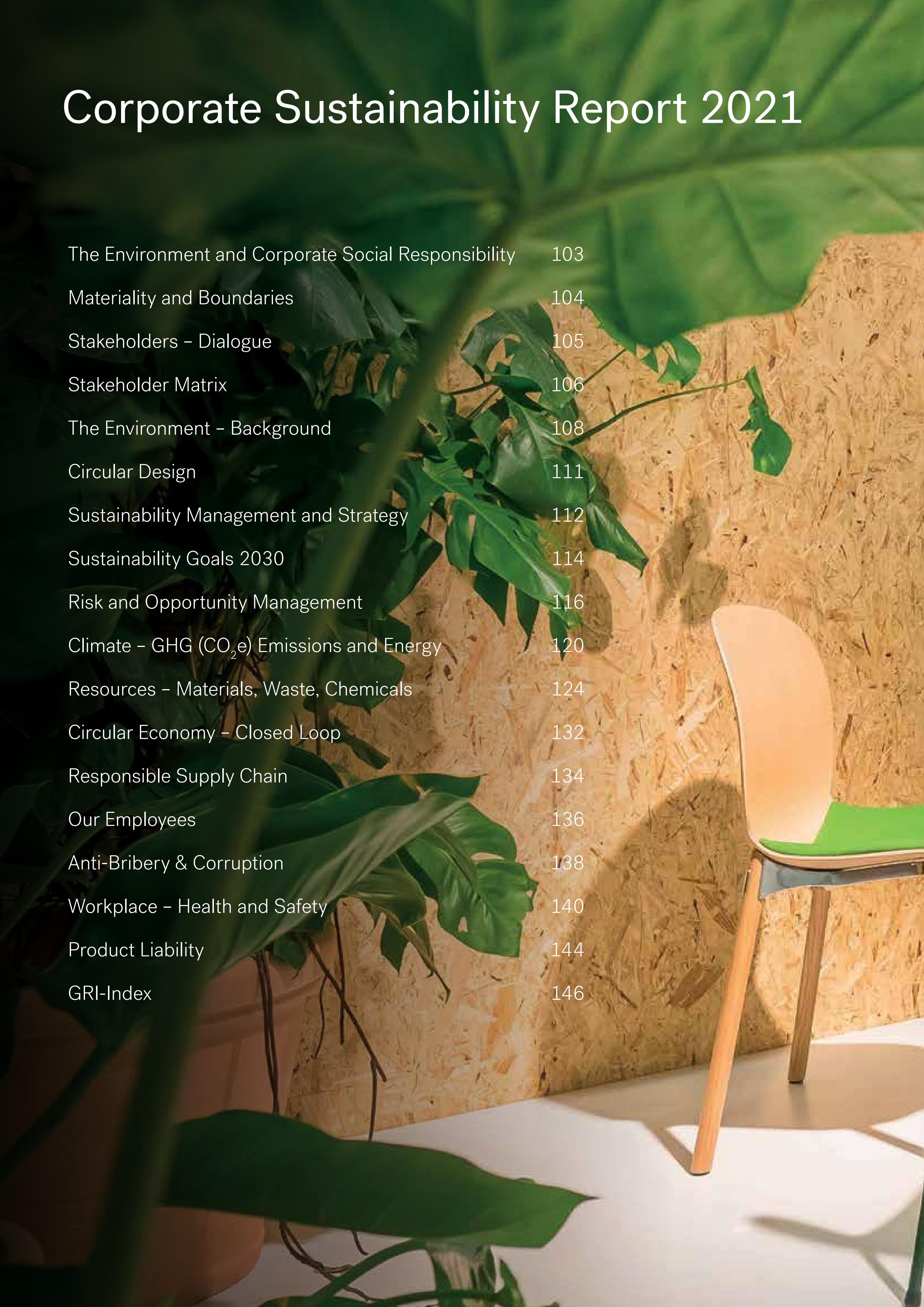
Cash conversion is a key financial parameter for Flokk measuring cash flow generated from operations excluding items affecting comparability and net working capital changes. This measure is useful for investors to understand Flokk's underlying cash generation irrespective of financing arrangements, IFRS16 effects and extraordinary revenues, costs or investments.

RECONCILIATION

NOK (thousands)	2021	2020
Adjusted EBITDA	**724 953**	**612 591**
Capex	(112 569)	(96 117)
Depreciations right-of-use	(56 605)	(56 605)
Cash Conversion	**555 779**	**459 869**


DO Technology, China,
RBM Noor 9to5 Seating Vault

Corporate Sustainability Report 2021



The Environment and Corporate Social Responsibility

Flokk has had a strategic focus on sustainability for nearly 40 years. We have always led the way in our industry through the development, production and promotion of sustainable products and efficient operation of our production sites and value chains.

We aspire to be an environmentally conscious market leader whose circular products, services and processes are resource, energy and water efficient, generate minimum greenhouse gas emissions, do not present a risk to health or the environment and result in minimal waste generation. We are committed to our ongoing efforts with a focus on climate, resources and health to minimize the total environmental impact of the Group. And as our company is constantly growing, we see also through acquisitions the opportunity to scale these efforts. This will strengthen our power and ability further, to make an even greater difference.

In 2021, we have managed to reduce our carbon emissions per unit by 16% since 2015, due to a high share of 86% renewable electricity and a 201% increase of units produced in that same period. We see a positive trend in reaching the long-term target of an average of 60% recycled materials in our products. The focus going forward will be for Flokk to continue to improve and continue to grow as a pioneer within sustainability, working with both internal and external value chains. We will impose even stricter environmental requirements on all our suppliers, who must also submit to our ethical guidelines, which include human rights, working conditions, bribery, corruption, sanctions and animal welfare.

We are highly aware of our responsibility as a producer beyond merely generating profits from selling smart seating solutions. With ESG at the core of our strategy, 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 practicing 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, through sales, production, after-sales service and end-of-use.

Lars I. Røiri

Lars I. Røiri
Chief Executive Officer

Materiality and Boundaries

One important element of our sustainability report is to determine the topics on which it is relevant for us to communicate to our stakeholders. These are topics which reflect Flokk's significant economic, environmental and social impacts. Important part of this work is to identify both internal and external viewpoints and inputs over time. We must not only adapt to the increased impact from the growth of our organisation, but also to a rapidly changing society and legislation, with requirements and expectations that are increasing in line with greater public awareness in every market.

MATERIAL TOPICS
Flokk's annual procedure on materiality analysis is to calibrate our defined set of significant topics for both the company and external stakeholders. This is done by Flokk management, with selected members of Group Management (GM) involved.

This years' report follows the GRI Standard 2016.

MATERIAL IMPACTS AND STRATEGIC PRIORITIES
In 2021, Flokk engaged The Governance Group to facilitate an update of our materiality assessment according to the new GRI Standard 2021, which has revised the concept of materiality. The materiality assessment involved in-depth interviews with both internal and external stakeholders. A final list of Flokk's strategic priorities and where we have the most impact to the environment and society, both positive and negative, was agreed upon and calibrated with Flokk and selected GM managers. From next year on, Flokk will report on these Material Impacts and Strategic Priorities, rather than disclosing information on Material Topics as in this year's report.

REPORT SCOPE
In this years' sustainability report, 9to5 Seating is covered partly. The largest workplaces covered by this report are the factories at Røros, in Nässjö, Turek and Hawthorne and the head office in Oslo.

The report presents primary data for Flokk's entire workforce in Norway, Sweden, The Netherlands, Switzerland, Denmark, Germany, Belgium, Austria, The Czech Republic, France, the UK, Poland, China, Singapore, Australia, Canada, and the USA.

Important topics for the report

- The Environment – background, management, strategy
- Climate – Energy consumption & efficiency, Greenhouse gas - GHG (CO_2e) emissions
- Climate risk
- Resources – materials, waste, closed loop
- Chemicals – products, production, suppliers
- Health and safety – customers, workplace
- Ethical guidelines – code of conduct, anti-bribery & corruption
- Responsible supply chain – human rights, transparency
- Product design – liability, certification

Materiality for external interested parties	LOW	MEDIUM	HIGH
HIGH		**Closing the loop** **Sub-suppliers**	**Energy consumption & efficiency** **Greenhouse Gas – GHG (CO_2e) emissions** **Climate risk** **Sustainable product design & innovation** **Resources/materials sourcing & use** **Chemicals** **Health and safety - Customers** **Health and safety - Workplace** **Ethics and anti-corruption** **Suppliers: labour standards & human rights** **Suppliers: environmental challenges** **Legal compliance**
MEDIUM	Employee training & development Transport Labour relations Local community involvement Use of local suppliers Water management	**Business partners** **Transparency** **Diversity & equality** **Suppliers: anti-corruption** **Responsible marketing & labeling** **Waste management** **Discharges**	
LOW	Spills Other emissions Lobbying Biodiversity Philanthropy	Attractive workplace Anti-competitive behavior Social: human rights Workplace: human rights	

Materiality for Flokk corporation

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

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

Our stakeholders are entities or individuals in boards, but also 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 and Investors/Bank
- The Board and Group Management
- Colleagues, New employees and Contracted workers
- Trade unions
- Consultants
- Customers - Dealers, Importers, End users
- Competitors
- Public, Local communities, Neighbours and Media
- Suppliers, Partners and Transporters
- NGOs and organisations
- Authorities and Regulatories
- 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 deputy member of the Board
- Through NHO, member of the German federation of furniture manufacturers, BSO, and the European Furniture Industries Confederation (EFIC)
- Member of Skift, a business-led climate initiative & CEO network, established to accelerate the transition to a low carbon economy
- Norwegian Rooms furniture cluster, of which our VP Group Marketing, Marianne Otterdahl Møller, is a Board member, and where our VP Sustainability, Atle Thiis-Messel, participates in their Expert group for sustainability and circular business models
- The revision of the EN 1335 standard for office furniture at national and European level
- Participation in the CEN Work Group 10 'Requirements and tools for furniture circularity', aiming to standardise Circular Economy (CEN - European Committee for Standardization)
- Various local & regional bodies round our production facilities, including TIG (Turek Chamber of Economy)

Involvement in projects

Project	Goal / Findings	Partners	Timeline
Community work hub	Pilot project of a reuse & replace system for community co-working spaces, allowing users to change their work environment from home, but spare the commute to work	OBOS GoGood	2021 →
Hållbar Interiör	Development of design criteria, ranking & certification of the sustainability of interior architecture and furnishing	RISE, Tengbom architects, Federation of Swedish Furniture Industries, Indicium + various suppliers	2021 →
Low-carbon interior projects	Furnishing & publication of ZEB Lab, Norway's most sustainable building. Similar for Örsted's less waste Polish headquarter	ZEB Lab/NTNU, Örsted	2021
POCOplast	Collaboration to utilize post-consumer plastics from aquaculture before lost in nature, value chain focus	NCE Aquatech, Bellona, Plasto, Empower, NOPREC, SINTEF	2020 →
Adapt AI	Process development for upstream Aluminium production, to enable higher post-consumer recycled content while maintaining mechanical properties & downstream processing needs	Norsk Hydro ASA, SINTEF, Raufoss Technology AS, IDT AS	2020- 2023
Circular textiles ecosystem	Circular textile solutions for seating application	RISE, Volvo, Artex, Bogesunds + 8 additional partners	2020 - 2021
InCharge	Remote charging for IOT applications	SINTEF, Nordic Semiconductors, Cisco	2019 - 2021
Leading in Environment & Quality	Tackle sustainability challenges Increase our competitive strength	Federation of Norwegian Industries + 22 companies	2017 →

Stakeholder Matrix

Stakeholders	Mutual influence / impact	Forum for dialogue – Frequency
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 video calls, quarterly performance reviews and an annual ESG forum. Flokk reports to Triton on key ESG KPI's biannually.
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. As part of the established ESG Forum, Flokk reviews ESG performance quarterly. ISO Management Review is integrated in the ESG agenda, in which VP Sustainability reports status to GM.
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 conduct annual personal development talks, setting objectives and personal development goals all linked to Flokk strategy and the department's action plan.
EXTERNAL		
Customers - dealers, importers, end users	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 has not been sent out due to COVID-19 situation. We will send out mid 2022.
Suppliers and their workers	Develop suppliers through a close cooperation. Focus on improving Low-performing suppliers, 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.	Meetings with key suppliers are held at least 2 times per year: Review performance, improvements and opportunities. Supplier Performance and risks are internally followed up monthly. 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.
Local communities	Flokk is an important employer in the local communities of Nässjö, Turek and Røros. 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.
NGOs and organisations	Flokk is a member of Ethical Trade Norway (ETN) and collaborates with environmental organisations where relevant. We support Hold Norge Rent through membership.	Representatives of the purchasing and sustainability departments are invited to seminars and courses run by ETN. We actively participate in the environmental foundation ZERO's Fossil Free plastics forum.
Industry associations	A - The Confederation o f 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. Participation in Expert group for sustainability and circular business models

Key topics 2021	Response
INTERNAL	
Three highlights from Triton's ESG agenda in 2021: A - Reduction in energy consumption and comply with the European Energy Efficiency Directive (EED) B - Include add-ons in ESG program C - Reduce numbers of recordable work-related injuries	A - Flokk reports energy consumption and carbon emission to Triton, complies with EED through ISO 50001 B – Turek and Hawthorne added to Triton ESG KPI reporting scope in 2021 C - Higher level in 2021 at 15 vs 8 in 2020, due to increased reporting scope
Innovation, digitalization, brand strategies for acquired brands, strategic governance. Market communication of environmental benefits. Preparations for ISO 50001:2018 recertification audit at Røros production site.	Raised level of innovation in portfolio development, including key sustainability topics. Continued migration of post-consumer recycled material in component production. A continuous surge in marketing communication on sustainability for 2021. Flokk sites at Oslo, Røros, Nässjö and Germany were ISO 50001:2018 recertified in February'2022.
Due to the continued Covid 19 pandemic, focus has been paid to infection control measures to minimize impact on business and employees, all in cooperation with the Unions and the local working environment committees. In 2021, we have conducted our biannual working climate survey, which was initially planned for 2020. All employees were invited to answer the survey, and we obtained 82% response rate. We have continued to develop Learning@Flokk with new digital training programs. We will implement Learning@Flokk for all production workers during 2022. Learning has become an integrated part of our Induction Program for all new employees.	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, Turek and Nässjö sites. Regular General Meetings take place four times a year, and departmental meetings are held at least every second month.
EXTERNAL	
Integration of 2 brands and common ERP and CRM system in our factory in Turek to have equal handling and carry through of the customer order processes. Integration of Flokk HUB to simplify order process to our dealers (B2B) and to end customers (B2C).	Lean order handling by re-organizing the order process has been carried through 2021. Flokk HUB and re-organizing the order flow process in Flokk in total. New KPI reports are made to measure response time towards our dealers.
During 2021, main activities were moving of production location for our Giroflex (Switzerland) and Offecct (Sweden) brands to our Polish factory in Turek.	Based on these relocations we are now focusing on localising suppliers closer to our Polish factory for a more efficient value chain.
Flokk continue to contribute financially to culture and sports projects in the local communities of Røros and Nässjö. Due to covid restrictions in Poland active support in social initiatives were put on hold in 2021.	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 on in several projects.
ETN has high focus on gaining control of a responsible supply chain in our dialogues. In 2021, we continued to work with, and financially support, ZERO on surveying potential and possible solutions of fossil free plastics.	Our annual reporting to ETN is integrated in this corporate sustainability report. We share our experience on increasing use of post-consumer recycled plastics with ZERO's Fossil Free plastics forum.
A - Pilot member of "Leading on Environment and Quality" project. EPD practice improvement. Position statements ahead of EFIC sessions (through NHO). 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

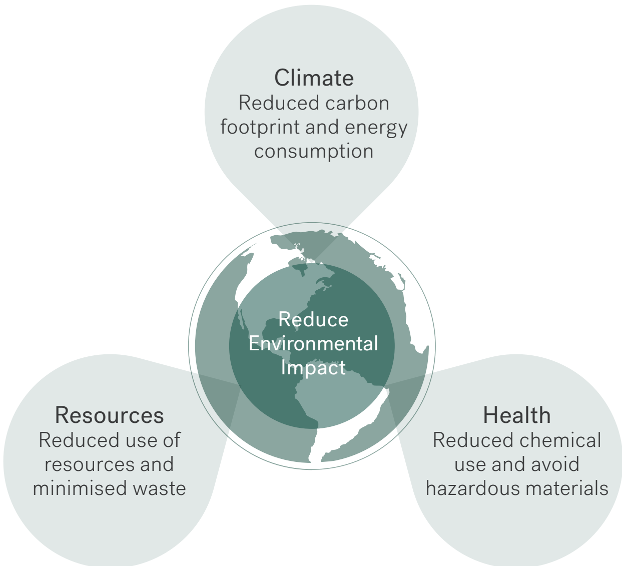
Sustainability has been a high priority for the company for nearly 40 years. In 1990, we were the first company in Norway to employ a full-time environmental manager – long before customers and the general public showed an interest in the environmental performance of companies and products in general. Early on, we established our three focus areas – climate, resources and health. Flokk have several milestones as sustainable pioneers; the first office chair producer in Europe to be ISO 14001 certified (1999), and the first office chair producer to declare products with EPDs – Environmental Product Declarations (2004) and to obtain the Nordic Swan Ecolabel (2010). Over the last years, we have grown to become the office seating market leader in Europe, and we are now able to scale our ongoing efforts to reduce our impact, and thus make a significant difference.

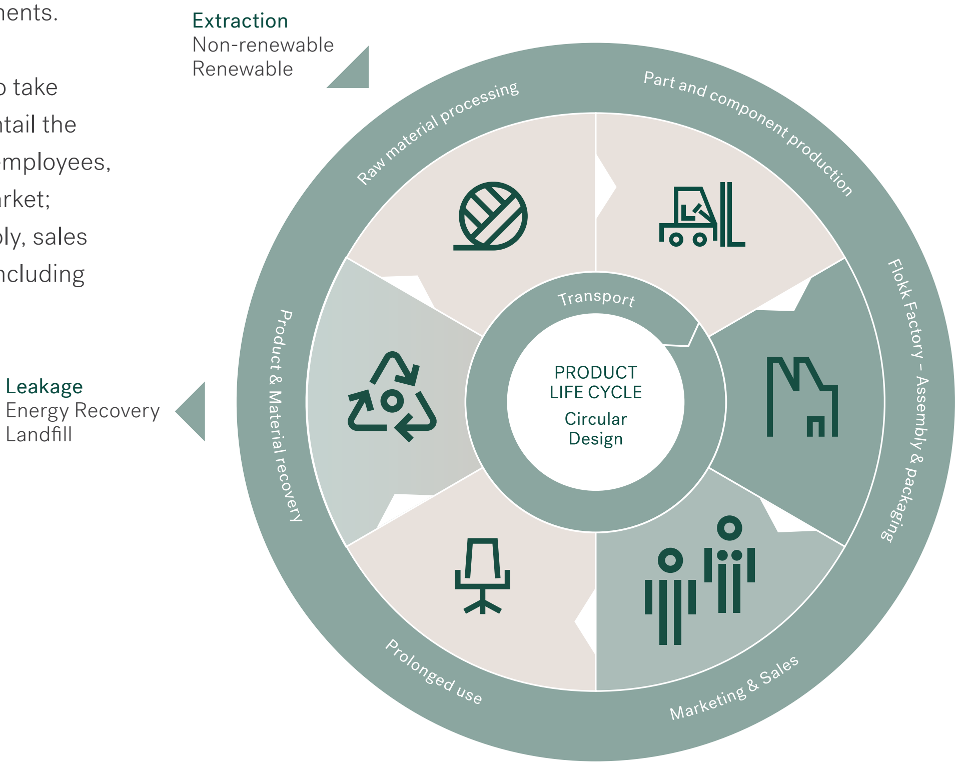
THE ENTIRE LIFE CYCLE COUNTS

Our environmental impact is one way or the other linked to all the people and entities involved, so we keep our focus throughout the entire value chain.

More than 90% 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 product life cycle, 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

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.

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 – flexible adjustments for multiple use – easy to reuse – 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

Sustainable Design and Innovation Recognitions in 2021

- HÅG Capisco Puls recycled Snow plough markers edition – 2 awards:
  - Winner of 'Household & Leisure Product of the Year' at the Plastics Recycling Awards Europe 2021, Amsterdam
  - Mixology Awards – Product of the Year 2021 – Task Furniture

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 Central- and Northern Europe, our sustainability focus has been on environment. We use cradle-to-grave CO_2e emissions pr net sales as the KPI for this on corporate level. From previous analysis, as an industrial company, we know that the vast majority of our environmental footprint is associated with the materials processed and 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. Beyond responsibility for the sustainability section of our design philosophy, the Sustainability Department is responsible for a defined set of 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.

ESG - ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG is an important part of the Group's work on compliance, driven by our urge to always do better, and by various regulations and demands from the outside world. The Group's owners share this interest and follows the company ESG performance & progress closely. Our work strives 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. Reporting on ESG is defined as a separate process and positioned under the Finance department.

An important part of the compliance work is 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 is integrated in our ongoing risk assessments. By actively minimising 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.

ENVIRONMENTAL & ENERGY MANAGEMENT SYSTEM

The Group is ISO 14001:2015 certified, and two production sites are ISO 50001:2018 certified. Flokk complies with EU's EED – Energy Efficiency Directive.

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 derived from long term environmental goals and aligned with the respective sites. The process is executed in close cooperation with local employees and the people in charge, and the status is followed up each quarter by Group Management.

The environmental & energy goals for 2021 were based on aspect analysis of the factories at Røros and in Nässjö, as well as the head office in Oslo and sales offices in Germany. The Turek site will be integrated into our management systems during 2022.

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

Sustainability Management

Long-term goal:
Continuous improvement

Measures 2021	Status	Measures 2022
Follow up outcomes of Climate Risk Assessment 2019 **Results - Monitoring KPI's to reduce climate emissions (CO_2 emissions per revenue, share of renewable electricity, tonnes recycled plastics per units) - Follow up on Sustainability Goals 2030 - Implemented environmental data management tool - Circular design principles implemented in Turek**	✔	Annual review and update of Climate Risk Assessment
Flokk GRI report 2021 to be compliant with EU NFRD (Non-Financial Reporting Directive) **Results - We have rethought our strategy to await the new EU legislation CSRD – The Corporate Sustainability Reporting Directive, and report accordingly when this is required from GRI 2023**	➡	Prepare for CSRD reporting for GRI 2023
Turek included in ESG reporting scope, will be included in GRI scope 2021 as well **Results - Turek: complete ESG and GRI reporting scope 2021. Hawthorne (9to5): complete ESG and partly GRI reporting scope 2021**	✔	Hawthorne: complete GRI reporting scope 2022
Sustainability Data Management tool - sign contract with Greenstone+ and implement for ESG and GRI reporting 2021 **Results - Greenstone+ rolled-out & implemented for ESG reporting 2022. Not ready for GRI reporting 2021**	✔	Further develop Greenstone+ for GRI reporting. Investigate potential for use as Site data management tool
Quality assure pilots for the corporate M3 (ERP) development - BOM on demand with sustainability attributes & Supplier Portal **Results - successful pilot for streamlining BOM-to-EPD creation**	➡	Ongoing development. Next steps to quality assure the 2022 scheduled pilots
Continue 5-III transition and implementation at new acquisitions **Results - 5-III implemented at Turek**	✔	Investigate 5-III implementation at 9to5
Measure actual use & effect of 5-III in innovation processes **Results - not prioritised**	●	
Develop more specific and context based 5-III Circular Design criteria for various product segments	➡	Measures 2021 continued due to lack of capacity

Sustainability communication highlights 2021

- Flokk 2030 Sustainability goals presented through meetings, articles, videos and online visibility
- Flokk hosted an online panel discussion called Creating a Circular Society: Turning trash into treasure during Stockholm Design Week in February
- Flokk collaboration with various stakeholders on producing chairs from collected and discarded snow plough markers gained attention in many countries
- Several repair guides produced and published for our products, extending the lifespan of our products
- The most ambitious product launch campaign of the year, HÅG Tion, was based around the innovative new ways of working with recycled materials
- Collaboration with Norwegian sustainability influencers Fæbrik

Sustainability Goals 2030

With most of our production & inbound value chains traditionally in Central- and Northern Europe, our sustainability focus has been on environment since early years. As we increase our global footprint, we work to complement the sustainability focus on social and governance conditions. Flokk's strategic goals and targets on environment towards 2030 are defined to ensure we contribute to the achievement of the global targets as set e.g. by the EU European Green Deal, UN Sustainable Development Group and the UN Convention on Climate Change. They also reflect our learnings and experiences from working on our environmental goals for 2010-2020, some of the results described in last years GRI report. We see the ongoing crises of climate change, biodiversity, plastic waste and over-consumption as opportunities to make a difference.

CLIMATE TARGETS – GHG (CO_2e) EMISSIONS AND ENERGY

= Reduce CO_2e emissions per unit [kgCO_2e/unit] by 55% by 2030 (vs 2015) - (Scope 1,2,3) *
= Reduce CO_2e emissions per revenue [tCO_2e/MNOK] by 55% by 2030 (vs 2015) - (Scope 1,2,3)
x Reduce energy consumption per unit [kWh/unit] by 40% by 2030 (vs 2015) - (Scope 1,2)
x Reduce energy consumption per revenue [MWh/MNOK] by 40% by 2030 (vs 2015) - (Scope 1,2)
x 100% renewable electricity by 2025 - (Scope 2)
x 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

Selection of decided measures to reach our long-term goals:
- Replacing fossil fuels with renewable sources such as heat pumps run on green electricity
- Reduce use of district heating
- Switch our car fleet to zero/low emission vehicles (electric and plug-in hybrid)
- Reduce air travel, replace with web meetings
- Improve our packaging design, logistics and goods transportation
- Continue our energy efficiency gains at all sites
- Purchase renewable electricity at all sites (hydro, wind, solar)
- Lower the impact from our Supply chain

HEALTH – CHEMICALS

= Products and their manufacture must be free of chemical contents that are hazardous to the environment and/or health, according to Globally Harmonized System of Classification and Labelling of Chemicals
= 100% of all standard fabrics must be certified with the EU Ecolabel by 2022

Flokk's contribution to:
- UN Sustainable Development Goal no. 3

Selection of decided measures to reach our long-term goals:
- Redefine & update our purchasing criteria starting this year 2022
- Increase our chemical control at suppliers through digitalization
- Improve follow up of our supply chain performance through digitalization

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

Our environmental targets towards 2030 are as a minimum in line with ambitious European and National targets - indicated with an equal sign (=). On top of this we have set several differentiator targets that are unique for our company with even higher ambitions than expected - indicated with a cross (x).

RESOURCES & CIRCULAR ECONOMY – MATERIALS AND WASTE

- x Increase share of recycled materials used in the products to an average of 60% by 2030
  - x 1 500 tonnes of recycled plastics used in our products by 2025
  - x 100% recycled & recyclable plastics in all plastic packaging by 2030
  - x Increase recycled share of aluminium to 95% (moulded) and 75% (extruded) by 2025
  - x Increase recycled share of steel to 50% by 2025 or 50% fossil-free steel by 2030
- = 100% FSC® certified wood and factories by 2030
- x 85% of our waste will be material recycled by 2025
- x Products in core markets will be distributed with clear obligations on end-of-first-use handling:
  - x 75% of HÅG, RH, Giroflex by 2030 (30% by 2025)
  - x 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

Selection of decided measures to reach our long-term goals:

- Migrate post-consumer recycled materials in portfolio and new projects, including coloured plastics
- Explore and phase-in new post-consumer material streams and resources astray
- Set requirements and collaborate with suppliers on raw materials and their processes
- Circular optimisation criteria in all R&D projects
- Establishing external partners for take-back & refurbishment on a global scale
- Implement Circular Business Models as add-on to existing business
- Establish systems for product traceability

COMPETENCE – COMMUNICATION

- = Achieve our long-term goals through professional and multi-stakeholder partnerships and initiatives
- x Our employees should be ambassadors for, and have in-depth knowledge of, our Environmental & Energy Policy, performance and goals
- = Educate our markets through trustworthy and transparent communication on our sustainability performance

Flokk's contribution to:

- UN Sustainable Development Goal no. 17

Selection of decided measures to reach our long-term goals:

- Identify value creating & differentiating projects where we can participate externally
- Continue lifting both our internal & external communication
- Continue lifting the competence on sustainability new ways, such as our new e-Learning System

Risk and Opportunity Management

As a sizeable manufacturer of goods, Flokk holds the power as well as the privilege & responsibility to contribute to the addressing of the climate crisis, as set out by the International Panel on Climate Change. Beyond being unethical, failing to contribute could lead to challenges in recruiting talent, lost competitive strength in a market with increasing emphasis on environmental performance, and it could ultimately make the company subject to taxation or other legal limitations. To turn this to the company's strength has been Flokk strategy for years. ESG is therefore at the core of our strategy, and as such, is also a focal point for our Risk & 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. The company acquired Profim in 2018, and 9to5 Seating in 2019, which have both affected the Group positively. We have strengthened our market position and pursue a strategy to spread our best practices to new acquisitions, including ESG practices. Stronger financial foundation enables us to accelerate our sustainability efforts further. This will be highly visible with the 2022 product launches for Profim, that all are designed according the Flokk's circular design principles 5-III.

Nonetheless, a global structure and the expansion of production, sales and distribution (in which the entire value chain and all our suppliers are addressed) entails both risks and opportunities, when it comes to upholding the market perception of Flokk being the pioneer in sustainability.

Excluding 9to5, 91.4% of Flokk's inbound value chains are located within EU/EEA. This caters for low social risk and provides us with the privilege of focusing strongly on the environmental element of ESG. Significant effort is spent on-shoring the last volumes from Asia to EU/EEA and on ensuring that the value chains that remain in Asia, are compliant with OECD and UNGP directives. Going forward, the approach will be similar for 9to5. An ESG network is established to coordinate efforts and monitor progress.

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

- Materiality analysis – set of significant topics defined through survey, internal & external interviews, and workshop on risks & opportunities
- ESG (Environmental, Social, Governance) Forum – a strategic sync/status meetings between Group Management and managers for Corporate Processes, HSE, Sustainability, Legal & Risk, and Insurance
- 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


Offecct Soundsticks

CLIMATE RISK ASSESSMENT

As of 2019, a separate Climate Risk Assessment is conducted. The aim is to identify key risk elements, as well as the opportunities that arise from growing awareness of climate change in the general public. In the exercise, the information is provided in line with the recommendations from the Taskforce for Climate-related Disclosures (TCFD) and is based on interviews with key personnel from within Flokk's organization.

No Flokk facilities or suppliers have been judged 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
- New Long-Term Environmental Goals for 2030 concluded
- Strengthened market communication & public visibility with our sustainability ethos, performance leadership in providing low carbon products
- Improved digital infrastructure to document & generate environmental data for internal analysis and for tenders
- Circular design principles implemented in the Profim/Turek operation acquired in 2018
- Monitoring & pilot testing for future circular business models extended, and the commercial setup for expansion strengthened

Risk and Opportunity Management

Risks and Opportunities – Environmental, Social and Governance

Themes		Identified Risks	Opportunities
Environmental issues – own activities and operations, including R&D		Environmental incidents & accidents	• 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 • New market segments - Home office • New product segments - Home office • Less travel and lower emissions • Higher efficiency with digital meetings • Global Fight against financial crime
	Climate	• Global warming from GHG emissions • Inefficient energy consumption • Energy & heating emissions • Transportation & travel emissions • Dirty energy mixes	
	Resources	• Overconsumption • Material scarcity • Waste generation • Barriers for full implementation Circular Economy	
	Health	• Use of chemicals harmful to health and/or the environment • Pandemic • Nuclear events and radiation	
Responsible Supply Chain – operations of suppliers and tiers		• Growing supply chain - number and distribution • Lack of signed Code of Conduct – Business Partner • Pandemic or other events challenging global supply chains • Sanction management. Russia-Ukraina Conflict	
Social Responsibility & Human Rights – own + business partners		• Negligence of terms of employment • Discrimination • Harassment • Diversity	• Build corporate culture around Flokk's vision & values • Good working environment
Health and Safety – Workplace		• Lost time injury frequency • Strain - work exhaustion • Chemicals exposure • Fire at own premises	• Low sick leave • Good work environment • Pioneer company
Health and Safety – Customers		• Injuries & strain • Chemicals exposure • Customer satisfaction • Reputation	• Safe products for customer during use • No claims • Good reputation
Compliance – Legal – Internal		• Local laws & regulations • New markets • Secure conducting business in compliance to internal policies and procedures	• Market access • Safe products • Competent staff • Do things correct the first time • Low risk for penalties
Governance - Investments		• Investment decisions insufficient • Unacceptable levels of risk -> involved in legally or ethically questionable practices • Negative reputation	• Promote investor confidence • Responsible investment • Good reputation • Growth • Return of investment
Governance - Governance practices		• Insufficient governance policies and practices • Lack of long term risks	• Good governance policies and practices encourage shareholder engagement • Adequately address long-term risks

Risk Management

- Sustainability topics included in Due diligence merging & acquisitions
- Environmental & Energy Policy
- Code of Conduct – Employees
- 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 – SCIP compliance
- ECO labeling
- Supplier dialogue to avoid value chain disruptions
- Digitalisation development speed
- Supplier Appraisal
- Environmental Requirements to Suppliers
- Code of Conduct – Business Partners
- Supplier Performance monitoring & Supplier audits
- Supply Chain Management digital tool (to be implemented)
- Shorter supply chain & dual sourcing of high/critical volumes
- Sanction Policy, Anti-Bribery & Corruption Policy, Anti Money Laundring Policy
- Flag material supply chain implications from the Russia-Ukraine conflict
- Screen all suppliers regularly to eliminate the risk doing business with sanctioned or criminal entities/individuals

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- HR Policy & mandatory Code of conduct – Employees
- Code of Conduct – Business Partners
- Diversity Policy
- Employee Management System - People@Flokk
- IDT - Individual Development Talks, Training & e-learning
- Trade unions & working environment committees/survey

- Health & Safety Policy
- Risk reduction HSE cases registered - Management system case Module
- Internal Audits
- Safety Rounds
- HSE as e-learning as part of induction program all employees

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- Technical tests according to international standards with requirements concerning ergonomics, usability, safety, stability and strength
- Eco labeling - free of hazardous chemicals
- Customer training by salespersons in proper use of products
- Customer Service Module in CRM

- External Market Requirement
- Internal audits
- Technical tests according to international standards with requirements concerning ergonomics, usability, safety, stability and strength

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- Enterprise risk management
- Finance Policy
- Quality Policy
- Health & Safety Policy
- Environmental & Energy Policy
- Delegation of authority Policy
- Code of Conduct – Employees
- Code of Conduct – Business Partners
- EU Taxonomy compliance

- Certified with ISO 9001 Quality Management System, ISO 14001 & 50001 - Environmental & Energy Management Systems (EED compliance)
- Internal audits

Climate – GHG (CO_2e) Emissions and Energy

Flokk's pursuit of improving energy efficiency and reducing our carbon footprint in 2021 was characterised by getting an intensive overview of our GHG (Greenhouse Gas) emissions.. The combination of a new hire to our sustainability team focusing on energy and climate matters and the purchase of a sustainability data management tool, Greenstone+, led to the most inclusive data collection thus far. Greenstone+ will not only increase systematisation in data collection and processing but as well support including more processes in our scope 3 reporting.

The year 2015 marks the baseline year for our GHG and energy indicators, as from that year onwards we systemised our data collection. We steadily increased the quality and coverage of our data, making our performance claims more reliable and transparent as our footprint expands.

For the year 2021, and retrospectively 2020, the performance of our production sites in Turek, Poland (Profim acquired 2018, operational control 2020), and Hawthorne, US (9to5 Seating acquired Nov 2019) was included. This has led to an increase in our produced units, energy consumption, and GHG emissions.

The reported numbers in the climate chapter differ from the previous year's report due to Greenstone+ using different accounting methodologies and emission factors than our old tool CEMAsys. We have also included more sales offices and showrooms in the reporting scheme and added the two new production sites. Additionally, historic data were quality-checked and corrected, as well as efforts in the traceability of the origin of data were increased.

Total tCO_2e	Units produced	kg CO_2e/unit	kWh/unit	tCO_2e/MNOK revenue	MWh/MNOK revenue
4 906	**1 388 487**	**3,6**	**14,4**	**1,5**	**6,1**
+ 7% since 2020 + 150% since 2015	+ 11% since 2020 + 201% since 2015	- 1% since 2020 - 16% since 2015	+ 1% since 2020 - 41% since 2015	- 4% since 2020 - 10% since 2015	+ 1% since 2020 - 36% since 2015

Performance indicators per MNOK refer to revenue for the whole Group (including all brands), while the indicators for CO_2e emissions and energy consumption only regard the GRI report scope. The indicators will progressively become more accurate as more Flokk brands become integrated into our reporting systems over the coming years.

Climate – GHG (CO_2e) Emissions and Energy

Long-term goals:

- Reduce CO_2e emissions per unit and per revenue by 55% by 2030 (vs 2015)
- Reduce Energy consumption per unit and per revenue by 40% by 2030 (vs 2015)
- 100% renewable electricity by 2025
- 75% renewable energy by 2030
- 0% fossil fuels for heating by 2025

KPI	Goal 2022	Goal 2021	Results			
			2021		2020	2019
CO_2e emissions per unit [kgCO_2e/unit] - (Scope 1,2,3)	3,38	3,7% down	3,56 (-0.8%)		3,59 (-38,7%)	5,85
Energy consumption per unit [kWh/unit] - (Scope 1,2)	14,0	2,7% down	14,41 (+0,9%)		14,28 (-32,5%)	21,16
CO_2e emissions per revenue [tCO_2e/MNOK] - (Scope 1,2,3)	1,42	3,7% down	1,50 (-3,9%)		1,57 (+47,4%)	1,06
Energy consumption per revenue [MWh/MNOK] - (Scope 1,2)	6,1	2,7% down	6,13 (+0,5%)		6,10 (+58,9%)	3,84
Share of renewable electricity (Scope 2)	89%	96%	85,7% (-7,4%)		92,6% (-2,2%)	94,7%
Share of renewable energy vs total consumption (Scope 1,2)	50%	2,5% up	46,1% (+3,3%)		44,7% (-7,8%)	48,4%
Use of Fossil fuels for heating [MWh] (Scope 1)	3 393	20% down	4 525 (+6,8%)		4 237 (+217,7%)	1 334

Measures 2021	Status	Measures 2022
Set up local energy teams. Establish corporate and site energy management plans **Result - Local Team set up at Røros, Nässjö and Germany** **Result - Corporate and Røros energy management plan established**	✓	Set up local energy team at remaining site Turek. Establish energy management plan at remaining sites
Create ownership for the team members and assign responsibilities	➜	Ongoing, measures continued
e-Learning course for all Energy management personnel	➜	Measures continued due to lack of progress & capacity in 2021
Crystalize and start implementing scheme for internal energy audits **Result - Initial planning done**	➜	Ongoing, finalise internal energy audit plan
Implement 2020 findings - continue search for energy saving potentials vs Goals 2030 **Result - Nässjö: presence control in warehouse postponed further** **Result - Germany: measures postponed until external Energy Audit 2022**	➜	Implement missing findings. Continue search for energy saving potentials, including Turek
Search for savings in ventilation systems including heat recovery all sites vs Goals 2030 **Result - Røros: identified saving measures**	✓	Continue search for savings in heating/ventilation systems, including Turek. Røros action: Smart control of heating/ventilation vs warm/cold weather
Map-out potential for efficiency gains in transport of goods	➜	Adjust measure 2021 to focus more specific on packaging efficiency
Define scheme + install energy meters for high consumption/ volume equipment in factories	➜	Await results from external Energy Audit Reports from Nässjö, Røros and Germany, and adjust accordingly

The retrospective addition of the two factories in 2020 had a substantial effect on our KPIs compared to 2019. In general, the KPIs per unit decreased, and the ones per revenue increased. The increase of 217.7% (2020) in the use of fossil fuels for heating is attributed to the factories as well. In 2021, the GHG indicators slightly decreased, while the energy indicators showed a minimal increase. The inclusive reporting reduced our share of renewable electricity in 2021. Nevertheless, the goal of reaching 100% in 2025, is still within reach. Flokk does not use any carbon offsets to meet our long-term targets.

41% LOWER ENERGY CONSUMPTION PER UNIT

While the produced units have increased by 201% since 2015, the energy consumed per produced unit is 41% lower than in 2015. A result of many efficiency gains. We see a small increase of 1% since 2020, due to the return to normal business activities and the inclusive reporting of the offices and showrooms.

GHG (CO_2e) EMISSIONS

Flokk's GHG emissions, market based (*) [tCO_2e]

	2015	2016	2017	2018	2019	2020	2021
Scope 1 - Direct emissions	**796**	**811**	**901**	**900**	**1 058**	**1 774**	**1 614**
Fuel for heating (Burning oil, Natural gas, Propane, Biodiesel)	264	200	193	170	334	846	856
Fuel for sales and service travels	532	611	708	731	724	928	758
Scope 2 - Indirect emissions	**187**	**306**	**249**	**237**	**187**	**289**	**545**
District heating	25	20	52	48	69	64	99
Electricity	162	286	197	189	117	226	446
Scope 3 - Other indirect emissions	**981**	**1 204**	**1 300**	**1 350**	**1 960**	**2 526**	**2 748**
Employees air travel	265	293	251	199	796	183	130
Goods transportation	716	911	1 049	1 152	1 164	2 343	2 618
Total [tCO_2e]	**1 964**	**2 321**	**2 451**	**2 488**	**3 205**	**4 589**	**4 906**
Change from year to year		18,2%	5,6%	1,5%	28,8%	43,2%	6,9%

(*) for location based GHG emissions, see GRI Index disclosure 305-2

7% HIGHER TOTAL CARBON EMISSIONS

Operations in 2021 bounced back after the drop in 2020 bringing the produced units to 2019 levels (excluding Turek and Hawthorne). Due to the retrospective addition of the two new production sites in 2020, the effect of Covid-19 is not evident in our numbers. Finally, our emissions increased by 7% in total, but the emissions per unit went down by 1%.

18% REDUCTION IN CO_2e EMISSIONS FROM FUEL FOR SALES & SERVICE TRAVELS SINCE 2020

- Emissions have increased steadily since 2015, with a 74% increase in 2020, compared to 2015. Although sales activities decreased due to Covid-19, the addition of the Turek factory counterbalanced the reduction.
- The 18% reduction from 2020, indicates the ongoing change of doing business during Covid-19, in addition to measures such as the electrification of our car fleet.
- Hawthorne did not report any fuel usage for travels. We expect to see an increase/counterbalance once those emissions are reported for the following years.

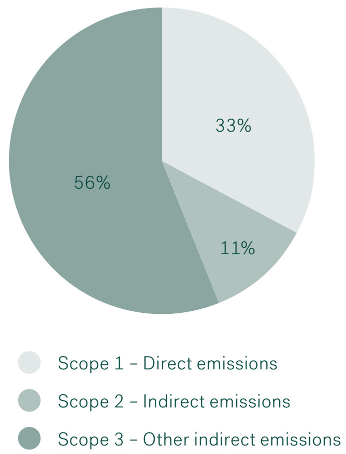
89% INCREASE IN SCOPE 2 CO_2e EMISSIONS

- The emissions of our district heating usage increased by 56% mainly due to corrected accounting at our new headquarters in Oslo.
- Our electricity emissions nearly doubled due to the inclusive reporting (adding new offices, correct accounting of HQ building emissions) and the phase-out of the Koblenz factory (not having green electricity for 2021).

56% OF FLOKK'S GHG EMISSIONS ARE INDIRECT EMISSIONS

- From 2015 to 2021 our flight emissions steadily decreased except in 2019, where we came across an outlier caused by improved reporting and the acquisition process of Hawthorne (around 200 tCO_2e).
- Due to Covid-19, we experienced a significant reduction in flight emissions in 2020 (-77% vs 2019) and in 2021 (-29% vs 2020).
- With the addition of the factories in Turek and Hawthorne, we see an increase of 101% in emissions from goods transportation from 2019 to 2020. The rise in 2021 (12%) is a result of the increased unit output (11%).

Flokk's GHG emissions in 2021, market based



Greenhouse gas emissions are distributed on 3 areas – Scope 1,2,3 – set by the Greenhouse Gas protocol. We only cover our daily business, and NOT the impact from all our upstream activities – Scope 3 – which represent more than 90% of Flokk's entire emissions. Scope 3 is however somewhat covered in our EPDs - Environmental Product Declarations.

ENERGY

Flokk's energy consumption [MWh]

	2015	2016	2017	2018	2019	2020	2021
Fossil fuel sources:	**3 500**	**3 567**	**3 921**	**3 847**	**4 214**	**7 922**	**7 552**
• Burning oil	333	56	86	59	1 139	1 226	772
• Natural gas	1 046	1 077	1 020	888	194	2 979	3 714
• Propane	0	0	0	0	0	33	38
• Diesel	2 083	2 360	2 688	2 751	2 702	3 439	2 662
• Petrol	38	74	127	150	179	245	365
Renewable fuel sources:	**0**	**0**	**0**	**0**	**22**	**14**	**91**
• Biodiesel	0	0	0	0	22	14	91
District heating	**1 237**	**1 311**	**1 297**	**1 186**	**1 442**	**1 334**	**1 703**
Electricity	**6 628**	**7 070**	**6 750**	**6 186**	**5 905**	**8 612**	**10 655**
• Electricity (Grid)	6 628	7 070	6 750	6 186	5 905	8 480	10 489
• Electricity (On-site production)	0	0	0	0	0	162	189
• Electricity (To grid)	0	0	0	0	0	-30	-23
Total energy consumption [MWh]	**11 365**	**11 948**	**11 967**	**11 218**	**11 583**	**17 882**	**20 002**
Change from year to year		5,1%	0,2%	-6,3%	3,3%	54,4%	11,9%

76% INCREASE IN TOTAL ENERGY CONSUMPTION
Flokk's strategy of phasing out acquired factories (Zwolle and Koblenz) and moving production into existing factories affects the total energy consumption. The big leap in 2020 is due to the addition of Turek and Hawthorne. Acquiring new brands will add up to the total consumption. Nevertheless, our consumption per unit went down by 41% vs 2015, underlining the effectiveness of our consolidation approach.

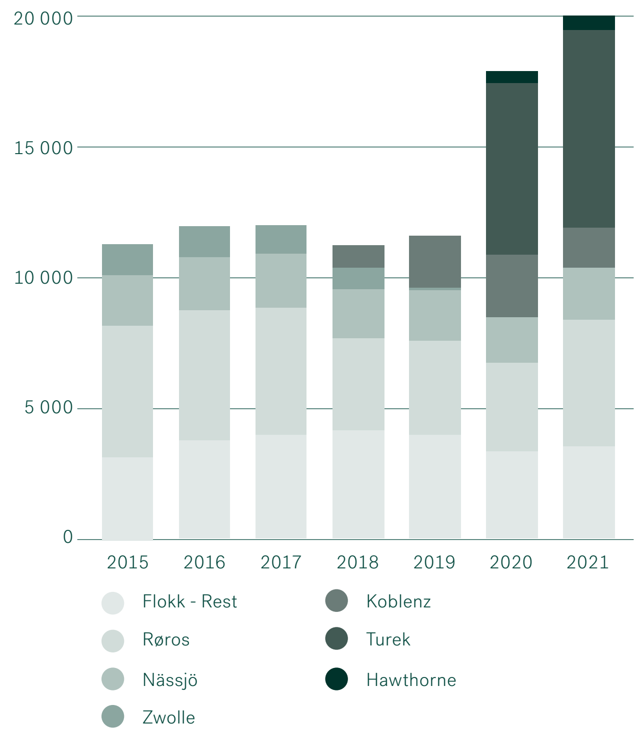
46% of all the energy used by Flokk comes from renewable sources. The long-term goal is to have 75% of all energy consumed coming from renewable sources by 2030. The phase-out of fossil fuel-based heating and 100% renewable electricity will contribute to this target.

NO FOSSIL FUELS FOR HEATING BY 2025
The use of fossil fuels has increased significantly due to the addition of Turek and Hawthorne. Flokk has the ambition to completely remove fossil fuels and respective CO_2e emissions from our Scope 1 activities by 2025, therefore increased efforts are needed, including a reassessment of the target.

61% INCREASE IN ELECTRICITY CONSUMPTION SINCE 2015
Electricity represents 53% of our total energy use but only 9% of our total GHG emissions, thanks to 86% renewable electricity at our premises.

The reduction from 93% in 2020 is due to more inclusive reporting and phasing out of Koblenz. The long-term goal is to reach 100% renewable electricity in total by 2025.

Flokk's energy consumption, subdivided [MWh]



Resources – Materials, Waste, Chemicals

In 2021, Flokk's GRI scope production sites produced close to one and a half 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.

Our design choices and supplier selection have a large impact and directly influence the efficient use of resources, the amount of waste we generate and the chemical content of our products. That's why 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 and business models to ensure that our products are returned, reused and recycled. We focus to close the loop, by increase the share of recycled materials used and recovered.

Resources - Materials, Waste, Chemicals

Long-term goals:

- 60% share of recycled materials in our products by 2030 | 100% recycled & recyclable plastic packaging by 2025
- 1 500t recycled plastics in our products by 2025
- Recycled Aluminum: 95% moulded and 75% extruded | 50% recycled Steel by 2025 or 50% fossil-free Steel
- 100% FSC® certified wood and factories by 2030 | 85% of our waste will be material recycled by 2025
- No hazardous chemical contents in our products or their manufacture | All standard fabrics certified with EU Ecolabel by 2022

KPI	Goal 2022	Goal 2021	Results			
			2021		2020	2019
Amount of recycled plastics used in our products [tonnes]	1 450t	1 000t	1 328t (+72,5%)	●	770t (+12,7%)	683t (+17,5%)
Average quantity of recycled plastic used per unit [kg/unit]	1,21	2,03	1,14 (-36,2%)	●	1,78 (+22,1%)	1,46 (+27,5%)
Number of factories FSC® Chain of custody certified	2 out of 4	2 out of 3	1 (Turek)	●	1 (Turek)	0
Share of our waste being material recycled	75%	82%	Flokk: 70,1% (-0,6%) Røros: 92,4% (+1,0%) Nässjö: 55,6% (-5,6%) Koblenz: 67,4% (+0%) Turek: 53,9% (-5,1%)	●	Flokk: 70,5% (-8,8%) Røros: 91,5% (+3,0%) Nässjö: 58,9% (-7,2%) Koblenz: 67,4% (+2,3%) Turek: 56,8%	Flokk: 77,3% (+10%) Røros: 88,8% (+2,3%) Nässjö: 63,5% (+14,3%) Koblenz: 65,9% (-4,3%)

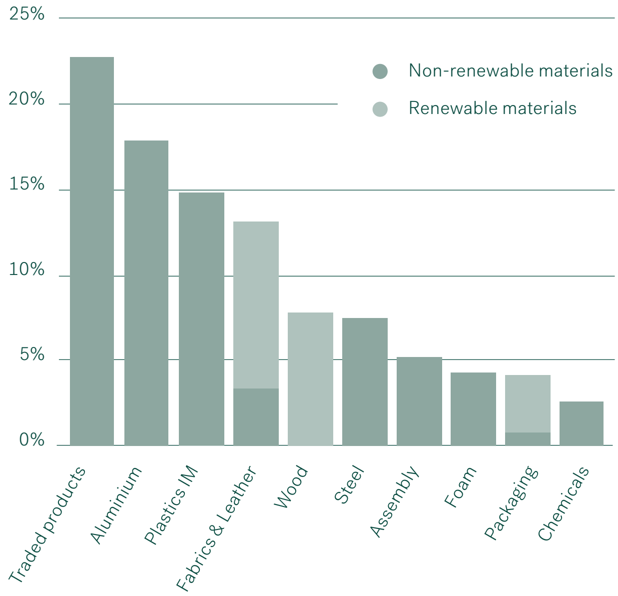
Measures 2021	Status	Measures 2022
MATERIALS		
Feasibility study on launching ocean plastics, investigate property improvement with supplier	➡	Low priority, on hold
Scale use of snow plough material beyond limited edition **Result - Industrial pilot started on 8 tonnes batch**	✔	Launch industrialised HÅG Capisco Puls. Launch other product offerings
Launch HÅG Tion (Essence Task) with colored recycled polypropylene **Result - HÅG Tion launched Q3'2021**	✔	Launch HÅG Celi (Essence C&C) with colored recycled polypropylene
Investigate alternatives to/limited use of PUR foam in Essence development project **Result - HÅG Tion launched with thin PUR foam solution**	✔	Investigate PUR alternatives as part of ongoing development projects
Commit to our Grønt Punkt 'Control membership' – recruit non-members in our supply chain	➡	Measure 2021 continued - recruit non-members in our supply chain
Nässjö factory FSC® Chain of custody certified	●	Measure 2021 continued due to capacity challenge
WASTE		
Røros: Continue search for hard plastic recycling partner **Result - 15 tonnes of hard plastic energy incinerated. Negotiating agreement with new waste handler**	➡	Clarify potentials for hard plastic recycling with new waste handler, contract to be signed 2022
Nässjö: Search for partners to recycle wood waste Class 1 vs energy incineration **Result - Hard to find wood Class 1 recycling partner; 41,9t energy incinerated (2020: 13,1t)**	➡	Continue search for partners to recycle wood waste Class 1 vs energy incineration. Sorting focus: EEE-waste
Establish common Flokk procedure on waste handling across sites.	➡	Flokk corporate procedure on waste handling ongoing, to be landed 2022
Follow up sorting through quarterly spot-checks **Result - Quartely spotchecks are integrated into Flokk internal audit plan**	✔	
Kick-off plastic packaging campaign – "Reduce, Recycled, Return & Reuse!" **Result - Mapping of plastic packaging used in Flokk started - Nässjö: replaced plastic protection w/ fabric, saving 4-500 plastic bags/year**	➡	Complete mapping of plastic packaging used. Initiate sourcing and scale up
CHEMICALS		
Reduce no of chemicals at production sites **Result - Røros: 19 removed (214 in total), 4 less on candidate list (0) / 30 less with Prio-criteria (72) - Nässjö: increased from 78 to 107 due to including Production Development, however no new process chemicals**	✔	Continue reduce no of chemicals at production sites
Replace chromed surfaces in portfolio, scale the use of Metal Silver & Steel Gray powder coatings **Result - RBM Eminent tables introduced with Metal Silver & Steel gray**	✔	Replace chromed surfaces on RBM Standard Folding table. Seek to scale
Define KPI and target for glue consumption in Nässjö as input to PM (Product Maintenance) **Result - input given to PM Tech portfolio analysis, prio list to be made in 2022**	➡	Follow up PM prio list with target to reduce number of products using glue
Update Environmental Requirements with regard to chemical content - to ensure healthy materials	➡	Measures 2021 continued as we first needed to define Flokk Environmental Certification regime (done Q2'2022)

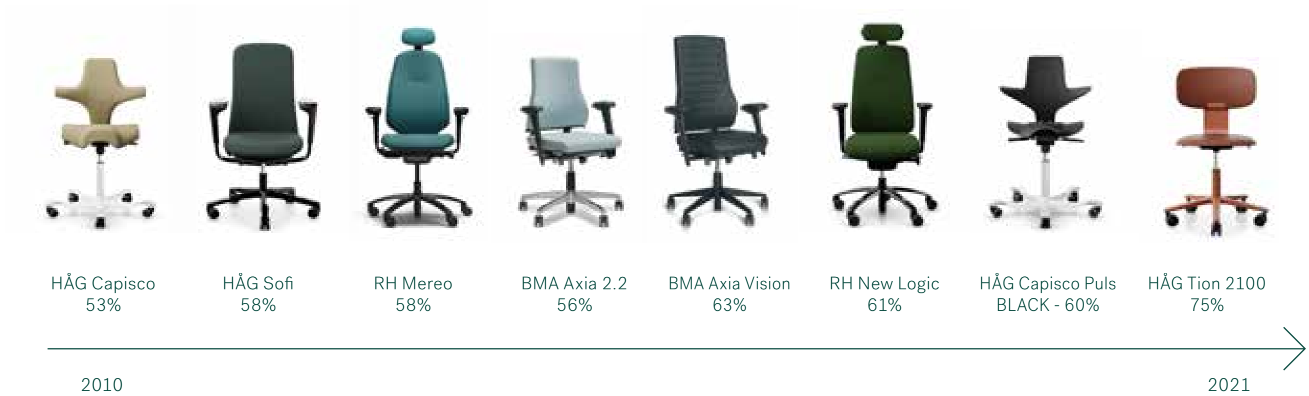
MATERIALS

21% of our annual purchased value (turnover) for direct material 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, thus renewable material as wood is less adapted to our high-volume needs.

Our strategy is to increase our use on recycled materials – defining recycled plastic, aluminium and steel as key resources. This way we put a value on resources astray and consume less energy for processing. However, the cosmetic and technical properties of recycled plastics are poorer than those of virgin plastics. For visual or critical components that require a wide colour range or great strength, we sometimes need to use virgin plastics. In any case we must ensure that the materials we use are recyclable.

Distribution of Flokk's 2021 annual purchased value (turnover) for direct material





Share of recycled materials

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


HÅG Tion

PLASTICS

Polypropylene (PP) is our main choice of plastic material. This is due to the environmental benefits compared to other plastic alternatives – such as less CO_2e emissions and additives. In addition, we aim to use as much post-consumer recycled PP as possible. Then we also set value on plastic waste thus stimulate profitable collecting and recycling, as well as additional reduction in carbon footprint. We introduced recycled plastics into our products as far back as 1995.

In 2021, we had a breakthrough on our efforts to increase the share of recycled materials, by launching colour sorted post-consumer recycled plastics for the first time with the HÅG Tion.

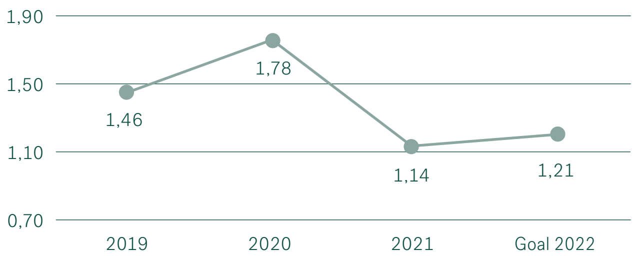
In 2021, we also launched the HÅG Capisco Puls made from collected broken snow plough markers in Norway. We identified this material source during a research project 2018-2020 with SINTEF. In 2021, Flokk has piloted high volume industrialisation in collaboration with the new established value chain.

In our ongoing work to migrate recycled plastic into our existing portfolio, we see great potential in further boost now that this work has also started in Turek.

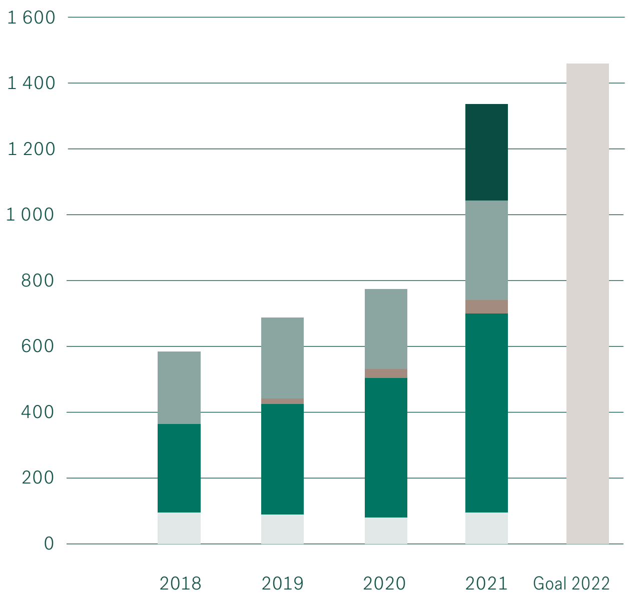
1 726 tCO_2e

saved in 2021
by using recycled instead of virgin plastic

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



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



	2018	2019	2020	2021	Goal 2022
Total	**581**	**683**	**770**	**1 328**	**1 450**
Post-consumer	353	419	477	643	702
Post industrial	228	265	293	685	748

Profim RH RBM HÅG BMA

HÅG Tion plastic model and its unique colour palette of post-consumer recycled plastics.

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. Today, our extruded aluminium parts contain about 30% recycled aluminium. However, in 2022, we are launching a product where this share will increase to 75%.

We use 20-40% recycled steel in our products. With improved technology and collaboration with suppliers, we hope to increase this amount year on year. We will also investigate fossil-free steel initiatives for future use.

FABRICS & LEATHER

We strive to make responsible choices for our standard collection of textiles and leather. In our textile program we offer a carefully curated selection of high quality, durable textiles made of wool and synthetics, along with a mixture of wool/synthetic.

Our choices are filtered through our environmental principles. We strive to include mono-materials made from 100% wool or 100% post-consumer polyester and chrome-free tanned leather.

In 2021, we collaborated with one of our main textile suppliers and our Turek factory in a circular closed-loop project. Our goal is to make use of our own waste textiles from production, for re-use in yarns and textiles to be integrated back into our collection in near future.
This work continues in 2022.

38 out of our 52 standard fabrics are certified under at least one of the ecolabels EU Ecolabel, Oeko-tex®, The Blue Angel, Cradle to Cradle™ and Greenguard Gold.

Our target is EU Ecolabel on all our standard fabrics by 2022. We see the need to reassess this target as we add new brands to our scope and the total number of standard fabrics increases. In 2021 only 22 out of 52 fabrics had EU Ecolabel (2020: 9 out of 18). All new textiles introduced in our new standard collection going forward will have the EU Ecolabel.

PACKAGING

Our products are delivered to customers either fully assembled with limited use of packaging material or stacked together or flat packed in cardboard boxes.

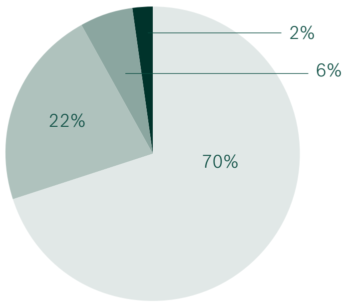
In 2021, our two factories in Scandinavia sent a total of 1 325 tonnes of packaging out into the market (29% up since 2020: 1 030 t). This consisted of 88% cardboard (2020: 89%), 8% plastics (2020: 7%), 1% expanded polystyrene (EPS) (2020: 1%) and 3% other materials such as tape, bubble wrap, etc (2020: 3%). Numbers for Koblenz, Turek and Hawthorne not accounted for.

In 2021, we used 111,1 tonnes of plastic packaging (48% up/down since 2020: 75,3t). We have initiated efforts to transition all our plastic packaging to post-consumer recycled plastics. We are aiming for 100% recycled & recyclable plastic packaging by 2025.

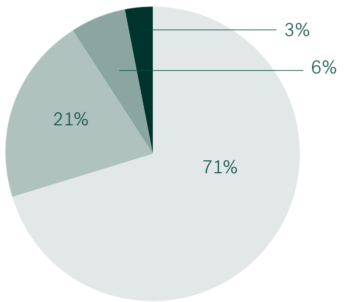
Flokk is a member of several national takeback schemes, such as Grønt Punkt in Norway and FTI in Sweden. Each year, we report how much packaging we send out into the market and pay a charge on this basis. The charge ensures that old packaging is collected and recycled. As a “Control Member” of Grønt Punkt, we also require our Norwegian suppliers to be members, ensuring producer responsibility in our supply chain.

GRØNT PUNKT fti

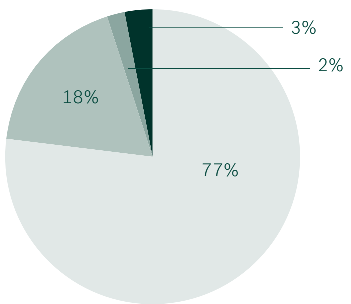
Factory waste [tonnes]



2021: Total 1 356 tonnes
OBS: Incl. Røros + Nässjö + Koblenz + **Turek**



2020: Total 1 192 tonnes
OBS: Incl. Røros + Nässjö + Koblenz + **Turek**



2019: Total 954 tonnes
OBS: Incl. Røros + Nässjö + Koblenz

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

WASTE

Our waste management system is assessed each year during the annual ISO 14001 audits.

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 significant potential to improve our use of packaging materials.

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. Our waste sorting reflects as a minimum how the waste fractions are handled at our waste disposal contractors. 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.

In 2021, 70% of our production waste (mostly steel and cardboard) was material recycled (2020: 71%), while 22% was incinerated with energy recovery (2020: 21%). The remaining percentage of hazardous waste is declared pursuant to the requirements of local and national Waste Regulations and delivered to an approved reception facility. The information concerning the waste disposal methods have been given by our waste disposal contractors and is continuously updated in follow-up meetings.

We have had a steady increase on waste to material recycling as a result of improved sorting on all sites, through identifying new recyclable fractions, performing spot checks and keeping our employees updated with new information. With the addition of the factory in Turek, we now see a decrease. We will have high focus on identifying improvement measures during the coming integration in 2022.

Waste fractions at Flokk factories in 2021 [tonnes], including hazardous waste breakdown.

	2021
Non-hazardous waste	1 897
Material recycling	1 356
Incinerated with energy recovery	429
Landfilled	112
Hazardous waste	38
Material recycling	0
Incinerated with energy recovery	32
Landfilled	6
Total [tonnes]	1 935

CHEMICALS

Our chemical management system is assessed each year during the annual ISO 14001 audits.

SUPPLIERS

We have strict standards on use of chemicals for our suppliers, which must commit to fulfilling our requirements in order to be a supplier to Flokk. We are evaluating new tools (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 (Material 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. This applies for all but special and minor product roles. 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 fibers provides 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. Special attention is given to substitutions of special fabrics containing PVC and chromed surfaces.

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

Circular Economy – Closed Loop

Flokk is working on solutions to encourage that our products are responsibly taken care of, after its first customer no longer uses it. Flokk's ambition is to be a preferred circular product supplier, enabling our partners and customers to efficiently reuse, refurbish and recover our "recycle-ready" products.

We include circular business model feasibility in our design criteria for new product development, ensuring that future products are ready for future circular business needs as well as optimized within the existing business logic. In addition, we are exploring how to ensure full traceability of our chairs and work towards an ambition of a circular value chain.

In the Netherlands, we have practiced the circular economy for several 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, then reused in "second life" chairs. Defective parts are sent back to suppliers for recycling into new raw material. Our Dutch sales organization has also become a significant supplier of secondhand chairs in the market.

We have explored various circular business models such as furniture-as-a-service and new buy-back offerings. These are some of the emerging business models in our industry. We follow the development closely though our running pilot and innovation projects, delivering insights for our long-term business and product development.

Circular Economy

Long-term goals:

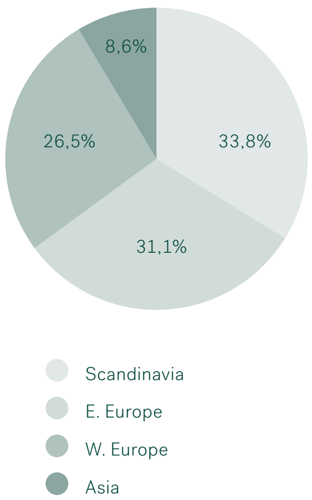
- Explore Circular Business Models
- Products in core markets will be distributed with clear obligations on end-of-first-use handling: 75% of HÅG, RH, Giroflex by 2030 (30% by 2025) and 50% of Flokk integrated brands by 2030

Measures 2021	Status	Measures 2022
Establish minimum 3 more furniture-as-a-service pilot implementations **Result - Our pilot with OBOS and GoGood went into operation Q3 2021 due to Covid delays. No further pilots established**	●	Harvest learnings from ongoing FAAS Pilot as well as ongoing circular business in the Dutch and Swedish markets. Sharpen communication on Flokk circular value proposition
Pilot certified re-use/refurbish program for Scandinavia **Result - We signed a new agreement in Sweden covering re-use and refurbish for our Offect brand.**	✔	Package existing service offering to increase customer awareness. Harvest learnings from refurbish partners in Sweden and NL to secure preparedness for expansion

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 in these areas, as they need to sign our Code of Conduct and our Environmental Requirements document. With more than 90% 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 towards minimizing environmental and social impacts.

Percentages of the 2021 annual purchased value (turnover) for direct material used in our significant locations of operation that is spent on local suppliers (European) and Asian 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 (91,4% of total significant – 9to5 excluded), since they deliver to all our 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. We are dedicated to moving 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 had a particular focus on them during 2021 where we decided to do a re-evaluation of these suppliers with focus on compliance to our Code of Conduct including international regulations concerning human rights and working conditions. Even though Flokk managed through 2021 without major production standstills, the pandemic has demonstrated the vulnerability of remote suppliers & long supply chains. Flokk is now focusing on minimizing exposure to Asian suppliers with defined reshoring projects.

SUPPLIER SELECTION
With a significant growth through acquisitions comes many new suppliers to Flokk. Our strategy is to consolidate the number of suppliers we use with focus on high performing suppliers. Our supplier decision is therefore not based solely on price but based on total performance and Total Cost of Ownership (transport, cost of capital, overhead, etc.).

All new suppliers to Flokk need to fulfil the minimum requirements we have in our supplier appraisal audit and are screened based on environmental and social criteria. A new format for our supplier appraisals was introduced December 2021 and put much more focus on social responsibility, environment and quality. All new Flokk suppliers must sign our Code of Conduct - Business Partners and Flokk Environmental Requirements. We generally sign 3-year agreements with our main suppliers and 82% of our annual purchased value is under contract with a signed code of conduct.

SUPPLY CHAIN CONTROL – FOLLOW-UP AND ASSESSMENTS
There have been many challenges in our supply chain during 2021, mostly related to the Covid 19 situation and availability of raw materials. We have had high focus on availability of materials in our production units and to foresee any possible disruptions in the supply chain. Together with our suppliers, we managed to keep our production units running with minor disruptions only.

Main activities in 2021: Moving both Giroflex and Offecct supply chain into our production site in Turek, Poland.

Due to the Covid 19 situation we were not able to visit as many suppliers as we usually do. Instead, we used our digital platforms for follow-ups.

By conducting thorough and strict audit of new suppliers, we prevent the risk for potential environmental and social impacts.

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 identified as a low performer, we coordinate mitigation measures to close the deviation. Repeated low performance can put suppliers in the "New Business on Hold" category - no suppliers categorized here in 2021. 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.

Based on our close and constant dialogue with key suppliers, none of them was considered to have negative environmental or social impacts and no measures had to be taken. As no new suppliers were added in 2021, no new suppliers were screened for environmental or social impacts.

SUPPLIER RE-EVALUATION

The environmental footprint is very important for Flokk, and it starts in our value chains and the suppliers we choose to cooperate with. Suppliers treating their workers in a fair way is equal as important for Flokk and we need to make sure our suppliers live up to laws, regulations and our standards.

As we aim at having long-term cooperation with our suppliers and high performing suppliers, it is important to not only focus on evaluating new suppliers before signing contract but also to re-evaluate our present suppliers over time. To ensure our suppliers being compliant to our terms, conditions and Code of Conduct over time we have updated our process to involve an annual re-evaluation of a systematically agreed population of suppliers, based on non-conformance or region.

In 2021, we re-assessed 18 Asian suppliers with focus on social responsibility related issues. No major gaps where discovered and minor gaps are followed-up with an action plan. Potential risks for our Asian suppliers are that workers do not have as open environment for union associations and collective bargaining.

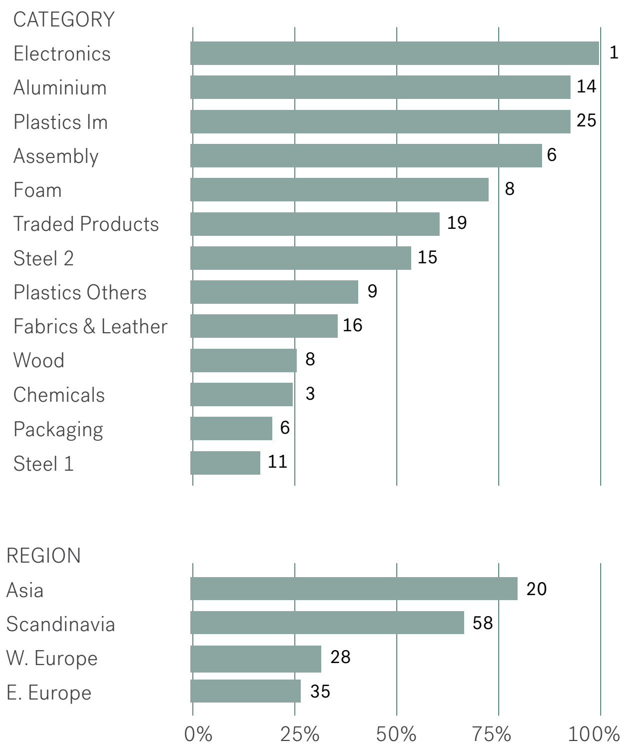
As Flokk has many Polish suppliers mainly transferred from the acquisition of Profim, a re-evaluation of top suppliers in Poland will be carried out during 2022.

SUPPLY CHAIN MANAGEMENT TOOL

When growing as an organization, the complexity increases and the need to find efficient and transparent tools and solutions also grows. As part of a wider effort to digitalize and create deeper integration of our processes, we are developing and plan to introduce a Supplier Portal during 2022 to manage supply chain interactions, cooperation and information sharing more easily. Supplier performance tracking tool is also under development.

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

No. of signed CoC's and % of total APV (APV > 100 000 NOK)



Steel 1: raw materials, pipe bases, mechanisms
Steel 2: fasteners, springs, wire products

Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to in 2021 (measured in signed CoC's), 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 behavior in our Code of Conduct.

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

Due to the continued Covid 19 pandemic, focus has been paid to infection control measures to minimize impact on business and employees, all in cooperation with the Unions and the local working environment committees. Each site and country have their own plans and actions according to local needs and their national Covid 19 regulations. We have continued to stay close to and support our employees during another challenging pandemic year. Late 2021, we implemented a specific Remote Work Policy throughout Flokk. This to meet the needs and expectations of a more dynamic/flexible work situation following the pandemic.

In 2021, we have conducted our biannual working climate survey, which was initially planned for 2020. All employees were invited to answer, and we obtained 82% response rate. Generally, we see very positive results of the survey. In late 2021 and 2022, all teams will create department/ site action plans based on the results.

As of December 2021, the company had 1 799 employees (including 9to5 Seating). The percentage of women has increased from 33,7% to 40,2%. We are content with this development, but we still have a way to go to reach our target level of 42% by 2024. In 2021, a Policy for Diversity, Equity and Inclusion was developed. Two times per year we measure organisational KPI's specifically linked to diversity development. In 2022, we will develop a roadmap to implement concrete actions throughout the organisation linked to Diversity, Equity, and Inclusion.

All 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. These employees stay in the company less than three months.

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

In 2020, we implemented Learning@Flokk, a digital learning platform. Mandatory training programs are completed through this tool.

Number of employees by employment contract, region and gender

Region	Permanent employee	Temporary employee
Australia (Sydney, Melbourne)	5	0
Austria	1	0
Belgium (Brussels)	8	0
Canada	3	0
China (Shanghai, Guangzhou)	14	0
Denmark (Copenhagen)	14	0
France (Villepinte)	12	1
Germany (Dusseldorf)	48	7
Norway (Bergen, Oslo, Røros, Stavanger, Trondheim)	297	11
Poland (Turek, Warsaw, Czech Republic)	794	26
Singapore (Singapore)	4	0
Sweden (Göteborg, Nässjö, Stockholm, Tibro and Stenungsund)	188	8
Switzerland (Koblenz, Opfikon)	18	2
The Netherlands (Rotterdam)	21	0
UK (London -Brixton & Clerkenwell)	17	2
USA (Virginia, Washington DC)	2	0
Total women	557	33
Total men	889	24
Total employees	**1 446**	**57**

Number of employees by employment type and gender

Employment type	Full-time	Part-time
Total women	559	31
Total men	418	14
Total employees	**1 458**	**45**

Anti-Bribery & Corruption

We conduct our business with high ethical standards and a view to always being a respected and trusted business partner for all our stakeholders. This is essential for our company, our reputation and for our employees. It represents our core values. Flokk expects all employees to avoid situations that may lead to a conflict between the company's interest and their own personal interests. Bribery or corruption in any form is unacceptable. However, in case of any misconduct, we have a clear whistle blower policy and routines as how to handle. This is set out in Flokk's Code of Conduct. By 2022, we aim to complete all code of conduct training in Learning@Flokk where we can track and follow up as to the different training programs offered.

Flokk's Total Quality Management System (TQM) contains all specific policy documentation such as the Code of Conduct and the anti-bribery & corruption policies. 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 members of Group Management.

POLICY AND PROCEDURE COMMUNICATION

Flokk's guidelines for anti-bribery & corruption are communicated to all employees and Group Management. As part of the onboarding process, all new employees complete a digital Code of Conduct program in Learning@Flokk. They also receive a document with extracts of the most important policies such as our People Policy, Quality, Environmental & Energy, HSE, Internal Communication and IT Policies.

Our anti-corruption measures are specifically targeted towards 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 be aware of.

POLICY AND PROCEDURE TRAINING

Our digital learning platform, Learning@Flokk, was implemented late 2020 and provides dedicated digital training for our employees. A mandatory code of conduct learning program was the first to be launched end 2020, and during 2021 all white-collar workers invited have conducted this training. The next step is to ensure our blue-collar workers and employees in Poland conduct this training. In addition, a specific training program for targeted groups is under preparation. In 2022, we will continue to launch training programs both mandatory and voluntarily. Tailor made set ups are made available to make the training relevant also for our colleagues in production.

Learning@Flokk is a system that gives us possibility for monitoring and tracking course completions for all employees and make reports to relevant stakeholders.

	Number	Percentage
Norway	8	100%
Sweden	1	100%
Poland	1	100%
Germany	1	100%
Total Managers	11	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.

Production site, Røros

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.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM AND ORGANISATION

All Flokk employees, including contracted workers whose work and/or workplace is controlled by Flokk, 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.

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 requirements. We 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 regarding detecting issues and proposing or taking relevant action. The most critical risks are escalated and addressed with the Group Management through HSE organisation in ESG forum, as a strategic part of Flokk's Risk management model.

The workers have possibility to shield themselves from work situations they believe could cause injury or ill health by reporting unsafe conditions into Flokk's Total Quality Management System (TQM) or notifying their direct manager. They can report directly to TQM in a mobile app. Workers can protect themselves against reprisals through Flokk's Whistle Blower Process ensuring employees' right to report unacceptable conditions. Reporting can be done anonymously in TQM.

Workplace – Health & Safety

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

KPI	Goal 2022	Goal 2021	Results		
			2021	**2020**	**2019**
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	6,0**	13,0	11,2
Number of recordable work-related injuries	0	0	15	8	8

Measures 2021	Status	Measures 2022
Continue with existing preventive HSE work and prevent future accidents:		
Increase registration of unsafe condition from 53 to 80 **Result: 56, slightly increased**	➡	Continue in 2022, same target: 80
Complete HSE e-Learning program for all new employees **Result: HSE training is now e-learning and part of the induction program for all new employees.**	✔	Adjust and tune the HSE e-Learning program for all employees

* Recordable work-related injury rate = Recordable work-related injury number x Working hours/1,000,000
Number of hours worked in 2021: 2 499 358 (2020: 614 644). Working hours for non-employees are not included, although figures include injuries for both employees and non-employees.
**Decrease in rate of recordable work-related injuries due to high increase in number of working hours due to Group wide reporting scope. The types of the 15 work related injuries are as followed: 2 - hit by an object, 2 - fall, 3 - cut by knife/staple, 6 - ergonomic workstation (improperly adjusted workstation, awkward movements). None of these injuries happened to non-employees in 2021.

WORK-RELATED HAZARDS

Identified work-related hazards with potential to cause injury or ill health are: Physical (hit by objects, cut by knife/staple, fall from height) / Ergonomic (improperly adjusted workstation) / Related to work-organization (shift work, excessive workload demands).

None of the identified hazard contributed to high-consequence injuries in 2021.

Safety tours, internal audits as spot checks, registration of unsafe conditions are some of the preventive tasks undertaken to eliminate work-related hazards and minimize risks using hierarchy of controls. In addition, workstations are designed and organised to prevent injuries without compromising effective operations. Avoid heavy lifting, avoid walking/standing at hard flooring by use of soft cover, and remove exposure of chemicals as examples. Job rotations are also introduced for variation of tasks.

WORKER TRAINING AND OCCUPATIONAL HEALTH TRAINING

In general, all managers are responsible for addressing training requirements and information relating to their employees, work, and workplace. The resulting working conditions should allow all personnel (employees or not) to perform their job in a competent, safe, and healthy manner.

HSE e-training is mandatory for all new employees. It is part of Flokk's induction program, which includes safety rules, HSE case registration, work related hazards, alongside sustainability and corporate responsibility issues. All staff in production receive safety instructions and HSE training before they start working. The HSE training is improved through our new e-learning platform to strengthen performance, and we are planning to introduce refreshment training for all employees on a regular basis.

Employees are provided special training in specific high-risk activities such as Hot Work and Forklift driving. These competences are registered and followed up in a separate competence database in our Total Quality Management System (TQM).

Production site, Nässjö

PROMOTION OF WORKERS HEALTH

Flokk encourage all our employees to stay healthy and live an active life through physical activities. We have local health programs, canteens offering healthy food and we run health initiatives. This also includes focus on alcohol and drug abuse.

In general, we operate in countries where the public health care provides all necessary services. That is the main reason why we have not chosen to provide extra health care insurance.

PREVENTIVE ACTIVITIES

Injuries and occupational diseases

All staff at Flokk's premises (employees or not) are stimulated to work preventively and to report unsafe conditions as work-related hazards and hazardous situations, also including sensed fear and fear of disease.

Workstations are designed and organised to prevent injuries without compromising effective operations. This allows us to do early risk assessment, act and reduce the risk of serious injury. To prevent repetitive strain injuries, employees have opportunity to vary their tasks during job rotation.

Despite our preventive activities, the number of recordable work-related injuries needs to be reduced. The target is always 0 injuries. The number is at a higher level in 2021 (15) compared with 2020 (8) and 2019 (8). This is due to the implementation of Group Wide reporting. The rate has been improved in 2021 due to a higher number of working hours.

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 customize rehabilitation programs
- Attendance of meetings focused on general risk analysis and risk minimizing HSE work in combination with providing expertise related to safety aspects
- Participate in minimum one Working Environment Committees a year
- Offers of mandatory training and competence in relation to HSE work
- Participation in safety inspection rounds
- Follow-up on advised ergonomic practices

Working Environment Committees are in place at production units and HQ, with equal numbers of workers and management representatives present, alongside unions representatives. The workers are selected by elections. These committees normally meet 4-6 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, safety, and working environment work. Participation in surveys, 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
- Providing expertise related to safety aspects as noise, air quality, emergency preparedness including fire rescue and first aid training to name a few

Product Liability

CUSTOMER HEALTH AND SAFETY
Our aim is to deliver safe products in perfect condition, and we are committed to ensuring our customers' complete satisfaction. With our level of technical expertise, combined with our honesty and responsibility, our aim is for our customers to be safe and comfortable every time they choose a Flokk product. We demand high quality in everything we do, so a Flokk product is built to withstand stress and to last, minimizing risk of injury to the user.

For these reasons, all Flokk products are tested according to specific international standards, with requirements pertaining to healthy and ergonomic execution, safety, stability, and strength. The standards we meet stipulate guidelines for design, dimensioning, safety impact and material choice, and are subject to continuous evaluation and testing throughout the product's development and use phases. Flokk's core portfolio is therefore 100% assessed for potential improvements regarding health and safety impacts. That is also why we give a ten-year guarantee on most of our products.

Flokk has defined "Risk/Safety Claim" as a customer being injured while using our product. There have only been a handful of such cases, but when they do occur, they are followed up closely in our management case handling system.

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

2021		2020		2019	
Number	PPM*	Number	PPM*	Number	PPM*
1	0,40	1	2,00	4	7,31

Target each year: 0
No major customer injuries in 2021. 1 potential incident with potential for injury of customer is registered

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

LABELLING
All 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.

ENVIRONMENTAL CERTIFICATIONS
The use of certifications is an important communication of 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 user phases, while others cover the entire life cycle. Some are national, and some are global.

The environmental certifications chosen by Flokk comprehensively cover important aspects and areas. More 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 in EPDs - Environmental Product Declarations. EPDs are rapidly gaining recognition in the furniture industry, due to their ability to document and communicate quantitative, transparent and to some degree comparable 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

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, HÅG Capisco became the first office chair in the world to qualify for the Nordic Swan Ecolabel.

Flokk has 35 Nordic Swan Ecolabeled product families

GREENGUARD GOLD

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 27 products certified with GREENGUARD Gold

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 54 products with Möbelfakta certification

CRADLE TO CRADLE™

The Cradle to Cradle Certified™ program 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 3 products that are Cradle to Cradle™ certified, Bronze level

BLUE ANGEL

The Blue Angel has been the ecolabel of the German Federal Government for more than 40 years. It is an independent and credible label that sets stringent standards for environmentally friendly products and services. The Blue Angel promotes the concerns of both environmental protection and consumer protection.

Flokk has 7 products that are BLUE ANGEL certified

GRI-Index

This report has been prepared in accordance with the guidelines from the Global Reporting Initiative (GRI) – the GRI Standards 2016: 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 content has been both contributed to, proofread, formally reviewed and approved by Flokk Group Management (GM). The report has not been externally verified.

A list of GRI topics and disclosures is provided in the following pages, with references to where the topics are discussed in this report.

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 2021, our ambition was to be compliant with EU NFRD – Non-Financial Reporting Directive. We have rethought our strategy to await the new EU legislation CSRD – The Corporate Sustainability Reporting Directive, and report accordingly when this is required from GRI 2023.

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			6.3.10 6.4.1-6.4.5 6.8.5 7.8
102-2	Activities, brands, products, and services	23-36, 60			
102-3	Location of headquarters	152			
102-4	Location of operations	5-8, 10-11, 38-39, 134-135			
102-5	Ownership and legal form	13-14, 76			
102-6	Markets served	5-8, 10-11, 38-39, 106-107, GRI-index	Main customer groups: dealers, importers and end users		
102-7	Scale of organisation	6-8, 38-43			
102-8	Information on employees and other workers	136-137		SDG No 8.	
102-9	Supply chain	134-135			
102-10	Significant changes to the organisation and its supply chain	5, 10-11, 38-43, 134			
102-11	Precautionary Principle or approach	GRI-index	Flokk is committed to complying with the precautionary principle, stated in our Environmental & Energy Policy signed by CEO		
102-12	External initiatives	105, 113-115, 134-135, GRI-index	Member of ETN - Ethical Trade Norway. Flokk Code of Conduct in accordance with the UN Global Compact. Long-term environmental goals contributing to EU 2-degree target and selected numbers of the UN Sustainability Development Goals. Member of Hold Norge Rent. Supporting ZERO Fossil free forum		
102-13	Membership of associations	105-107			
Strategy					
102-14	Statement from senior decision maker	10-11, 41-42, 103			4.7 6.2 7.4.2
102-15	Key impacts, risks and opportunities	10-11, 41-42, 116-119			
Ethics and integrity					
102-16	Values, standards, principles and norms	13-14, 39-41, 112, 136, 138		SDG No 16.	4.4 6.6.3
Governance					
102-18	Governance structure	13-19, 112			6.2 7.4.3 7.7.5
102-20	Executive-level responsibility for economic, environmental, and social topics	15-16, 18, 112			
102-26	Role of highest governance body in setting purpose, values, and strategy	13-19, 112			
102-32	Highest governance body's role in sustainability reporting	104, 146			
102-35	Remuneration policies	14-15, 70-71, 77, 80, GRI-index	a. iv - clawbacks N/A. a. v - same retirement scheme for all employees, including Group Management (GM). b. For 2021, the senior executives' bonus programs were related to further integration of acquisitions, organisational development, financial targets and commercial development targets. Several members of GM had individual targets related to ESG activities		

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
Stakeholder Engagement					
102-40	List of stakeholder groups	105-107			
102-41	Collective bargaining agreements	GRI-index	In The Netherlands, all employees fall under a furniture association collective agreement as a basis for the salary adjust process. In Norway 51,6% and in Sweden 49,9% of our employees are members of a Union. All employees are covered by bargaining agreements leading to the initially same percentage adjustment. We have external representation at the production Site in Poland, however there is no applicable collective agreement negotiated. We practice Union interaction through an internal setup with employee representatives.	SDG No 8.	5.3
102-42	Identifying and selecting stakeholders	105-106			
102-43	Approach to stakeholder engagement	106-107			
102-44	Key topics and concerns raised	106-107			
Reporting Practice					
102-45	Entities included in the consolidated financial statements	7, 47-48, 76			
102-46	Defining report content and topic Boundaries	104-105			
102-47	List of material topics	104			
102-48	Restatements of information	GRI-Index	Recalculation due to new data available: Climate/Energy data changes due to new data processing tool Greenstone+ with new assessment of data, varying emission and conversion factors. Inclusive reporting with more offices (e.g. Zurich showroom) or correct accounting (e.g. Oslo district heating added). Larger scope, including factories in Turek (Profim) and Hawthorne (9to5). Retrospective correction of some historic data: mistakes in the old tool (CemaSys), or better traceability through bills (e.g. Rotterdam office). Rate of recordable work-related injuries value for 2020 was calculated wrong in GRI 2020 (19,5), now adjusted for (13). Waste figures for 2020 changed as Turek is added retrospective from that year. Total packaging weight for 2020 has been corrected. Amount of recycled plastic figures for 2019/2020 changed due to more accurate data available.		7.5.3 7.6.2
102-49	Changes in reporting	104			
102-50	Reporting period	GRI-Index	2021		
102-51	Date of previous report	GRI-Index	2020		
102-52	Reporting cycle	GRI-Index	Annual		
102-53	Contact point	151			
102-54	Claims of reporting in accordance with the GRI Standards	GRI-Index	This report has been prepared in accordance with the GRI Standards 2016: Core option		
102-55	GRI content index	146, GRI-index			
102-56	External assurance	146, GRI-index	The report has not been independently verified. However, The Governance Group (TGG) has performed an independant gap analysis of our last GRI report 2020 towards GRI Standards to ensure compliance		
MANAGEMENT APPROACH (DMA)					
103-1	Explanation of the material topic and its Boundary	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		
103-2	The management approach and its components	104, 112, 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	112			

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
MATERIAL TOPICS					
Economic Performance & Climate Risk					
DMA		13-15, 112, 114-115			
201-1	Direct economic value generated and distributed	13, 39, 44, 46, 68-69, GRI-index	i. Payment costs by country 2021 [MNOK] - **Total: 83,4.** Norway: 37,9 / Sweden: 4,2 / Denmark: 8,4 / The Netherlands: 5,7 / Belgium: 5,9 / Germany: 16,9 / UK: 2,3 / France: 0,7 / Switzerland: 8,4 / Singapore: 0,5 / China: 4,0 / USA: 0,0 / Australia: 0,5 / Poland: (12,8) / Latvia: 1,7 / The Czech Republic: 0,0 / Canada: (0,7) / Austria: (0,2)	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	116-119		SDG No 13.	6.5.5
Procurement Practices					
DMA		112, 134-135			
204-1	Proportion of spending on local suppliers	134		SDG No 8. SDG No 12.	6.6.6 6.8.1-6.8.2 6.8.7
Anti-corruption					
DMA		112, 138			
205-2	Communication and training about anti-corruption policies and procedures	135, 138		SDG No 16.	6.6.1-6.6.3 6.6.6
205-3	Confirmed incidents of corruption and actions taken	GRI-Index	a. No incidents of corruption have been registered in 2021 b. No confirmed incidents in which employees were dismissed or disciplined for corruption in 2021 c. No confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption in 2021 d. No public legal cases regarding corruption brought against our company or our employees in 2021		
Materials					
DMA		108, 111-112, 124			
301-1	Materials used by weight or volume	126		SDG No 12. SDG No 15.	6.5.4
301-2	Recycled input materials used	128-129			
Chemicals					
DMA		108, 112-113, 131, 135, 143			
Energy					
DMA		108, 112-113, 120			
302-1	Energy consumption within the organization	120-123, GRI-index	a. Total fuel consumption from non-renewable sources: 27 186 455 MJ (Burning oil, Natural gas, Propane, Diesel, Petrol) b. Total fuel consumption from renewable sources: 329 094 MJ (Biodiesel) c. No heating and cooling consumed d. No heating, cooling, and steam sold e. Total energy consumption: 72 005 681 MJ f. Greenstone+, a sustainability data management tool, is used to gather and calculate data g. Conversion factors of Greenstone+ used, based on DEFRA	SDG No 12. SDG No 13.	6.5.4-6.5.5
302-3	Energy intensity	120-121, 123, GRI-index	Energy intensity is drawn by including all relevant sources of energy covered by scope 1 and 2 within the organization		6.5.5
302-4	Reduction of energy consumption	120-121, 123, GRI-index	Greenstone+, a sustainability data management tool, is used to gather and calculate data. Energy reduction figures are based on absolute numbers as available		

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
Emissions					
DMA		108, 112-113, 120			
305-1	Direct (Scope 1) GHG emissions	120-123, GRI-index	b. Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs c. No biogenic carbon dioxide emissions to report as there is no combustion or biodegradation of biomass e. Source of emission factors: GHG 2021, IEA 2021, DEFRA 2021 f. Flokk uses the operational control approach for its carbon audit g. Greenstone+, a sustainability data management tool, is used to gather and calculate data		
305-2	Energy indirect (Scope 2) GHG emissions	120-123, GRI-index	a. Location-based emissions - District heating: 293 tCO_2e, Electricity: 2 549 tCO_2e c. Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs e. Source of emission factors: IEA 2021, DEFRA 2021, Fjärrvärmens lokala miljövärden 2020 (www.energieforetagen.se) [market-based DH emission] f. Flokk uses operational control approach for its carbon audit g. Greenstone+, a sustainability data management tool, is used to gather and calculate data	SDG No 12. SDG No 13. .	6.5.5
305-3	Other indirect (Scope 3) GHG emissions	120-123, GRI-index	For b. (gases included) / c. (biogenic CO_2 emissions) / g. (calculation tool) -> see direct answer in Disclosure 305-1 d. Upstream: Business air travel, Downstream: Transportation and distribution f. Source of emission factors: GHG 2021, DEFRA 2021		
305-4	GHG emissions intensity	120-123, GRI-index	GHG emissions intensity is drawn by including all relevant sources of GHG covered by scope 1, 2, and 3 within the organization.		
305-5	Reduction of GHG emissions	120-123, GRI-index	For b. (gases included) / e. (calculation tool) -> see direct answer in Disclosure 305-1 Emission reduction figures are based on absolute numbers as available		
Effluents and Waste					
306-2	Waste by type and disposal method	130		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 2021		
Environmental Compliance					
DMA		10-11, 104, 112, 118-119, 140-141			
307-1	Non-compliance with environmental laws and regulations	GRI-Index	1 case registered at Røros - TQM id 6287 - related to problematic handling of dust waste from the grinding of footbases - which our existing and other waste handlers refuse to receive. Dust waste is for the time being stored locally at Røros. Case is still under investigation with actions continuing in 2022	SDG No 16.	4.6
Supplier Environmental Assessment					
DMA		112, 134-135			
308-1	New suppliers that were screened using environmental criteria	134-135		SDG No 12.	6.3.5 6.6.6 7.3.1
308-2	Negative environmental impacts in the supply chain and actions taken	135			
Occupational Health and Safety					
DMA		112, 140-143			

Disclosure number	Disclosure title	Page	Direct answer to aspects / Notes	UN SDGs	ISO 26000
403-1	Occupational health and safety management system	140			
403-2	Hazard identification, risk assessment, and incident investigation	140-143			
403-3	Occupational health services	143			
403-4	Worker participation, consultation, and communication on occupational health and safety	140-143			
403-5	Worker training on occupational health and safety	140-143			
403-6	Promotion of worker health	143			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	143			
403-9	Work-related injuries	141, GRI-index	f. Injuries are registered for all full/part time and temporary workers, both employees and non-employees. However, working hours for hired personel (non-employees) are not included, since we don't have any method for registering this yet g. Number of working hours is given by working hour registration system related to salary. All kind of work related to Occupational and health incidents are registered and defined into different categories during investigation. The data have been compiled based on the formula: Rate of high-consequence work-related injuries excl fatalities = (Number of high-consequence work-related injury excl fatalities / Number of hours worked) x 1,000,000	SDG No 3. SDG No 8.	6.4.6 6.8.8
Supplier Social Assessment					
DMA		112, 134-135			
414-1	New suppliers that were screened using social criteria	134-135		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
414-2	Negative social impacts in the supply chain and actions taken	135			
Customer Health and Safety					
416-1	Assessment of the health and safety impacts of product and service categories	144		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 2021	SDG No 16.	4.6 6.7.1-6.7.2 6.7.6

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Our head office is in Oslo, Norway, with main production sites at Røros (Norway), in 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 1 800 employees work together to realize the vision of Flokk: Inspire great work.