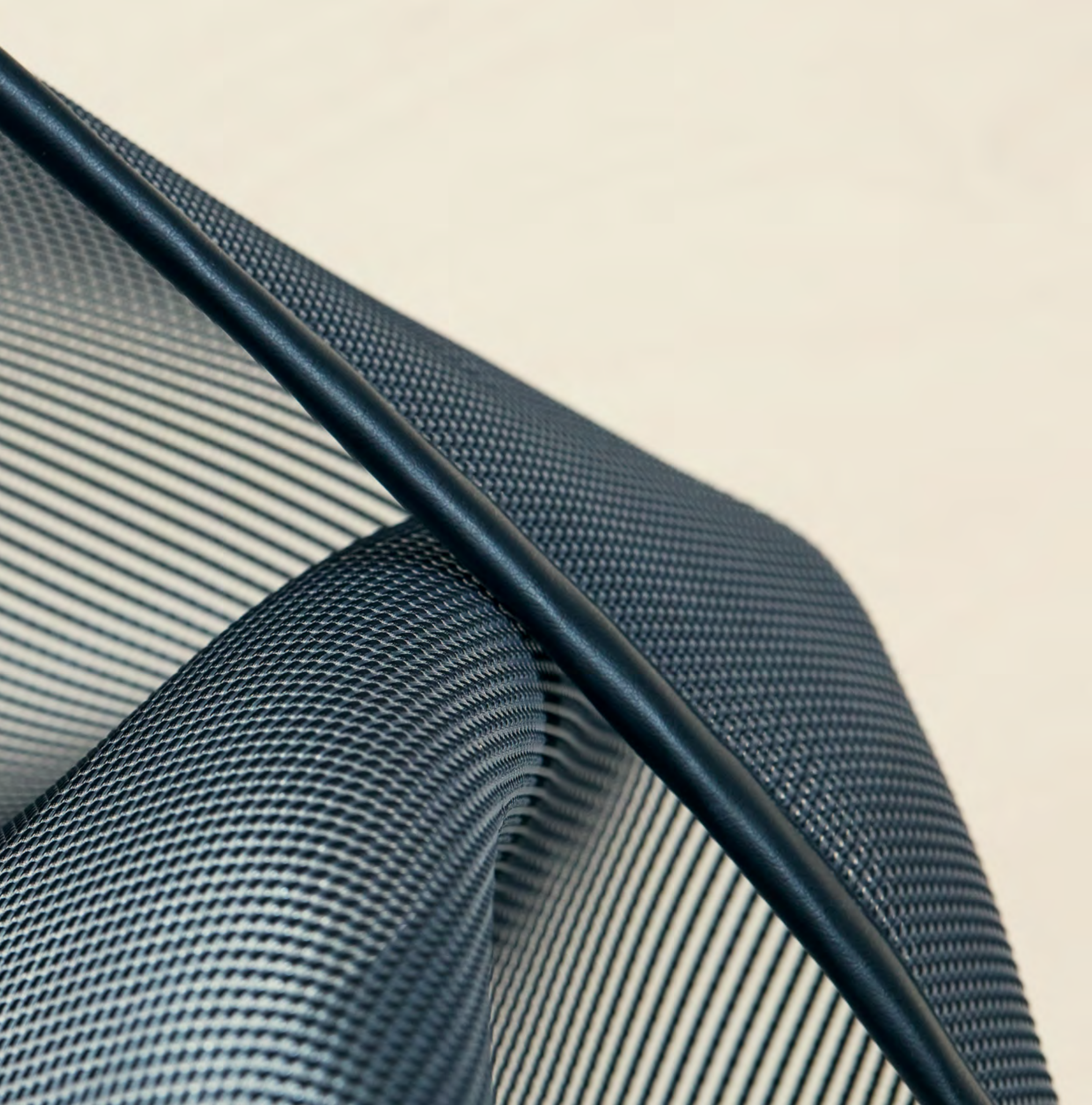
It's in our nature

Annual Report 2018



Important events in 2018

- Polish manufacturer, Profim, one of the leading manufacturers of office furniture in Central Europe, was acquired in May.
- Established new subsidiary in Canada, Flokk Furniture Inc.
- Integration of Giroflex into the matrix organization and merged three Swiss companies into one, Flokk AG. Merged Giroflex companies in the Netherlands, Belgium and Germany into the existing Flokk companies.
- Good sales growth in the US for several brands.

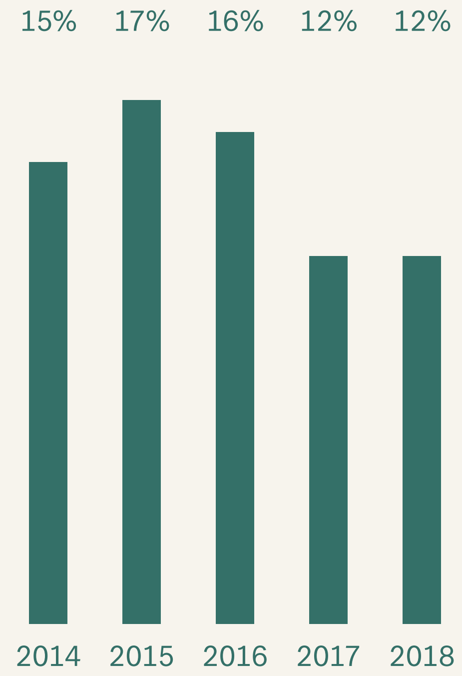
Product news

- HÅG Futu Mesh
- BMA Axia Vision
- New model of RH Mereo 300

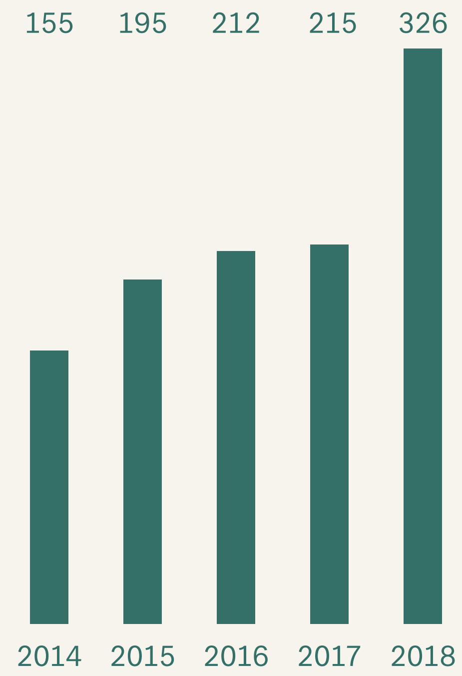
Key Figures		2018	2017	2016	2015	2014[3]
Operating revenues	MNOK	2 723	1 730	1 299	1 180	1 037
EBITDA [4]	MNOK	421	269	251	233	192
Operating income	MNOK	326	215	212	195	155
EBITA margin	%	12,0	12,4	16,3	16,5	15,0
Income before taxes	MNOK	84	62	119	90	14
Net income	MNOK	51	42	84	71	0
Net interest bearing-debt	MNOK	2 497	1 236	962	1 084	1 056
Investments	MNOK	120	44	50	39	33
Total assets	MNOK	4 414	2 898	2 409	2 369	2 246
Net working capital [1]	%	17	19	17	16	15
Equity share [2]	%	23	40	45	39	37
No. of employees per 31.12		2 517	829	546	555	480
Full time equivalents per 31.12		2 496	800	533	538	469
No. of sold chairs	Thousand	1 817	495	462	421	421

1) Inventory + accounts receivables - accounts payable in percent of operating revenues.
2) Includes shareholder loan for the period 2014-2017.
3) Pro forma figures for the entire 2014 if the acquired companies had been part of the Group as from 01.01.2014.
4) Not adjusted for non recurring costs.

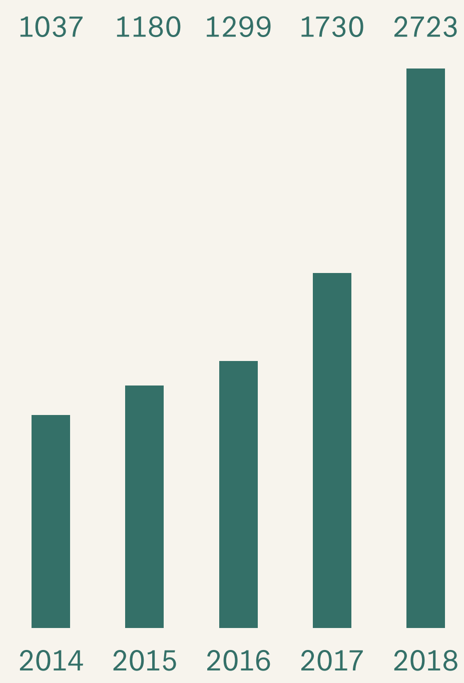
EBITA-margin



EBITA (MNOK)



Operating revenues (MNOK)



Sales per market	
Norway	9%
Sweden	10%
Denmark	6%
Netherlands	7%
Germany	10%
UK	4%
Belgium	3%
France	3%
Switzerland	5%
Export	3%
Asia	1%
USA	2%
Profim	36%
Malmstolen	2%

Sales per brand

HÅG	25%
RH	13%
RBM	4%
BMA	7%
Giroflex	9%
Offecct	4%
Profim	36%
Malmstolen	2%

Contents

The Organisation

The CEO's Report
Flokk – Differentiated brands that hit all market segments: Successful Integration yields better results and generates good growth.

With the purchase of Offect and Giroflex in 2017, and the strategically important acquisition of Profim at the beginning of 2018, we have within a short period of time more than quadrupled the number of our employees, from 600 to 2500. With more than NOK 3 billion (pro forma) in turnover and eight strong brands, Flokk has taken a leading position in even more European markets. Following our most recent acquisitions, in 2018 we focus on consolidation and integration of the new companies. In such acquisitions, experience shows that it always takes some time and costs to integrate in a good way the companies into the group. It also takes some time for synergies to be created. Nevertheless, all the acquired companies have contributed positively to the operating profit in 2018. A year ago, we said that we expected total operating income (EBITA) of about NOK 400 million, but we can rejoice that pro forma normalised EBITA came to as many as NOK 454 million, compared to NOK 391 million the year before.

Successful Integration
Our good result is due primarily to the fact that we have become adept at integrating acquired companies in a good way, so that we can quickly achieve synergies. Following our many acquisitions in recent years, we now have dozens of mid-level managers whose work is dedicated to integrating the companies we have in our portfolio. But the good results also stem from our diligent, competent and development-oriented employees with seniority. We still operate in a fragmented market, where the consolidation in our line of business is ongoing. Therefore, we would like to grow further, both organically and through acquisitions. It all comes down to finding the strategically right companies. If we find them, we will have established our own M&A organisation that conducts all M&A processes on its own, and we will have our own employees whose work is dedicated to the integration of the companies we purchase, so that these can quickly contribute positively to the operating profit.

Through the acquisition of Profim, Flokk's centre of gravity has shifted from Scandinavia to Europe, but we have not lost our origins and anchoring in our Scandinavian heritage, traditions, and leadership philosophy related to openness, accountability and efficiency.

Differentiated brands
For a long time, our goal has been to win the market struggle with strong product differentiation and strong brands. With Profim as part of the team, we have managed to strengthen our position in our core markets in Europe, while at the same time taking a clear position in the large-volume markets for good design furniture. After the acquisition of Profim, Flokk now has differentiated brands that hit all market segments. This makes us a leading player in the market for office chairs and workplace furniture in Europe and we have become even bigger, stronger and more relevant.

Over time, Flokk has conquered the premium segment, especially in Europe. We should now use the knowledge we have in this area for all it is worth in the further development of the Flokk's various brands. As we now have differentiated brands that hit all market segments, we are also much stronger in the project market, while we are a very good partner

Lars I. Røiri
CEO

for our dealers around the world. With the acquisition of Profim, we have acquired a sales network consisting of 1,100 dealers in 30 countries, so we are now present in over 50 countries on all continents. Regardless of whether people work in cell offices, open office landscapes, lounges or recreation areas, they will be able to use the Flokk's different products. What they all have in common is their individual personality and distinctive features, derived from strong Scandinavian design tradition, ergonomics, high quality and environmentally friendly solutions, as well as taking into account the context in which the products will be used. We also continue to invest heavily in product development within all of our brands, and we still follow our strategy of investing 5% of our sales in product development, which is well above the industry's average of 2-3%.

In the further development of our brands we will continue to focus on what we are good at, namely office chairs and seating solutions for office environments. We have gradually expanded our product range from only work chairs to also include "soft seating", which now makes up 36% of our volume. Offect and Profim are good examples of brands in our portfolio that have products targeting the "soft seating" segment. We have over time noticed that office environments are changing towards more interaction and that there are office spaces where communication and teamwork are in focus. Products within "soft seating" have therefore become an important area for us.

Aspects
Flokk is now the largest and most profitable office chairs manufacturer in Europe.

The consolidated figures for 2018 show that the companies that were part of the group at the beginning of 2019 had a turnover on pro forma basis of NOK 3,030 million, which is 6.1% higher than the previous year. The accounts otherwise show that Flokk has had growth in all markets and for all brands we had in our portfolio at the beginning of 2019. The greatest growth is now outside our core markets Norway and Sweden. But these markets are still important and also had growth in turnover in 2018.

Efficient production
The acquisitions we have made offer great opportunities for improved profitability. Size per se is important for creating profitability and for being able to run rational product and market development. In addition, due to the high cost level in Scandinavia, we have managed to develop unique automated assembly production. We will now be taking this competence with us to the production facilities in Europe.

As part of further streamlining in the group, our focus areas in 2019 will be to work on optimising the production structure, the efficiency of procurement across the entire group, not to mention integrated product development to increase profitability across the many different brands we now have in our product portfolio.

Larger and more relevant in the market
A lasting ambition to become the preferred partner in our line of business has made us the largest and most profitable office chairs manufacturer in Europe. Well supported by solid and ambitious owners, our goal is to become a leading office chair supplier globally. We will accomplish this by focusing on design, product development, automation and high technology competence – and a low direct labour share on production, which will make us competitive in an international market.
Through the acquisition of Profim, the market's centre of gravity at Flokk has shifted from Scandinavia to Europe, with Germany being the largest market (NOK 600 million). Furthermore, we are now a much better partner

for all our dealers, who can now offer products that meet most market demands. After the acquisition of Profim, we have strengthened our position as a market leader in Europe, with a market share in office chairs of 11%, with a number 1 position in Norway, Denmark, the Netherlands, Switzerland and Poland, number 2 in Sweden and number 4 in Germany. This is also a milestone for us on our path towards becoming a global player. All our brands generated growth in 2018. That is why we now invest heavily in designing new products under the Giroflex brand, and expect to launch new products in 2019.

In 2018, we still focused on emerging markets like China, Australia and the US, where we have had good growth.

Our goal is to win the market struggle by means of strong product differentiation and strong brands that hit many segments, superior front-end efficiency, operational superiority and targeted acquisitions and mergers.

Sustainability

Flokk has been focusing on sustainability for nearly 40 years. We have always set an example in the industry through the development of circular eco-friendly products and efficient operation of our production sites. Our efforts have continuously been directed towards minimising the overall environmental impact of the group and our products without compromising on design and quality. We draw near our long-term goals in several of our focus areas – climate, resources and health. Already in 2018 we reached our 2020 target at our largest production sites, reducing energy consumption by 20% per produced unit. Our last two products; RH New Logic and BMA Axia Vision consist of respectively 60% and 63% recycled materials. Thus, those two chairs have reached the goal of having products containing an average of 60% recycled materials before 2020. Our focus in the future is to fortify the role of pioneers in sustainability while continuing our growth by working holistically with both internal and external value chains in order to ensure proper use of raw materials and chemicals in products and manufacturing processes. We place strict environmental demands on all our suppliers, who also have to commit themselves to our ethical guidelines, which deal with human rights, working conditions and corruption.

Strategy and future prospects

Now that we have become the largest office chair supplier in Europe, it is only natural to pursue our ambition to become a leading supplier globally. This means that we will defend our strong position in Scandinavia while growing in Europe, the USA and Asia. We will do so by offering a complete range of products for all user situations and price levels.
We continue to follow our strategy by strong underlying organic growth, driven by successful product launches and not least successful acquisitions with substantial synergies. Our goal is annual organic growth of at least 5%. Acquisitions will bring further growth. We would like to grow more, both organically and through acquisitions.

We also continue our development of digital tools and communication channels in sales and marketing. Exciting and great opportunities await Flokk in the future!

Lars I. Røiri

Lars I. Røiri

CEO

Group Management

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

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

Eirik Kronkvist (b. 1969)
Chief Financial Officer

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

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.

Ketil Årdal (b. 1970)
Senior Vice President, Commercial Operations (CO)

Årdal joined Flokk in 2012 and is the overall responsible for sales of Flokk's brands in Europe. He holds a Diploma Course from the Norwegian School of Trade Management (BI), Business Programs from London Business School and IMD in Lausanne. Prior to joining Flokk, Årdal held positions in Kellogg's, Findus and Duni.

Frederik Fogstad (b. 1965)
Senior Vice President Global Partner Organisation (GPO)

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 from the University of Glasgow. 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 Commercial Development Soft Seating

Aasland joined Flokk in 2018 with key responsibilities for the commercial development of Flokk's soft seating segment. He holds a Master of General Management from BI Norwegian Business School. Aasland has prior work experience from North Investment Group, Lammhults Design Group and Fora Form.

Piotr Chełmiński (b. 1964)
CEO Profim

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. Chełmiński has prior work experience from companies such as Unipetrol, Schöller, Carlsberg Polska and Aronia.

Corporate Governance

The company complies with the Norwegian recommendations regarding corporate governance. As the company is not listed on the stock exchange, its corporate governance has been tailored to the company's situation. The company is owned by the private equity investment companies Triton, which is the main shareholder and, Innova. The remaining owners consist of many executives and board members.

Flokk has defined its values. Together with the company's corporate culture, this forms the basis on which the board and management believes that Flokk should be managed. The company's most important success factor has been its ability to develop, produce and market new seating solutions for office environments. Innovation, a cost-efficient procurement function, flexible production, familiarity with the market, and effective sales work are key success factors for Flokk. Flokk strives to maintain high ethical standards in its business practices. All of the companies and employees must comply with the relevant laws and regulations in the country in which they work. The company practises values-driven management based on its values. The company has drawn up guidelines for ethics and corporate social responsibility.

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 designs, develops, produces and markets seating solutions for office environments. Growth and good profitability will be created through a high degree of innovation, modern design, good ergonomic solutions and a people and environment-oriented approach to the products.

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

Equity and dividends

The company's equity share as at 31.12.2018 was 23%. 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 class of share and each share provides one vote. The company has laid down guidelines that require the board to be notified when board members or the CEO have significant interests in a transaction entered into by the company.

General meetings

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

Nomination committee

A nomination committee has not been established for the election of shareholder-elected board members. As a result of the ownership structure, it has been natural that the work related to the composition of the board's shareholder-elected members 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 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's 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 and the HR department. Three meetings are normally held each year.

Flokk and its underlying subsidiaries do not have their own corporate assemblies. An agreement has been concluded on extra board representation from the employees of Flokk AS. The board of Flokk AB also has employee representatives. The boards of Flokk's other subsidiaries consist of the CEO of Flokk, as chairman of the board, and members of the group's Executive Management team.

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

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

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

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

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

Flokk has several internal controllers who are organised under a group controller who reports to the CFO. The group has also drawn up a framework for risk management – a so-called Enterprise Risk Management framework. This framework determines how to work to identify, handle and follow up business risk at the group. The key strategic and operational risk is followed up closely through action plans and regular reporting. The board is regularly briefed on this work.

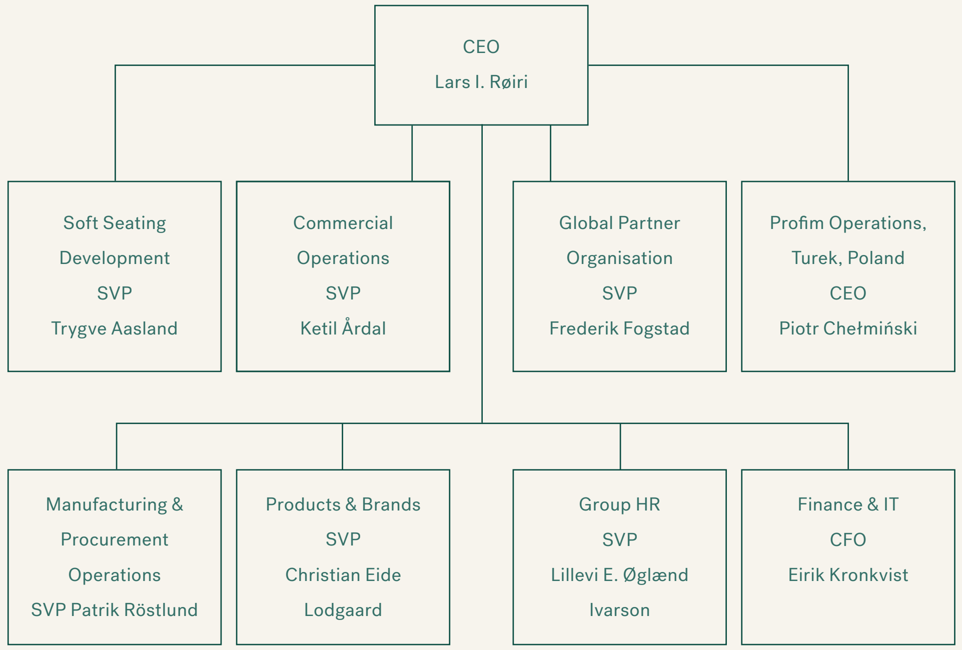
Remuneration of the board of directors
The board's remuneration is reported in note 21 of the company's consolidated annual report. The board's remuneration is fixed by the general meeting every year. The board's remuneration is not linked to performance. The board members hold no options in the company.

Remuneration of executive personnel
The remuneration of the CEO and other group management is reported in note 21 of the company's annual report. The board fixes the terms of the CEO based on a proposal from the chairman of the board. There is no fixed bonus system for executives. However, various forms of bonus schemes are practised, where financial performance and qualitative goals are the most important indicators.

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

Audits of ISO certifications are carried out by KIWA auditors.

Group Management



About Flokk

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

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

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

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

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

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

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

Flokk – Brands


Hebekk skole, Norway, RBM

HÅG

HÅG's sitting philosophy was established in the early 1970's and remains just as relevant and unique today. Based on the belief that humans are not made to sit still, HÅG persists in developing new products that give people a more active and better day at work. When you sit in a HÅG chair, you sit in balance. Your whole body is continuously moving in a natural way, without you ever having to think about it.

Emphatic, visual design and an ambition always to be an environmental pioneer are our inspiration, and the driving force behind the development of our products. All HÅG chairs are true to this principle: Always focus on people, and express empathy for people's needs and requirements. The continued success of the HÅG SoFi mesh (launched 2017), followed by HÅG Futu mesh (launched spring 2018), are great examples of how HÅG's innovative designs are appealing to the architect and designer community as well as the general public. Still supported by the iconic model HÅG Capisco.

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 perfor-mance. 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 epitomises 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 specialised 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.


Trivago, Germany, HÅG

Mundipharma, Poland, Profim


GADJ Arkitekter, Sweden, Offecct


IBA, Belgium, Giroflex

BMA

BMA 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 3 main working postures of office workers. The Axia chair 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 ActiveTechnology) 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.

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, public spaces and open-plan offices.

RBM furniture enables you to create environments that encourage collaboration, learning, sharing, relaxation or play, because at the end of the day all that matters is an enriched daily life.
Cooperation with selected designers has given the RBM brand a distinct and authentic Scandinavian identity with unique products covering major consumer needs in this market segment.

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

Malmstolen

Malmstolen do not compromise. Malmstolen have made the decision, we do not compromise on quality and we do not compromise our scientific when developing our chairs. We design and build our chairs with a high-end quality and Malmstolen is made after how the human body works, not the other way around. Malmstolen has all throughout the brands history worked to create the best ergonomic work chairs in the market. You can be sure that the chair you choose is not just comfortable today, but will continue to give you support, relief, relaxation and freedom of movement for many years to come. Malmstolen is also taking a big responsibility for the environment and have the whole chair range With the Nordic Ecolabel today! As we say, everybody should have the opportunity to sit in a Malmstolen chair. Our goal is to create a more human working environment for a long time!

Profim

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

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

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

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

Pop-in Work, Sweden, RH and HÅG

Some Flokk Projects

Customer: Norwegian Airshuttle ASA
Country: Norway
Brands: HÅG, RBM, Offecct
Products: 724 HÅG SoFi mesh, 114 HÅG Tribute Meeting, 10 HÅG SoFi mesh communication, 31 RBM Allround, 3 Offecct OnPoint

Customer: Taleninstituut Regina Coeli
Country: The Netherlands
Brand: Giroflex
Products: 200 G313, 100 G353

Customer: Otto
Country: Germany
Brand: HÅG
Products: 1146 HÅG SoFi mesh

Customer: Trivago
Country: Germany
Brands: HÅG, RBM
Products: 500 HÅG Capisco; 310 RBM Noor

Customer: Realdolmen Huizingen
Country: Belgium
Brand: RBM
Products: 110 RBM Noor, 70 RBM Noor UP, RBM Eminent

Customer: Malakoff
Country: France
Brands: HÅG, RBM
Products: 425 HÅG SoFi mesh, 85 HÅG Capisco, 290 RBM Noor

Customer: Warsaw University of Technology
Country: Poland
Brand: Profim
Products: 328 Xenon, 184 MyTurn, 22 Sorriso

Customer: Nasdaq
Country: Sweden
Brand: RH
Products: 442 RH Logic; 448 renovated used RH Logic

Customer: Karolinska Institutet – Biomedicum
Country: Sweden
Brand: HÅG, RH
Products: 1129 HÅG H05, 1088 RH Activ, 50 RH Support

Customer: JianQing Middle school
Country: Shanghai, China
Brand: RBM
Products: 10 Twisted Little Star, 40 RBM Noor

Customer: Trend Micro
Country: Singapore
Brands: HÅG, Offecct
Products: HÅG Capisco, HÅG Capisco Puls, Offecct On Point, Netframe, Bop wood chair, Bop bar chair, Carry On

Customer: Ångpanneföreningen Gävle
Country: Sweden
Brand: Malmstolen
Number of chairs: 116

Customer: IBA – CBC – Louvain La Neuve. Berhin
Country: Belgium
Brand: Giroflex
Products: 300 G353

Customer: European Patent Office (EPO)
Country: The Netherlands
Brand: BMA
Products: 1780 BMA Axia2.2 & 2700 BMA Axia Visit

Customer: Magnate Design Center
Country: Ukraine
Brand: Profim
Products: 132 Motto, 60 Light Up, 22 Chic

Stena Fastigheter, Sweden, RH

Annual Accounts

Report from the Board of Directors 2018

Flokk is a leading group in Europe, engaged in the design, development and production of furniture, mainly seating solutions for office environments. The group supplies branded goods, selling products of the brands HÅG, RH, Profim, Giroflex, BMA, Offecct, RBM and Malmstolen. Its head office is located in Oslo, with production taking place at the group's own factories in Norway (Røros), Sweden (Nässjö, Tibro and Hunnebostrand), Turek (Poland), the Netherlands (Zwolle) and Switzerland (Koblenz). The group also has sales companies in Denmark, Germany, England, Belgium, France, Singapore, China, Australia, the USA and Canada.

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.

Going Concern

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

Restructuring

The transaction for the purchase of the Polish company Profim was completed at the end of April 2018. Profim is a leading manufacturer of office furniture in Central Europe. This company has had substantial growth for several years, increasing its market shares in its main markets in Germany and Poland. Profim is Flokk's fourth acquisition in 14 months, which has reinforced the group's leading position in Europe. These acquisitions are in line with the group's strategy to become a leading global supplier of office furniture. Throughout 2018, efforts were directed towards integrating Profim into the Flokk group.

In 2018, several changes in the legal structure were made in order to establish a more expedient legal structure for future operations for the group. In Switzerland, three companies have been merged so the group now has one legal entity in Switzerland, Flokk AG. The Giroflex companies in the Netherlands, Belgium and Germany were merged into the existing Flokk companies in these countries. The Swedish company Ergonomiprodukter i Bodafors AB was closed down.

Flokk Furniture Inc. in Canada was founded at the end of 2018 and will be in operation during the first quarter of 2019. A desire for proximity to customers and for enhancing our presence in the Canadian market after years of sales growth has contributed to the creation of the subsidiary after working with a distributor for several years. An increase in sales in the Canadian market is expected from 2019.

Espisa AG, a Swiss supplier of plastic components, became part of the Flokk group following the acquisition of Giroflex Holding AG in 2017. Originally, Espisa was Giroflex's only supplier of plastic parts for office furniture, but has evolved to being a supplier for several industries. Despite Espisa's strong position in the market, the group assessed that Espisa was outside the core business and sold the company to the Swiss investment company Aeterna AG. The transaction had an operational impact from 1 July 2018.

Market and General Conditions

The group's sales growth amounted to 57.4% compared to 2017. Sales growth is the result of organic growth and the acquisition of Profim. The group's organic sales growth of 6.1% compared to 2017 is considered satisfactory in a market still characterised by relatively low overall development. It was the markets in Norway, Germany, Benelux, UK and the USA which mainly contributed to the positive sales development in 2018.

Through the acquisition of Profim, the centre of gravity in the commercial organisation has shifted from Scandinavia to Europe, Germany becoming the group's largest market. Further efforts to realise synergies across brands will continue in the future, and integration efforts with Offecct and Giroflex have opened up opportunities in new business segments and markets.

Orgatec, the furniture trade fair in Köln, is arranged every two years. Flokk exhibited several new brands to highlight the company's growing presence in the market. In the future, the group will strive to strengthen its position in the European markets, above all, in the project market, where there is good growth potential. In the wake of several acquisitions and organisational changes, efforts to strengthen sales processes as well as highlighting the follow-up around the strategy work in each market will naturally continue. In 2019, the group is specifically looking forward to the launch of new series of chairs for RH New Logic and HÅG Creed.

The group's export markets delivered solid sales growth in most markets in 2018, but the greatest was on the North American market by over 50% compared to last year. The group's distribution network in the Asia-Pacific region was expanded and improved in 2018. There efforts will be reinforced in 2019 in order to further increase both market growth and sales. Sales to markets in Europe, where the group does not have subsidiaries, increased more than the overall market growth. A new showroom was opened in Milan, Italy, to enhance the cooperation with architects, designers and dealers in the Italian market in particular, and in Southern Europe in general.

Income Statement

The parent company, Flokk Holding AS, had no operating revenues in 2018. Its operating costs amounting to TNOK 15,911 consisted of fees paid to the Board and for other consultancy services. The company's income consists of group contributions from its subsidiaries. Income before tax amounted to TNOK -15,381, compared to TNOK 19,495 in 2017. The decrease is mainly due to increased fees for legal consultancy services. Net income amounted to TNOK 6,040 compared to TNOK 28,918 the previous year.

The Flokk group had operating revenues of TNOK 2,722,815 compared to TNOK 1,729,941 in 2017. This increase was attributable to organic growth and growth resulting from the acquisition of Profim in 2018. The operating income for the period was TNOK 325,677 compared to TNOK 214,918 in 2017. The operating margin in 2018 was 12.0%. Net financial expenses amounted to TNOK 241,441 compared to TNOK 214,918 in 2017. Most of these financial expenses consisted of interest on loans, loan costs and disagio. Income before tax amounted to TNOK 84,236, compared to TNOK 61,583 in 2017. Net income amounted to TNOK 50,687 compared to TNOK 41,712 in 2017.

Adjusted for one-off costs in connection with the integration of Giroflex, Profim and other acquisition processes, the group's normalised operating profit for 2018 amounted to TNOK 454,000, giving an operating margin of 15%.

Balance Sheet and Liquidity

Total investments in the group amounted to TNOK 119,993 covering acquisition of operating assets of TNOK 93,992 and capitalised development costs of TNOK 24,652. Most of the group's investments in operating assets were associated with new products and production equipment. Total cash flow for the group derived from operating activities amounted to TNOK 225,715. The difference in relation to the operating profit is mainly due to depreciation, taxes paid and changes in working capital.

The group's total assets at the end of the year stood at TNOK 4,414,431, an increase of TNOK 1,516,098 from the end of 2017. The increase was mainly due to the acquisition of Profim. The equity ratio was 22.6% compared to 40.4% in 2017, but in 2017, long-term loans from shareholders were included when calculating the equity ratio. This shareholder loan was repaid in 2018. The group's short-term debt at the end of the year was 16.0% of its total debt, compared to 16.4% the year before. The total debt ratio was 77.4%.

The group had good liquidity throughout the year. At the end of 2018, the net interest-bearing liabilities amounted to TNOK 2,496,676, which is 102% higher than at the end of the previous year. In 2018, the group completed refinancing, increased its bank debt and repaid shareholder loans. The company's goal of good financial capacity is achieved with the new financing structure. Debt financing is subject to requirements concerning the achievement of key figures linked to profits and solvency. Bank covenants are valued at the end of every quarter, and the group met the requirements at the end of 2018.

At the beginning of 2018, the group had a total credit line of TNOK 3,214,558, consisting of long-term loans of TNOK 2,849,558 and an unused overdraft limit of TNOK 365,000. Available funds in the form of unused credit facilities and bank deposit as at 31 December 2018 amounted to TNOK 771,571.

Financial Risk

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

Credit risk associated with counterparties being unable to meet their financial obligations is regarded as acceptable. The majority of the company's sales are in Northern and Central Europe. Sales are made to our own sales companies and to dealers and importers with whom the group has been working for some time. Historically, losses from receivables have been limited and amounted to TNOK 2,623 in 2018. Gross accounts receivables as at 31 December 2018 amounted to TNOK 431,535.

The company regards the company's/group's liquidity as good. 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

Recently launched products led to further sales growth for the company in 2018. The range of chairs HÅG Sofi Mesh, launched in 2016, continued to grow and the chair series HÅG Tribute accomplished the company's volume ambitions. Three new products were launched in 2018: HÅG Futu Mesh is a new version of HÅG Futu, which was launched in 2008. It is an important contribution to the range of chairs with transparent back for the HÅG brand. For this chair, there are new textile, new colours and new upholstering method to streamline the production of these types of chairs. BMA Axia Vision is a new work chair for workplaces that provide 24/7 manned service. The Axia Vision concept offers aesthetics that is much closer to furniture compared to many other products in this segment. At the end of the year, the group showed an upgraded RH Mereo, as well as the new model RH Mereo 300. The chair collection has improved the quality experience and offers choices that are more classic and aesthetically muted compared to the other RH Mereo models.

High aesthetic qualities are, to an increasing extent, the entrance ticket to the sale of office furniture. This, along with greater sustainability ambitions, has marked the recent years of product development. RH New Logic was presented to the market at the Stockholm Furniture Fair in February 2019. Today's RH Logic is the individual product in the Flokk portfolio that generates the most sales. When launching a brand new successor, extensive efforts have been directed towards continuing all RH Logic's unique features. Significant improvements have been made in terms of simplicity and quality experience in operation, environmental characteristics and not least aesthetics. The year has also been marked by the development of HÅG Creed. This is a broad collection of work chairs in the form of language that mirrors Flokk's focus on health, welfare and sustainability. The momentum in the development of "Internet of things" and sensor technology has been good and will result in new products and services in 2019 and the years to come. Flokk initiated several research projects throughout the year, including digital development, circular seating, sustainability and recycling of materials.

From the summer of 2018, research and development at Profim and Offecct were coordinated with Flokk's other brands. In the future, product development for Profim will focus on price points that are lower and are therefore complementary to the ones operated for other brands. For Offecct, the launch pace has been slightly slowed down to allow for greater investment in innovation and industrialisation.

Production, Logistics and Procurement (MPO)

Throughout 2018, the entire value chain had a major focus on integrating Swiss Giroflex into the MPO organisation and on implementing necessary restructuring in the value chain, thereby reducing staff and increasing profitability. In line with the group's other production units, Giroflex now fulfils Flokk's level of profitability, quality and service. Profim's integration has been a major part of the work of the MPO organisation. It was decided early to integrate the procurement function completely in order to lower the material cost. In production and the rest of the value chain, efforts in 2018 were directed towards streamlining for the purpose of improving profitability and freeing space that enables the production of alternative Flokk volume.

Overall, the group achieved the targets set for all its production units in respect of delivery, quality, direct salaries and outgoing logistics. At the same time increases in raw materials were weighed up against commercial activities in respect of direct materials which produced positive results.

Further efficiency improvement and value chain optimisation will continue, focused mainly on the production in Poland. This is aimed at fulfilling the group's profitability requirements and maintaining customer satisfaction for its brands in all markets. Additional initiatives for optimising the group's distribution model must be adjusted in line with the group's growth. MPO will play a key role in the company's strategic initiatives which will result from increased market expansion and new acquisitions, and it will help the group to succeed in realising any potential savings which are identified.

Working environment, equal opportunities and discrimination

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

The company actively works to strengthen and further enhance its corporate culture and working environment in all its units and in all parts of the value chain. Working environment surveys are conducted every other year, the most recent one in 2018. The surveys have been followed up systematically afterwards by the appointed resources. All parts of the organisation were involved in various processes, in close collaboration with the local trade unions. This gives good results and creates safe and predictable frameworks for employees and promotes a good and dynamic working environment with distinct value creation in the group. The company's core values (innovation, focus on people and sustainability), focus on confident, obvious leaders, the establishment of individual targets related to the company's strategy, individual personal development goals, equality, HSE and organisational conditions are important factors in securing and steadily improving a good working environment.

2018 has been characterised by organisational consolidations in re-

spect to some commercial operations and other parts of the value chain. Following the acquisition of Giroflex in July 2017, all parts of the value chain are consolidated and Giroflex is to be regarded as a fully-integrated company. The changes within the production have resulted in some stru-ctural downsizing, but the demand for additional resources, especially in product development, customer service and sales, has been apparent and there has been great focus on recruitment for the purpose of enhancing the competence of the aforementioned parts of the organisation.

Throughout 2018, we have maintained high levels of activity relating to provision of internal information to all parts of the organisation in order to ensure involvement and close dialogue. More than 100 new employees were recruited in 2018. In addition, there has been a large number of temporary employees in the production at Røros and Nässjö. There is a good, trusting relationship between the company and the trade unions. This is an important area for close dialogue and providing good, timely information. In the Netherlands the company has a good working relationship with the local Works Council, with various changes in local operations being implemented during the course of the year.

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

At year-end 2018, the group had 2517 employees, of whom 857 women and 1659 men, which is equal to 34% for women. There are two women on the company's board of directors, which gives a female share of 33.3%. There is one woman in the group's executive management.

After 2018, the group reported a Lost Time Frequency Rate (LTIFR) of 3.1 (number of incidents involving absence * 1 million/number of completed hours) and a Recordable Case Frequency Rate (RCFR) of 4.6 (number of injuries without absence * 1 million/number of hours worked).

External Environment

The group strives to minimise its overall environmental impact globally, with a comprehensive strategy to position itself internationally in the upper layer, as far as the environment is concerned. Through structured focus on the climate, resources and health, the group has succeeded in being a leader in the sector for development of eco-effective products, with a constantly decreasing carbon footprint, increasing share of recycled materials and complete avoidance of hazardous chemicals. The group focuses to a great extent on lower energy consumption in a lifecycle perspective, and poses strict environmental requirements for product solutions, choice of materials, processes and waste management throughout the whole value chain, both internally and from its joint venture partners.

Flokk's sustainability strategy in the years ahead will be for the company to distinguish itself from others on the market through spearhead activities, to keep its leading environmental performance position in the industry. In 2018, there has been particular focus on increasing the proportion of recycled post-consumer plastics, initiating phase-out of chromium in the RBM portfolio, as well as enhancing sustainability communication considerably. The group's environmental management system is certified in accordance with ISO 14001:2015. As of 2019, the group will also have an energy management system certified according to ISO 50001:2011. The group reviews annually the operational aspects of the operation, which affect the external environment and energy consumption. Risks and opportunities are assessed through environmental and energy aspect analyses at the factories in Røros, Nässjö and Zwolle, and at the head office in Oslo. The most significant aspects are defined and provide guidance for the annual environmental and energy targets, in compliance with the group's long-term targets and thus current global strategies, objectives and action plans.

Climate and Energy - with a long-term target of achieving a 20% reduction in energy consumption per produced unit by 2020 (based on 2010 figures), the group contributes directly to the EU's objective of cutting greenhouse gas emissions by 40% within 2030 in order to meet the 2-degree target. Flokk's work is focused on and targets energy-efficiency measures, and reached the 20% target in 2018 at the integrated factories overall set with a total of 24.7% reduction per produced unit since 2010. Compared to 2017, the largest integrated factories had the following reductions in energy consumption per unit produced – Røros: 28.3% due to the implementation of smart ventilation control, and Nässjö: 8.3% (it is worth mentioning here that Nässjö reached the 2020-target already in 2015). The Group became ISO 50001 certified in the first quarter of 2019, thereby complying with EU's EED – Energy Efficiency Directive.

Resources and Waste - with a long-term goal of developing lighter products and increasing the proportion of recycled materials in the products to 60% by 2020, the group contributes to the UN's Sustainable Development Goal number 12, which is designed to "Ensure sustainable consumption and production". Flokk's last launches RH New Logic and BMA Axia Vision consist of 60% and 63% recycled materials, respectively, a good assurance that the strategy and its activities give results. Flokk strives to increase total recycled plastics used in existing portfolio, and is deeply involved in the development of new recycled materials and material flows through a research project funded by the Norwegian Research Council. Considerable emphasis is placed on minimising production waste. In 2018, hard plastic waste was sorted at Røros, and a full large container was delivered for recycling. In Nässjö, sorting of soft plastics was introduced, and 7.3 tonnes were recycled rather than burned for energy. The development of circular business models continued strongly in 2018. Market testing with several pilots on (re-)production and logistics was escalated. Contract with an external partner was established in the Netherlands.

Health & Chemicals – The Group aims to reduce the number of chemicals in general, as well as eliminate all use of unwanted chemicals in its products, production and suppliers. In 2018, yet another glueing process was removed in Nässjö, and the number of chemicals in Zwolle was reduced by 10. The group uses REACH as basis when imposing environmental requirements on itself, its partners and suppliers.

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

The group rates social responsibility as highly as the environment. All employees and suppliers undertake to comply with the company's strict ethical guidelines, based on the "10 principles" contained in the UN Global Compact, which includes human rights, working conditions, child labour and corruption. The company is a member of the Initiative for Ethical Trade (IEH). The company creates long-term value for owners and society by engaging in efficient commercial activities based on the principle of sustainable development. The company seeks a positive contributor to society for its employees, partners and subcontractors. A great deal of work is put into maintaining a good dialogue with the responsible authorities and other important opinion makers. In the future, much of the work will be focused on streamlining and gaining control over the increased supply chain following new acquisitions.

The group's annual Sustainability Report is integrated into the Annual Report, based on the internationally recognised Global Reporting Initiative (GRI) format. GRI covers, among other things, 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.

Board and Management Changes

Andrzej Bartos and Kristine Landmark were elected as new directors in 2018. Trygve Aasland became a member of the group management with effect from January 2018 with responsibility for commercial development of the “soft seating” part of the group’s product portfolio. Piotr Chelminski, CEO of Profim, became member of the group management in February 2019.

Changes to the Articles of Association

The Company's Statutes, Section 4,Share Capital was adopted as amended at the Extraordinary General Meeting on 25 April 2018 to read: "The company's share capital is NOK 90,000 divided into 30 shares, each share with a nominal value of NOK 3,000. The company's shares shall not be registered with any registry of securities.”

Future Prospects

Significant uncertainty is normally associated with assessments of future conditions. A good macro-picture in several of the group’s markets indicates that positive developments in the demand are anticipated throughout 2019. So far in 2019, the order intake in the group’s main markets has been slightly higher than it was for the corresponding period last year.

Orders at the end of 2018 ensured the satisfactory utilisation of capacity at the start of 2019. The company expects a normal cyclical start of 2019, with a stable development of the price of raw materials in the first quarter.

Processes and contingencies for rapid changes in connection with cutting activity levels, investments and general expenses are in place in case there is a drop in demand.

Allocation of Profit

The board proposes that the annual profit of TNOK 6 040 in Flokk Holding AS be allocated as follows:

Transferred to other equity	TNOK 6 040

Oslo, 25 June 2019

Mikael Aro
Chairman of the Board

Thomas Hofvenstam

Pernille Stafford-Bugg

Kristine Landmark

Andrzej Bartos

Joachim Espen

Lars I. Røiri
CEO

Consolidated statement of comprehensive income

NOK 1 000	Notes	01.01.-31.12.2018	01.01.-31.12.2017
Sales revenues	5	2 722 815	1 729 941
Total operating revenues		**2 722 815**	**1 729 941**
Cost of goods sold	15	1 111 736	609 718
Changes in inventories, in-house production	15	(46 597)	(10 706)
Cost of labour	10	781 108	509 830
Depreciation of fixed assets and own developed intangible assets	4, 6, 12	88 864	52 637
Amortization of customer contracts and trademarks	4, 6	6 786	1 846
Other operating costs	13	455 241	351 698
Total operating costs		**2 397 138**	**1 515 023**
Operating income		**325 677**	**214 918**
Financial income	17	262 283	192 212
Financial expenses	17	(503 724)	(345 547)
Net financial income/(expense)		**(241 441)**	**(153 335)**
Income before tax		**84 236**	**61 583**
Income tax expense	14	33 549	19 871
Net income		**50 687**	**41 712**
Attributable to:			
Majority shareholders		50 687	41 712
Other comprehensive income			
Translation differences on net investments in foreign operations	18	51 694	(10 561)
Items that may be reclassified subsequently to income statement		**51 694**	**(10 561)**
Remeasurement of defined benefit pension plans	11	14 318	11 419
Items that will not be reclassified to income statement		14 318	11 419
Other comprehensive income, net of taxes		**66 012**	**858**
Total comprehensive income		**116 699**	**42 570**
Total comprehensive income (loss) attributable to:			
Majority shareholders	19	116 699	42 570
Information concerning:			
Earnings per share	20	1 690	1 390
Fully diluted earnings per share	20	1 690	1 390
Total comprehensive income per share	20	3 890	1 419
Fully diluted total comprehensive income per share	20	3 890	1 419

Consolidated statement of financial position

NOK 1 000	Notes	31.12.2018	31.12.2017
Assets			
Deferred tax benefit	4, 14	80 261	43 432
Goodwill	4, 6	2 290 761	1 793 689
Other intangible assets	4, 6	304 981	89 813
Depreciable assets and fixed property	12	568 610	303 995
Non-current financial assets		1 912	1 248
Total fixed assets		**3 246 525**	**2 232 177**
Inventories	15	291 899	188 512
Accounts receivables	16	431 535	290 906
Other short-term receivables	16	37 901	36 896
Derivatives	7	0	54
Liquid funds		406 571	149 788
Total current assets		**1 167 906**	**666 156**
Total assets		**4 414 431**	**2 898 333**
Equity and Liabilities			
Share capital	19	90	60
Other paid-up equity		755 720	404 770
Total paid-up equity		**755 810**	**404 830**
Total other equity		241 537	124 838
Total equity		**997 347**	**529 668**
Pension obligations	4, 11	53 637	79 755
Deferred tax liabilities	14	46 183	30 006
Guarantees provision	23	4 460	4 536
Senior loans	7, 8	2 758 232	1 224 794
Subordinated loan	8	0	641 390
Other long-term debt		7 934	356
Total long-term liabilities		**2 870 446**	**1 980 837**
Senior loans	7, 8	39 742	55 757
Derivatives	7	4 018	6 563
Accounts payable		248 110	148 108
Taxes payable	14	32 242	12 583
Accrued liabilities (taxes, VAT, social security etc.)		84 652	53 106
Guarantees provision	23	8 908	1 513
Other short-term debt	24	128 966	110 198
Total current liabilities		**546 638**	**387 828**
Total liabilities		**3 417 084**	**2 368 665**
Total equity and liabilities		**4 414 431**	**2 898 333**

31 December 2018
Oslo, 25 June 2019

Mikael Aro
Chairman of the Board

Thomas Hofvenstam

Pernille Stafford-Bugge

Joachim Espen

Andrzej Bartos

Kristine Landmark

Lars I. Røiri
CEO

Consolidated statement of cash flows

NOK 1 000	Notes	01.01.-31.12.2018	01.01.-31.12.2017
Operating activities			
Income before tax *)		84 236	61 583
Depreciation of assets	6, 12	88 864	52 637
Amortization of customer contracts and trademarks	6	6 786	1 846
Unrealised exchange rate difference		116 590	45 877
Profit sales shares		(39 955)	
Profit sales tangable assets		(19 415)	
Other		43 475	5 493
Paid tax	14	(33 643)	(23 018)
Cash flow from operating activities before change in working capital		**246 939**	**144 418**
Cash flow from change in working capital:			
Change in inventories		(17 245)	17 590
Change in operating receivables		(37 053)	13 064
Change in payables		19 356	(14 952)
Change in operating liabilities		13 718	47 672
Cash flow from operating activities		**225 715**	**207 792**
Investing activities			
Cash flow from business acquisitions	3	73 162	(233 955)
Acquisition of intangible assets		(684)	
Acquisition of tangible assets	12	(93 992)	(34 603)
Acquisition of financial assets		(665)	
Capitalised development expenditures	6	(24 652)	(8 581)
Sale of shares		45 494	
Sale of tangible assets		47 768	
Cash flow from investing activities		**46 431**	**(277 139)**
Finansieringsaktiviteter			
Short or longterm borrowing	8	1 506 307	191 400
Repayment of amount borrowed	8	(485 896)	(104 355)
Repament subordinated loan	8	(667 555)	
Repayment of share premium	19	(373 650)	
Cash flow from financing activities		**(20 794)**	**87 045**
Cash flow for the year		251 352	17 698
Opening balance - liquid funds		149 788	127 988
Exchange rate difference in liquid funds		5 431	4 102
Closing balance - liquid funds		**406 571**	**149 788**
Liquid funds booked as bank deposit		406 571	149 788
*) Includes			
Interest income		1 755	694
Interest expenses		80 889	49 638

Unrealised exchange rate difference includes a loss of MNOK 2 490 (TNOK 6 447) on unrealised forward exhange contracts.

Consolidated statement of changes in equity

NOK 1 000	Share capital	Other paid-up equity	Foreign currency translation differences	Retained earnings	Total other equity	Total equity
Equity 01.01.2017	**60**	**404 770**	**1 704**	**80 564**	**82 268**	**487 098**
Net income				41 712	41 712	41 712
Actuarial changes pensions				11 419	11 419	11 419
Exchange differences			(10 561)		(10 561)	(10 561)
Equity 31.12.17	**60**	**404 770**	**(8 857)**	**133 695**	**124 838**	**529 668**
Net income				50 687	50 687	50 687
Capital increase 1), see note 19	30	724 600			0	724 630
Repayment of paid in capital		(373 650)			0	(373 650)
Actuarial changes pensions				14 318	14 318	14 318
Exchange differences			51 694		51 694	51 694
Equity 31.12.18	**90**	**755 720**	**42 837**	**198 700**	**241 537**	**997 347**

1) The capital increase was approved at the annual general meeting 25 April 2018 and registrered in the Register of Business Enterprises 2 June 2018.

Notes – Group

Note 1 – General information

Flokk Holding AS and its subsidiaries develop, produce and distribute 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 at Majorstuen in Oslo.

The group has production facilities in Norway (Røros), Sweden (Nässjö, Tibro and Hunnebostrand), the Netherlands (Zwolle), Switzerland (Koblenz) and Polen (Turek). The group primarily sells its products in Europe. 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 accounts were approved by the board of directors for Flokk Holding AS on 25.06.2019.

Note 2 – Accounting policies

BASIC POLICIES
Flokk's consolidated accounts for the 2018 financial year were prepared in accordance with international financial reporting standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) approved by EU.

The group presents its annual financial statements in NOK, which is also the parent company's functional currency. All figures are stated in NOK thousands, unless otherwise is specifically stated. The financial statements have been prepared on an historic costs basis with the exception of financial instruments, which have been assessed at fair value.

CHANGES IN ACCOUNTING POLICIES AND NOTE INFORMATION IMPLEMENTED WITH EFFECT FROM 1.1.2018
Standards and interpretations that are effective from 1.1.2018 had the following impact on the consolidated financial statements:

IFRS 9 Financial Instruments
The standard replaces IAS 39 Financial Instrument: Recognition and Measurement. The group does not use hedge accounting and the implementation does not have any material impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
The stock of work in progress are orders according to standard specifications and can be freely traded. Income from sales of goods are recognised through profit and loss when there is a change of control, mostly upon delivery from production. The goods are sold with standard product warranty. No volume discounts or commissions are provided that may require a revenue adjustment. The implementation of IFRS15 had no effect on the consolidated financial statements or the notes.

CONSOLIDATION POLICIES
The consolidated accounts include Flokk Holding AS and companies in which Flokk Holding AS has a determining influence with respect to the entity's financial and operational strategy, normally through owning more than half of the capital entitled to vote. Subsidiaries are consolidated from the moment control has been transferred to the group and excluded from consolidation when such control ceases.

Intragroup transactions and outstanding balances within the group, including internal profits and unrealised gains and losses, have been eliminated. The consolidated accounts have been prepared on the basis of an assumption of uniform accounting policies for equal transactions and other events in equal circumstances. All companies follow the same financial year.

The financial statements of the individual units in the group are valued in the currency that is primarily utilized in the economic area in which the unit operates (the functional currency). When converting to presentation currency, the balance sheet is translated using the exchange rate on the balance sheet date, while the income statement is translated using the average exchange rate for the accounting period. Translation differences that arise due to this are included in the translation differences reserve in equity. Major single transactions are converted separately to spot rate.

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

- Goodwill impairment tests (see note 6)
- Estimates of pension liabilities (see note 11)
- Deferred tax (see note 14)

SEGMENT INFORMATION
An operating segment is that part of the business which generates operating income and incurs costs, and in which the operating result for the segment is regularly reviewed by the management to decide which resources need to be allocated to it. A segment for which reporting is mandatory is a grouping of segments with similar economic characteristics. The group supplies products under the brand names: HÅG, RH, RBM, BMA, Giroflex, Offecct, Malmstolen and Profim within four segments, integrated brands, Malmstolen, Offecct and Profim. This is segments where risk and returns for the brands in the markets differ significantly and the management regularly receive detailed financial information that are basis for allocation of resources. The segment reporting is stated in note 5.

BUSINESS AMALGAMATION
The acquisition method is used when recognising business amalgamations. When new business and companies are acquired the cost price must be allocated by identifiable assets and liabilities on the basis of estimated fair value. The acquisition costs upon acquisition are valued at fair value of: assets that are paid as remuneration upon the acquisition, issued equity instruments, liabilities assumed by transferring control. Added values upon acquisition in excess of fair value for the net assets in the acquired business valued on the date control is transferred, are classified as goodwill. If the acquisition costs are less than the net assets, the difference is recognized through profit and loss at the time of the acquisition.

FIXED ASSETS
Fixed assets are valued at their acquisition cost less accumulated depreciation and write-downs. The acquisition cost includes costs directly linked to the acquisition of the asset. Subsequent costs are allocated to the assets' balance sheet recognised value or recognised in the balance sheet separately when it is likely that future financial benefits will flow to the group and the expense can be valued reliably. Repair and maintenance costs are recognised through profit and loss in the period the expense is incurred.
When assets are sold or disposed of, the difference between the consideration and the asset's booked value is recognized in the income statement. Depreciation is calculated using the linear method over the following period:

- Property and other real estate 10-25 years
- Machinery and equipment 6-8 years
- Movable property, inventory and vehicles 3-10 years

The depreciation period and method, as well as the residual value, will be assessed annually to ensure the method and period used concurs with the financial realities associated with the asset.

INTANGIBLE ASSETS
Intangible assets are recognised in the balance sheet when likely future financial benefits that can be ascribed to the asset owned by the group can be demonstrated and the assets' cost price can be valued reliably. Intangible assets associated with business amalgamations are booked at fair value.

The subsequent measurement is based on cost price less amortization and write-downs. Measurement of the recoverable amount is done annually for intangible assets with indefinite lifetime, goodwill and capitalized development costs.

Intangible assets with fixed lifetimes are amortised over the lifetime of the asset and tested when there are indications of a fall in value. Amortisation is applied using a linear method over the estimated financial lifetime. The amortisation estimate and amortisation method are assessed each year on the basis of the financial realities that exist.

GOODWILL
Goodwill is recognised as the difference of the group's procurement costs in relation to the overtaking enterprise's net actual value of the recognisable assets, liabilities and subordinated liabilities at the time of acquisition. A large part of the added value that are paid by acquisitions of business' is attributable to goodwill. Through several acquisitions, the group has acquired high industry-specific expertise in all parts of the value chain. This competence provides margins that will give the group a competitive advantage in the future and margins that are above average for the industry.

Goodwill does not generate cash flows regardless of other assets or groups of assets. Goodwill is assigned to the cash-generating unit that is expected to benefit from the synergy effects of the business amalgamation. A cash-generating unit 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 four cash-generating units that each have an independent value chain. 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 not amortized, but tested for impairment once a year and more often when there are indications of impairment. The impairment is assessed by comparing the recoverable amount per cash flow generating unit with the value recognised in the balance sheet. If the recoverable amount per cash flow generating unit is lower than the value recognised in the balance sheet the asset is written down through profit and loss. Calculations of future cash flows take account of expected market developments and expected general price developments for the group's products in the relevant markets. Historical write-downs are not reversed.

The group's goodwill is linked to the acquisitions done in the period 2014-2018. A specification of goodwill is shown in note 6.

RESEARCH AND DEVELOPMENT (INTERNALLY ACCUMULATED)
Expenses related to research activities are recognized in the income statement when incurred. Expenses related to development activities are capitalized to the extent that the product or process is technically and commercially feasible and the group has sufficient resources to complete the development. Expenses that are capitalized include material costs, direct labor costs and a share of directly attributable joint expenses. Capitalized development costs are recognized in the balance sheet at cost less accumulated depreciation and write-downs. Capitalized development costs are amortised linearly over the estimated lifetime of the finished product from the time the product is available for use.

OTHER INTANGIBLE ASSETS
The group has recognised customer contracts in the balance sheet. The customer contracts are acquired in connection with the group's establishment of a subsidiary in Switzerland. Other intangible assets consist of brand acquired in connection with acquisition of Profim in Polen. Other intangible assets are recorded at cost and amortisation is applied using a linear method over the estimated lifetime.

FINANCIAL INSTRUMENTS AND LOANS
Currency exposure associated with the group's operations is continuously hedged by the expected net cash flows in currency associated with operational factors being hedged through forward contracts, though only for a limited time horizon and only to the extent it is estimated that it is certain that these expected cash flows will be realised. The manner which the company utilises currency derivatives does not qualify as hedge accounting and is financial hedging in which unrealised losses and gains by changes in value are recognised through profit and loss as losses and gains on currency and recognised in the balance sheet at fair value. The group therefore does not use hedge accounting. Realised gains or losses on forward contracts are classified as sale in the consolidated income statement.

Accounts receivable are valued 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 are determined based on individual customer assessments.

Liquid funds are valued at fair value as per 31 December. For balances in foreign currency, the currency rate as per 31 December is used for the valuation. The Flokk Holding group has established a group account system (cash pool system) of which Flokk Holding AS is according to the agreement 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.

Loans are recognised at the original loan amount. Loan costs are activated and distributed through profit and loss in line with the loan's repayment period. Loans are recognised at amortised cost when effective interest rates are used in which the difference between net proceeds and the redemption value is recognised through profit and loss over the term of the loan.

INVENTORIES
Inventories, including semi-fabricated products, is recognised at the lowest of cost price and net sales price. Net sales price is valued as the market price in normal operations less the cost of completion, marketing and distribution. Costs are established using the FIFO method. The processed inventories includes variable costs and fixed costs that can be allocated to goods based on normal capacity. Redundant inventory is written-down in its entirety.

OBSOLETENESS
The stock is assessed for obsolescence. Obsolescence arises when the stock contains 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. In the opposite case, the components are destroyed (used provision see note 15).

CASH FLOW STATEMENT
The cash flow statement is prepared using the indirect method.

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.

Translation differences reserve
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 balance sheet 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 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 profit items. When selling a foreign entity, the accumulated exchange rate difference associated with the entity is reversed and recognized in the income statement during the same period as the gain or loss is recognized. In 2017 and 2018, the Group had no net investment hedging.

INCOME TAX
The tax costs consist 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 with the exception of goodwill from the integration of business amalgamation.

Deferred tax assets are recognised when it is likely the company will have sufficient taxable profit to utilise the tax assets. On every balance sheet date the group conducts a review of the deferred tax assets and the value recognised. The companies recognise earlier unrecognised deferred tax assets to the extent it has become likely that the company can utilise the deferred tax assets. Similarly the company will reduce the deferred tax assets to the extent the company no longer believes it can utilise the deferred tax assets.

The deferred tax and deferred tax assets are valued on the basis of the expected future tax rate for the companies in the group in which temporary differences have arisen. The deferred tax and deferred tax assets are recognized independent of when the differences will be reversed. The deferred tax and deferred tax assets are recognized at nominal value and classified as financial non-current assets in the balance sheet. Payable tax and deferred tax are recognised directly against equity to the extent that these relate to matters that are recognised directly against equity.

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.

GUARANTEE PROVISIONS
Provisions associated with guarantee work for concluded sales are valued at the estimated cost for such work. The estimate is calculated on the basis of historic figures for service work and guarantee repairs. Recognised guarantee provisions correspond to an estimate of the future costs the group expects to incur from such repairs to already concluded sales. The liabilities based on historic data 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 balance sheet. Continuous guarantee costs associated with repairs are recognised through profit and loss as cost of goods sold, while service work is recognised through profit and loss as other operating costs in the income statement.

PENSIONS
The group's companies have pension schemes that cover all employees. The costs associated with the pension agreements appear as personnel costs in the accounts. 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 still have a defined-benefit scheme. The costs associated with these schemes on based on a linear carrying forward of pension earnings against probable accumulated liabilities at the time of accrual. A linear accrual model distributes the future accumulated liabilities linearly over the accrual period, and regards the employees' accrued pensions' rights in the period as a pensions cost. Any introduction of a new, or changes to an existing, benefits-based pension scheme results in changes to the pension liabilities. The introduction of new schemes or changes to existing schemes that appear with retrospective effect and which result in the employees having immediately earned a paid up policy (or a changed paid up policy) are recognised through profit and loss immediately. The effect of accrued pension benefits is divided over the remaining average accrual period. In the case of contribution plans, payments have been made to the insurance company. Once the contribution has been paid there are not further payment liabilities. Payments linked to the contribution plans are recognized as a cost in the period to which the contributions relate. 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. An annual deviation (known as the estimate deviations) arises between estimated and actual accruals on pension funds and between estimated and actual pension liabilities. This is due to deviations and changes in the preconditions. Estimate deviations are recognised as other income and costs in the total comprehensive income for the period it occurs. Level 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.

LEASES
The leasing of assets in which the lessor retains the material proportion of risk and control are classified as operational leasing. Other lease agreements are treated as financial leases. The group only has operational leases. Lease payments are classified as an operating cost and recognized through profit and loss over the term of the contract.

RECOGNITION OF INCOME
Income is valued at the fair value of the remuneration, net after deductions for value added tax and discounts. Intragroup sales are eliminated. Income is recognized when the income can be reliably valued, it is likely the financial benefits associated with the transaction will flow to the group, and the particular criteria mentioned below are met. Sales are not regarded as being able to be valued reliably before all conditions associated with the sale have been met.

SALES OF GOODS
Konsernet selger sittemøbler gjennom uavhengige kjeder, forhandlere og importører. Inntekt fra salg av varer resultatføres ved kontrollovergang og konsernet ikke lenger har bruksrett eller kontroll knyttet til disse varene. I de aller fleste tilfeller skjer dette ved utlevering fra produksjonen. Produktene selges ofte med rabatter og returrett ved defekter. Salg regnskapsføres basert på avtalt pris med fradrag for eventuelle rabatter.

FREIGHT EARNINGS
The group has income from freight linked to the transportation of goods, which is recognised as income on delivery of goods.

GOVERNMENT GRANTS
Government grants are recognised at fair value when it is reasonably certain that the grant will be received and that the group will fulfil the criteria associated with the grant. Government grants associated with costs are recognised in the income statement as cost

reduction in the period that results in the best composition of the costs they are meant to compensate for. When the grant relates to a capitalized asset, the grant is presented as a reduction of the asset and recognized in the income statement over the lifetime of the asset as a reduction of depreciation.

RELATED PARTIES
Consolidated companies have transactions with related parties. This is mainly purchase and sale of the group's products, as well as administrative services. These transactions are priced with the same conditions as if they had been between independent parties.

APPROVED IFRSS AND IFRICS WITH FUTURE EFFECTIVE DATES
Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group will adopt the relevant new and amended standards and interpretations when they become effective.

IFRS 16 LEASES
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Implementing IFRS 16 will have an effect the Groups financial assets and – liabilities. The companies in the Group lease most of the premises and recognition of the lease right and lease commitments, will have a material impact on the Groups balance sheet. After implementation, rental cost will be classified as depreciations and interest cost. Based on the leases that the Group has entered into on 31 December 2018 and which runs more than 1 year, the implementation of IFRS16 will have the following effect on the Group's profit and balance sheet in 2019:

NOK 1000	**per 01.01.2019**	**per 31.12.2019**
Balance Sheet		
Leasing obligations	69 656	36 385
Right of use	69 656	36 666
Total comprehensive income		
Depreciation		34 019
Interest expenses		1 566
Total		35 585

The effect of the implementation is calculated using a discount rate of 3%. The Group will implement the standards based on a modified retrospective method. The Group's total rental costs on operational leases are stated in note 22.

Note 3 – Acquisition of business

ACQUISITION 2018

Profim

On April 26, 2018, 100% of the shares in Profim Sp. Z o o (Profim) was acquired by Flokk AS through a capital contribution from Spinnaker Bidco Sarl (Bidco). The shares were first acquired by Bidco through a share deal. The owners of Profim, Innova, received shares in Bidco corresponding to the value of the Profim shares. Profim shares were then transferred to Flokk AS through a capital contribution from Flokk Holding II AS and Flokk Holding AS. 249,872 new shares were issued in Flokk AS as payment for the shares in Profim. The shares were valued through a due diligence where the swap relationship was assessed based on fair value. Fair value was estimated using a EBITA multiplier. When the transaction was completed, the shares in Profim were 100% owned by Flokk AS, Flokk AS was wholly owned by Flokk Holding AS. Flokk controls 100% of the voting shares in Profim.

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

The fair values of identifiable assets and liabilities in Profim at the time of acquisition were as follows:

NOK 1 000	Fair value
Intangible assets	207 195
Tangible assets	281 585
Financial assets	7 221
Inventory	109 200
Accounts receivables	114 976
Other receivables	5 483
Liquid funds	73 163
Total assets	**798 822**
Deffered tax	4 369
Long term liabilities	190
Accounts payable	514 055
Current liabilities	48 777
Taxes payable	2 170
Total liabilities	**569 561**
Net assets	229 261
Value of issued shares	724 630
Goodwill	**495 369**

Cash flows from Profim are in PLN. Goodwill at 31.12. is converted to the current closing rate. Booked goodwill at 31.12. amounts to TNOK 499 646.

The transaction cost of the transaction amounted to TNOK 3 934 and is recognized in the income statement during the period.

The acquisition had the following cash effect:

Cash holding in Profim	73 163
Acquisition sum paid in 2018	
Net cash flow	**73 163**

Goodwill identified upon the acquisition was associated with the expected future synergies from the business that was identified in the conducted acquisition analysis. There were no events during the period that affected the value of the companies during the period 01.05.2018 - 31.12.2018. It is not expected that the goodwill will be tax deductible for the Group.

Profim has contributed TNOK 716 362 to the Group's operating revenues and TNOK 69 771 to the Group's ordinary income before tax for the period 01.05.2018 - 31.12.2018.

ACQUISITION 2017

Malmstolen

On 1 January 2017, Flokk Holding AB acquired 100% of the shares in Malmstolen AB, Sweden. Malmstolen has its head office in Stenungsund, while production takes place in its own factory in Hunnebostrand. The agreed acquisition price was TNOK 63 642, which includes the additional purchase price (Earn-out) based on the company's financial result for the period 2017 and 2018. Expected additional purchase price has been allocated in the accounts for 2017 and 2018.

Malmstolen AB had on the acquisition date the following wholly owned subsidiaries:

Company	**Country**	**Ownership**
Malmstolen Produktion AB	Sweden	100%

Malmstolen manufactures, markets and distributes the Malmstolen brand with a focus on ergonomics. The company's main market is Sweden.

The acquisitions were conducted against cash consideration. After the acquisition, Flokk Holding AB has 100% of the voting shares in both companies.

The fair values of identifiable assets and liabilities in Malmstolen AB and subsidiaries at the time of acquisition were as follows:

NOK 1 000	Fair value
Tangible assets	7 447
Financial assets	20
Inventory	6 723
Accounts receivables	7 462
Other receivables	1 598
Liquid funds	7 434
Total assets	**30 685**
Deffered tax	2 692
Long term liabilities	4 277
Current liabilities	7 166
Total liabilities	**14 134**
Net assets	16 551
Goodwill	47 092
Acquisition sum	**63 642**

Cash flows from Malmstolen are in SEK, Goodwill at 31.12. is converted to the current closing rate. Booked goodwill at 31.12. amounts to TNOK 48 761.

The transaction cost of the transaction amounted to TNOK 856 and is recognized in the income statement during the period.

The acquisition had the following cash effect:

Cash holding in Malmstolen	7 434
Acquisition sum	(63 642)
Net cash flow	**(56 208)**

Goodwill identified upon the acquisition was associated with the expected future synergies from the business that was identified in the conducted acquisition analysis. There were no events during the period that affected the value of the companies during the period 01.01.2017 - 31.12.2018. Booked goodwill is allocated to the cash-generating unit Malmstolen. It is not expected that the goodwill will be tax deductible for the Group.

Malmstolen has contributed TNOK 58 920 (55 308) to the Group's operating revenues and TNOK 10 054 (6 759) to the Group's ordinary income before tax for the period 01.01.2018-31.12.2018 (01.01.2017-31.12.2017).

Offecct

On 1 May 2017, Flokk Holding AB acquired 100% of the shares in Offecct AB, Sweden. Offecct has its headquarters in Tibro. Production takes place in own factory premises in Tibro. The agreed purchase price was TNOK 94 971. In addition to the purchase price, an earn-out has been agreed based on the company's financial result for the period 2017 and 2018. No provision has been made for this in the accounts as it is considered unlikely that the goals will be achieved.

Offecct AB had on the acquisition date the following wholly owned subsidiaries:

Company	Country	Ownership
Facctory AB	Sweden	100%
Offecct Design AB	Sweden	100%

Offecct manufactures, markets and distributes the Offecct brand, which has a wide range of furniture within the open office and public meeting space segment. The company's main market is Sweden with some exports within Europe. Facctory AB is a company that manufactures custom furniture products within the same segment, but mainly for larger projects.

The acquisitions were conducted against cash consideration. After the acquisition, Flokk Holding AB has 100% of the voting shares in all companies.

The fair values of identifiable assets and liabilities in Offect AB and subsidiaries at the time of acquisition were as follows:

NOK 1 000	Fair value
Intangible assets	2 608
Tangible assets	38 756
Inventory	22 113
Accounts receivables	15 971
Other receivables	5 282
Liquid funds	7 422
Total assets	**92 152**
Deffered tax	4 581
Long term liabilities	23 559
Current liabilities	23 927
Taxes payable	(1 813)
Total liabilities	**50 253**
Net assets	41 899
Goodwill	53 072
Acquisition sum	**94 971**

Cash flows from Offecct are in SEK, Goodwill at 31.12. is converted to the current closing rate. Booked goodwill at 31.12. amounts to TNOK 54 682.

The transaction cost of the transaction amounted to TNOK 1 882 and is recognized in the income statement during the period. The acquisition had the following cash effect:

Cash holding in Offecct	7 422
Acquisition sum paid in 2017	(94 971)
Net cash flow	**(87 548)**

Goodwill identified upon the acquisition was associated with the expected future synergies from the business that was identified in the conducted acquisition analysis.

There were no events during the period that affected the value of the companies during the period 01.05.2017 - 31.12.2018. Booked goodwill is allocated to the cash-generating unit Offecct. It is not expected that the goodwill will be tax deductible for the Group.

Offecct has contributed TNOK 103 910 (89 121) to the Group's operating revenues and TNOK -4 574 (-2 303) to the Group's ordinary income before tax for the period 01.01.2018-31.12.2018 (01.05.2017-31.12.2017).

Giroflex

On 1 July 2017, Flokk AS acquired 100% of the shares in Giroflex Holding AG, Switzerland. Giroflex has its headquarters in Koblenz. Production takes place in own factory premises in Koblenz. The agreed purchase price was TNOK 175 130. No additional additions were made to the purchase price.

Giroflex Holding AG had on the acquisition date the following wholly owned subsidiaries:

Company	Country	Ownership
Stoll Giroflex AG	Switzerland	100%
Espisa AG	Switzerland	100%
Giroflex SA	Belgium	100%
Girflex GmbH	Germany	100%
Giroflex Nederland B.V.	the Netherlands	100%
Giroflex France Sarl	France	100%

Giroflex manufactures, markets and distributes the Giroflex brand with the focus on ergonomic seating solutions. Distribution takes place through its own subsidiaries in Switzerland, Germany, Belgium and the Netherlands. The company in France is sleeping. Espisa AG produces a varied range of plastic components, of which approx. 50% is sub delivery to Giroflex.

The acquisitions were conducted against cash consideration. After the acquisition, Flokk AS has 100% of the voting shares in all companies.

The fair values of identifiable assets and liabilities in Giroflex and subsidiaries at the time of acquisition were as follows:

NOK 1 000	Fair value
Intangible assets	22 566
Tangible assets	101 822
Financial assets	37 958
Inventory	68 898
Accounts receivables	34 815
Other receivables	17 536
Liquid funds	52 943
Total assets	**336 537**
Deffered tax	14 248
Long term liabilities	101 609
Current liabilities	41 930
Taxes payable	15 695
Total liabilities	**173 482**
Net assets	163 056
Goodwill	12 074
Acquisition sum	**175 130**

Cash flows from Giroflex are in CHF. Goodwill at 31.12. is converted to the current closing rate. Booked goodwill at 31.12. amounts to TNOK 12 173.

The transaction cost of the transaction amounted to TNOK 8 516 and is recognized in the income statement during the period.

The acquisition had the following cash effect:

Cash holding in Giroflex	52 943
Acquisition sum paid in 2017	(175 130)
Deduction for loan to shareholder	18 890
Net cash flow	**(103 297)**

Goodwill identified upon the acquisition was associated with the expected future synergies from the business that was identified in the conducted acquisition analysis. There were no events during the period that affected the value of the companies during the period 01.07.2017 - 31.12.2018. It is not expected that the goodwill will be tax deductible for the Group.

Giroflex has contributed TNOK 174 488 to the Group's operating revenues and TNOK 6 467 to the Group's ordinary income before tax for the period 01.07.2017 - 31.12.2017.

During 2018, the Group implemented a restructuring in which all the companies in the Giroflex Group were merged with Flokk's companies in each country. Therefore, there are no figures on the revenue flow from Giroflex in 2018. The mergers were carried out with accounting and tax continuity.

SALES IN 2018

In July 2018, the Group entered into an agreement for the sale of all the shares in the company Espisa AG (Espisa). Espisa was acquired through the acquisition of Giroflex in 2017. The company has never been a part of Flokk's core business and was sold to an investor group for TNOK 38 534. In 2018, the Group recorded a gain of TNOK 35 566 related to the sale. Espisa has contributed TNOK 39 088 to the Group's income before tax for the period 01.01.2018 - 31.12.2018.

PROFORMA FIGURES

The proforma figures show what the result would have been in 2017 and 2018 if the acquired companies had been included in the group from and including 1 January 2017. The amounts are translated at the average exchange rate.

NOK 1 000	2018	2017
Sales revenues	3 029 966	2 857 013
Total operating revenues	**3 029 966**	**2 857 013**
Cost of goods sold	1 231 576	1 145 558
Cost of labour	768 176	734 783
Depreciation	87 717	101 514
Write down	12 994	5 576
Other operating costs	562 716	569 097
Total operating costs	**2 663 180**	**2 556 528**
Operating income	**366 786**	**300 486**

Profim proforma is included in 2017 and 2018 figures

Note 4 – Estimate uncertainty

In preparing the annual financial statements, estimates and assessments have been made which affect the reported values of assets, liabilities, revenues, expenses and the disclosures of potential obligations. These estimates have been made largely on the basis of management's subjective judgements and assumption about the future. Future events can result in changes to these estimates. Changes are recognised in the financial statements when new or better information are available. The company's critical accounting estimates relate to the following items:

INTANGIBLE ASSETS

The carrying value of goodwill in the Group is tested annually for impairment. Management bases its cash flow forecasts on estimated rates of growth. Estimated rates of growth are derived from judgements made by management of how macroeconomic conditions, the company's market position and its growth ambitions will affect future growth. The assumptions used to test goodwill for impairment are based on estimates that are uncertain. The company has been cautious in its projections of future cash flows in order 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 compared with book values. 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. This is particularly relevant in Scandinavia and Central Europe. The carrying value of goodwill is MNOK 2 291 (1 794).

NET PENSION OBLIGATIONS

Net pension obligations are determined using calculations by actuaries based on assumptions which include the discount rate, future salary growth, pension regulations, forecast returns on pension plan assets and demographic indicators of disability and mortality. The assumptions are made using observable market prices and historical trends for the company and society in general. Significant variability in the assumptions, particularly in the level of interest rates, can have a material effect on the calculated amounts of pension liabilities and expenses. The carrying value of net pension obligations is MNOK 53.6 (79.8)

DEFERRED TAXES

There is uncertainty in relation to interpretations of complex tax regulations, amendments to tax legislation, and the size and timing of future taxable income. Given the extensive scope of international business 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. See note 14 for further information about taxes.

Note 5 – Segment information

For management purposes, the Group is organized into business areas based on degree of integration. When acquiring businesses, the extent to which the acquired business is to be integrated with the existing business, is determined. Other reportable segments were used in 2018 than in the annual accounts for 2017. The segments have changed in line with changed management reporting. Comparative figures have been restated. Management reporting is based on that the Group has the following operating segments subject to reporting:

INTEGRATED BRANDS

The group is a niche supplier that develops, manufactures and sells seating for working environments. A large proportion of these products consist of multifunctional work chairs with casters. The company's customer structure consists of a very large number of dealers in all the main markets. Outside the main markets, importers buy directly and sell on to dealers and end-customers. The size of our customers varies significantly. Integrated brands consist of the part of the group that is fully integrated, ie it is followed up as a separate business with a common value chain. Integrated brands consist of the brands HÅG, RH, RBM, BMA and Giroflex.

MALMSTOLEN

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

OFFECCT OG PROFIM

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

NOK 1 000	Integrated brands	Malmstolen	Offecct [2]	Profim[1]	Other/ Eliminations	Consolidated
Per 31.12.2018						
Operating revenues from external customers	1 817 715	58 920	129 818	716 362		2 722 815
Operating revenues - Group internal						
Total revenues	1 817 715	58 920	129 818	716 362	0	2 722 815
Operating costs	1 570 646	48 726	130 802	646 964		2 397 138
Operating income	**247 069**	**10 194**	**(984)**	**69 398**	**0**	**325 677**
Per 31.12.2017						
Operating revenues from external customers	1 585 512	55 309	89 121			1 729 941
Operating revenues - Group internal						0
Total revenues	**1 585 512**	**55 309**	**89 121**		**0**	**1 729 941**
Operating costs	1 377 304	48 671	89 047			1 515 023
Operating income	**208 208**	**6 637**	**73**		**0**	**214 918**

[1] Profim included from 1 May 2018.
[2] Offecct included from 1 May 2017.

OTHER INFORMATION

Transactions between the various segments have been eliminated by consolidation and included in the column Other/eliminations. All other adjustments and eliminations are part of the detailed reconciliation presented avove. Transactions between the segments are based on market prices.

Operating income of the different operating segments includes income and expenses from transactions with other operating segments in the Group.

Adjustments and eliminations

Financial items and losses / gains on financial assets are not allocated to individual segments as the underlying financial instruments are controlled at group level. The same applies to income tax expense and deferred tax.

Sale of goods

The delivery obligation is generally considered to be fulfilled when the products are delivered. Customers have no return. Normal credit time is 30 days after delivery, and some contracts have retrospective volume discounts. Income is recognized at the time of delivery only for the part of the consideration that the Group is ultimately entitled to. The variable remuneration is reassessed at the end of each reporting period, is recognized when the uncertainty ceases, and is estimated based on the expectation value model.

RECONCILIATION OF RESULTS

NOK 1 000	2018	2017
Segment result	325 677	214 919
Financial income	262 283	192 212
Financial expense	503 183	345 547
Income tax expense	33 549	19 871
Group result	**50 687**	**41 713**

GEOGRAPHIC SEGMENT

NOK 1 000	2018	2017
Reconciliation of results		
Poland	190 105	
Norway	288 228	263 522
Sweden	391 267	425 054
Denmark	179 067	192 171
Germany	507 660	228 961
NL	235 722	203 803
Belgium	130 935	72 453
Switzerland	143 946	130 729
France	116 044	52 737
UK	132 207	100 014
USA	105 105	29 162
Other countries	302 530	31 334
Total revenues	**2 722 815**	**1 729 941**
Distribution of revenue per brand		
HÅG	753 747	714 393
RH	413 913	392 664
RBM	108 295	108 043
BMA	222 060	193 205
Giroflex	320 130	174 488
Malmstolen	58 919	55 309
Offecct	130 907	89 121
Profim	716 362	
Total revenue from the brands	**2 724 333**	**1 727 223**
Other	(231)	
Hedging contracts	(1 286)	2 718
Total	**2 722 816**	**1 729 941**
Fixed assets		
Poland	286 749	
Norway	90 846	82 925
Sweden	121 649	106 569
Denmark	1 373	2 347
Germany	4 986	4 869
NL	5 169	7 788
Belgium	721	520
Switzerland	52 561	93 447
France	1 079	1 443
UK	2 891	3 041
Singapore	293	658
Hong Kong		
China	258	383
Australia	36	4
USA		
Total	**568 610**	**303 995**

Included in fixed assets under geographic segments are property, plant and equipment and investment property. The distribution is based on the company's location.

Note 6 – Intangible assets

NOK 1 000	Goodwill	Development	Other intangible	Total
Fiscal year 2017				
Booked value per 01.01.17	1 675 293	65 272	3 089	1 743 654
Investment		8 581		8 581
Purchase of enterprise	112 238	24 363	8	136 609
Conversion differences	6 158	1 895	(29)	8 024
This year's depreciation		(11 397)	(1 969)	(13 366)
Booked value 31.12.17	**1 793 689**	**88 714**	**1 099**	**1 883 502**
Per 31.12.2017				
Cost price	1 793 689	169 552	13 323	1 976 564
Accumulated depreciation /write-downs		(80 839)	(12 224)	(93 062)
Fiscal year 2018				
Booked value per 01.01.18	1 793 689	88 714	1 099	1 883 502
Investment		24 652	684	25 337
Purchase of enterprise	499 646	7 659	204 865	712 170
Conversion differences	(2 574)	96	(2 583)	(5 061)
Reclassification			1 418	1 418
This year's depreciation		(14 200)	(7 424)	(21 624)
Booked value 31.12.18	**2 290 761**	**106 921**	**198 060**	**2 595 742**
Pr. 31.12.2018				
Cost price	2 290 761	211 437	247 783	2 749 981
Accumulated depreciation /write-downs		(104 516)	(49 723)	(154 239)
Economic life	Indefinite	6-10 years	10 years	
Remaining economic life		1-9 years	8 years	

The Group has no other intangible assets except goodwill that have indefinite lifetime.
Depreciation of customer files and trademarks is presented on a separate line in the consolidated income statement with TNOK 6 786.

RESEARCH AND DEVELOPMENT
The group performs its own research and development within the field of seating solutions. External parties within a number of fields are used as part of this work. The group has several external designers who work on product development. In most cases the designers are compensated for their work in the form of royalties on sales of the individual product. A not inconsiderable proportion of the total R&D costs are royalties from sales that are recognised as costs in the individual year. Costs incurred in the period and which satisfy the criteria for the product development of future seating solutions are recognised in the balance sheet. An impairment test is performed every year. The test uses the same preconditions for growth and return on investment (WACC) as for goodwill. Costs for ongoing R&D activities as per 31 December are expected to have future earnings that exceed the value recognised in the balance sheet and expected future costs. The group had at the end of the year 102 R&D projects ongoing of which 29 will be launched during 2019. The group receives government grants for research and development.

NOK 1 000	2018	2017
Skattefunn (tax deduction of R&D expenses)	161	678
Training grant	1 305	474
The Research Council of Norway	992	
Grant from EU	352	
Total	**2 810**	**1 152**
R&D costs in the period	51 695	51 292

OTHER INTANGIBLE ASSETS
Other intangible assets contains customer files and trademarks acquired through acquisitions of enterprises. Amortization takes place linearly over 10 years.

GOODWILL

Goodwill distributed per enterprise purchase:	NOK 1 000
Purchase in 2014:	
Scandinavian Business Seating Holding AB	524 928
Scandinavian Business Seating Holding AS	1 111 592
Purchase in 2015:	
BMA Ergonomics BV	38 773
Purchase in 2017:	
Malmstolen AB	48 761
Offecct AB	54 888
Giroflex AG	12 173
Purchase in 2018:	
Profim Sp. Z.o.o.	499 646
Total goodwill	**2 290 761**

The group has accumulated goodwill of TNOK 2 290 761. Goodwill is allocated in connection with purchase transactions in 2014, 2015, 2017 and 2018. Goodwill is recognised as the excess of the amount paid and the acquiring company's net fair value of the identifiable assets, liabilities and contingent liabilities at the time of acquisition.

The group has identified four cash flow generating unit for 2018. Flokk integrated brands consisting of the brands HÅG, RH, RBM, BMA and Giroflex. The Group monitors the development, production and distribution of these brands as one unit. Costs are allocated to the different product areas. In addition, the group has its own cash flows from the brands Malmstolen, Offecct and Profim.

Goodwill is tested for impairment. The book value of goodwill is the residual value from business combinations. Goodwill is tested by comparing the present value of the discounted stream of future cash flows and the book value. Cash flow projections are based on extrapolating figures for 2020-2022 from estimates in the company's and the group's senior management strategy plan for 2019. A constant growth rate has been applied throughout the time period of the cash flow projections.

IMPAIRMENT TESTS OF GOODWILL
The conducted impairment tests of goodwill show that there is no need to write-down recognised goodwill. The company is of the opinion that the assumptions used in the tests are best estimate and, besides taking account of a normal level of long-term uncertainty in relation to the company's development, also take account the uncertainty in the current financial market.

SENSITIVITY
Sensitivity calculations were conducted for the three companies with different parameters (WACC and long-term growth). The cash flows are also extrapolated using EBITA at 2018 level. These show that the conclusions, with reasonable changes to the assumptions, do not change in relation to the fact that the group can justify its recognised goodwill. The Group Management will focus on Offecct's cash flow through 2019 and assess impairment on a continuous basis based on the realized cash flow from the business.

Integrated brands	**2018**	**2017**
WAAC, before tax	8,8%	8,8%
WAAC after tax	6,8%	6,8%
WACC before tax + 2 %	10,8%	10,8%
Impairment margin MNOK	3 492	1 600
Marginal value WACC before tax	16,80 %	17,80 %
Long term growth	0 %	0 %
Impairment margin	2 167	1 898
Extrapolation of this year's EBITA		
Impairment margin	981	1 228

Malmstolen	**2018**	**2017**
WAAC, before tax	7,3%	7,7%
WAAC after tax	5,7%	6,0%
WACC before tax + 2 %	9,3%	9,7%
Impairment margin MNOK	105	92
Marginal value WACC before tax	17,3%	13,5%
Long term growth	0 %	0 %
Impairment margin	121	56
Extrapolation of this year's EBITA		
Impairment margin	82	7

Offecct	**2018**	**2017**
WAAC, before tax	7,3%	7,7%
WAAC after tax	5,7%	6,0%
WACC before tax + 2 %	9,3%	9,7%
Impairment margin MNOK	59	-9
Marginal value WACC before tax	13,3%	9,2%
Long term growth	0 %	0 %
Impairment margin MNOK	75	3
Extrapolation of this year's EBITA		
Impairment margin MNOK	(133)	(159)

Giroflex	**2018**	**2017**
WAAC, before tax		6,6%
WAAC after tax		5,4%
WACC before tax + 2 %		8,6%
Impairment margin MNOK		16,8
Marginal value WACC before tax		8,8%
Long term growth		0 %
Impairment margin		66
Extrapolation of this year's EBITA		
Impairment margin MNOK		281

Giroflex is fully integrated in Flokk Integrated brands in 2018 and has no measurable own cash flow after 2017.

Profim	**2018**	**2017**
WAAC, before tax	9,8%	
WAAC after tax	8,0%	
WACC before tax + 2 %	11,8%	
Impairment margin MNOK	367	
Marginal value WACC before tax	14,8%	
Long term growth	0 %	
Impairment margin MNOK	487	
Extrapolation of this year's EBITA		
Impairment margin MNOK	787	

ASSUMPTIONS
When determining the fair value of goodwill, the following assumptions are considered to be the most sensitive to fair value measurements:

Sales
Sales development is based on the budget for 2019 and the management's sales forecast for the period 2020-2022. Budgets and forecasts are approved by the Board. Sales estimates, which have a material effect on figures in the income statement and cash flows, have taken into account that the company is recovering from a recession with expectations of a higher growth rate over the next 2-3 years than the long-term average. The long-term growth has been fixed at two per cent, reflecting the long-term rate of inflation plus a very conservative growth rate.

Gross margins
The group expects sound gross margins in the years ahead. There are continuous improvement projects in procurement and logistics, as well as production optimization. The group has, over the past years, shown that these projects had an effect and it is expected that this will also apply to future.

Weighted average cost of capital (WACC)
A low risk-free interest rate influences the WACC. The cash flow is discounted with WACC before tax. A tax rate that applies to the countries from which the cash flows come come is used when calculating the WACC before tax. This is a simplification of the theoretically correct method. The group's goodwill is linked to cash flows from countries with differing tax percentages. The simplification does not result in any material effects.

The group has applied the following assumptions for estimating WACC:

- The long term risk-free interest rate is equivalent to the interest rate on 10 year government bonds as this corresponds with the time horizon on the relevant cash flows.
- The risk premium is 5% based on market research undertaken by the Norwegian Society of Financial Analysts and the recommendation from its members.
- Beta is 1.5 due to the cyclical nature of the industry
- Corporate Spread is 4.0%, where 1.25% reflects the current uncertainty in the borrowing market plus the NIBOR/STIBOR spread against a long-term risk-free interest rate.

Note 7 – Financial instruments and risks

MARKET RISK

The Group has centralised its financing function which has responsibility for financing, 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.

Effects of increase/reduction in selling prices and rebates:

If the group's selling prices were 1% higher or lower in 2018 and other variables remained constant, it would have resulted in a higher or lower operating result of TNOK TNOK 27 228 (TNOK 17 299 i n2017). 17 299. If rebates on sales were 1% lower or higher in 2017, and other variables remained constant, it would have resulted in an increase or reduction in the operating income of TNOK 48 984 (TNOK 31 486 i 2017).

Foreign currency risk

MNOK 2 455 (MNOK 1 493 in 2017) of the Group's revenues are denominated in foreign currency. The company has an even flow of revenues, and its sales are not generally based on a few large individual orders generating a large share of the sales. The Group invoices the customer in the customer's own currency. This means that a large share of the company's financial risk is attached to changes in exchange rates, especially in SEK, DKK, GBP, EUR and PLN. The Group has foreign currency risk connected to future cash flow in foreign currency and net investments in subsidiaries abroad. In order to limit the effect of fluctuating exchange rates, the company uses foreign currency derivatives. Normally, between 50-70% of expected net foreign currency exposure is secured through use of derivates. The forward contracts are agreed with a large, 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 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 disposed for currency risks by conversion. The currency risk from the Group's net investments in foreign subsidiaries is not secured by drawing long-term loans with corresponding amounts.

Effects of increase/reduction in foreign currency:

If NOK compared to other currencies was 10% weaker/stronger as per 31 December 2018 and all other variables were consistent, this would have caused the following change in income before taxes:

Foreign currency risk: 10% change in currency rate EUR/NOK	+/- TNOK	12 137
Foreign currency risk: 10% change in currency rate DKK/NOK	+/- TNOK	11 031
Foreign currency risk: 10% change in currency rate GBP/NOK	+/- TNOK	7 674
Foreign currency risk: 10% change in currency rate USD/NOK	+/- TNOK	3 997

FOREIGN CURRENCY DERIVATES MADE TO SECURE FUTURE CASH FLOW AS PER 31.12.18

Figures in NOK 1 000	EUR	DKK	GBP	USD
Due in 2019	121 369	110 306	76 737	39 967

Interest risk

The Group's interest risk is primarily connected to long-term debt. As the net interest bearing debt per 31.12.18 was 57% (42% in 2017) of the total balance sheet, the net profit is considerably exposed by the interest level. The debt primarily consists of variable-rate loans. In 2018, the Group's variable-rate loans have been in NOK and EUR. With net interest-bearing debt of TNOK 2 496 676 (TNOK 1 233 099 in 2017), the level of interest rates does significantly affect the financial expenses.

Effects of increase/reduction in interest:

If the interest was 1% weaker/stronger as per 31 December 2018 and all other variables were consistent, this would have resultet in higher/lower income before taxes of TNOK 28 495.

CREDIT RISK

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

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

NOK 1 000	2018	2017
Gross accounts receivables (note 16)	438 372	294 983
Other receivables	37 901	36 896
Derivats		54
Liquid funds	406 571	149 788
Total	**882 844**	**481 721**

LIQUIDITY RISK

The Group's activities are not capital intensive and normal annual investment represents 3-6% of the company's sales. The Group regards its liquidity as good. Active attention is given to the Group's liquidity throughout the year, in terms of both working capital elements and operational activities. Work on the working capital elements has been in focus for several years and the company has strategies, key figures and action plans that are continuously followed up on during the year. The Group carefully considers the effects on liquidity of operational activities, projects and investments before these are initiated, in order to retain predictability in liquidity development. The Group's focus on operational effectiveness in all parts of the value chain and close follow-up on working capital ensure that there is satisfactory liquidity for further investment in product development and market development and for servicing debt. No decision has been made to implement any measures that will change the liquidity risk.

MATURITY PROFILE OF THE GROUP'S LIABILITIES:

NOK 1 000	31/12/2018	2019	2020	2022	2023	2024
Interest-bearing liabilities						
Bank loans	2 849 610	50 000	50 000	50 000	63 000	2 636 610
Finance lease liabilities	6 277	1 766	1 828	1 619	1 021	43
Sum of interest-bearing liabilities	**2 855 887**	**51 766**	**51 828**	**51 619**	**64 021**	**2 636 653**
Non-interest-bearing liabilities						
Accounts payable						
Derivats	248 110	248 110				
Other short term liabilities and provisions	4 018	4 018				
Other long term liabilities	221 966	221 966				
Annen langsiktig gjeld	1 657	1 301	356			
Sum of non-interest-bearing liabilities	**475 751**	**475 395**	**356**			
Total	**3 331 638**	**527 161**	**52 184**	**51 619**	**64 021**	**2 636 653**

USE OF ACTUAL VALUE

Currency derivatives are recognised in the income statement at their actual value. The book value of other financial instruments is concurrent with actual value. The value of hedging instruments is based on market value and calculated by external finance institutions. The value of cash and overdraft facility recognised in the balance sheet is approximated to actual value based on such instruments having a short repayment period. Similarly, the book value of accounts receivable and accounts payable is approximated to the actual value as they are included on 'normal' conditions. Establishment costs for borrowing are recognised in the balance sheet at historical cost and recognised as expenses over the lifetime of the loan. Royalties paid in advance are recognised in the balance sheet at historical value and balanced against ongoing royalty payments to designers.

The company does not practice hedge accounting. Financial instruments are recognised at fair value and changes in fair value are recognised in the income statement. Fair value is based on statements from credit institutions. As at 31.12.18, the fair value of forward currency exchange contracts amounted to TNOK -4 818. Value change recognised for 2018 was a loss of TNOK 2 490.

FAIR VALUE HIERARCHY

NOK 1 000	Category	Fair value	Nominal value	Book value	Fair value	Fair value level *)
2017						
Non-current assets						
Shares in other companies	B	122		122	122	3
Total		**122**	**0**	**122**	**122**	
Current assets						
Accounts receivables	A		290 906	290 906	290 906	
Derivats	B	54		54	54	2
Liquid funds			149 788	149 788	149 788	
Total		**54**	**440 694**	**440 748**	**440 748**	
Long-term liabilities						
Senior loans	A		1 244 306	1 244 306	1 244 306	
Total			**1 244 306**	**1 244 306**	**1 244 306**	
Short-term liabilities						
Senior loans	A		61 800	61 800	61 800	
Accounts payable	A		148 108	148 108	148 108	
Derivats	B	6 563		6 563	6 563	2
Total		**6 563**	**209 908**	**216 471**	**216 471**	
2018						
Non-current assets						
Shares in other companies	B	756		756	756	3
Total		**756**	**0**	**756**	**756**	
Current assets						
Accounts receivables	A		431 535	431 535	431 535	
Liquid funds			406 571	406 571	406 571	
Total		**0**	**838 106**	**838 106**	**838 106**	
Long-term liabilities						
Senior loans	A		2 799 610	2 799 610	2 799 610	
Total			**2 799 610**	**2 799 610**	**2 799 610**	
Short-term liabilities						
Senior loans	A		50 000	50 000	50 000	
Accounts payable	A		248 110	248 110	248 110	
Derivats	B	4 018		4 018	4 018	2
Total		**4 018**	**298 110**	**302 128**	**302 128**	

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

Note 8 – Mortgages and guarantees

NOK 1 000	2018	2017
Long-term debt		
Bank loans	2 799 610	1 244 306
Capitalised loan costs	(41 378)	(19 512)
Total	**2 758 232**	**1 224 794**
Short-term debt		
Bank loans	50 000	61 800
Capitalised loan costs	(10 258)	(6 043)
Total	**39 742**	**55 757**
Booked value of assets mortgaged:		
Shares in subsidiaries	4 106 157	1 933 119
Property	253 096	149 127
Maturity dates amortisation, interests and loan costs		
Within 1 year	154 903	107 148
From 2 to 5 years	611 825	1 352 097
5 years or later	2 658 679	
Interest rate and currency rates as per 31.12. is used for calculating future amortisation and interests.		
Booked value of loans per currency:		
NOK	263 000	169 458
EUR	2 586 610	1 136 648
Total	**2 849 610**	**1 306 106**
Changes interest-bearing liabilities		
Down payments	1 306 106	1 089 875
New loans	(485 896)	(104 355)
Loan in purchased companies	1 507 515	200 100
Effects from changes in foreign exchange rates	429 873	41 305
Other changes	91 960	79 190
Andre endringer	52	(10)
Per 31.12	**2 849 610**	**1 306 106**

Refinancing was carried out and the bank loan amounted to TNOK 263 000 and TEUR 260 000 at the end of 2018. The extension was made in connection with the purchase of subsidiaries and repayment of shareholder loans. The repayment period is seven years and the loan matures in full in 2024. The loan costs are capitalized and expensed over the lifetime of the loan. The assets pledged as security are shares which Flokk Holding AS has in its subsidiaries, properties in Sundveien AS, Fastighets AB Stolhuset and Profim Sp. z.o.o., as well as Flokk Holding AS' shares recorded in the parent company Flokk Holding II AS.

The interest on the loan is floating and normally tied for three months at a time. The average interest rate in 2018 on the NOK loan was 0.96% (0.64% in 2017) and on the EUR loan 0% (0% in 2017), plus margin. There are conditions attached to the loan in that certain key figures based on results and financial strength must be met. The company fulfilled the loan terms in the loan agreement per. 31.12.2018. The interest rates correspond to the sum of relevant IBOR and an interest margin based on the key figure NIBD / EBITDA, EBITDA / Total Net Finance Charges and investment limit. The margin is set according to an incremental scale in relation to key performance indicators achieved.

At the end of 2018, the Group had a total credit facility of TNOK 3 214 610 (TNOK 1 521 106 i 2017), consisting of long-term debt of TNOK TNOK 2 849 610 (TNOK 1 306 106 i 2017). The bank overdraft facility is TNOK 400,000, but parts have been converted into a guarantee framework. Liquid resources in the form of unused credit facilities and cash at bank per 31.12.18 amounted to TNOK 771 571, which constitutes about 28.3% of the turnover (TNOK 364 788 in 2017). The company is currently experiencing good profitability. The external borrowing carried out in the company is based on the company continuing to be profitable and appear a solid company. 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 company's strategy for future growth and profitability, the management specifically follows up the specific requirements stipulated in the agreement with our main banker. Those parts of the business that particularly influence the development of these requirements (covenants) are subject to special follow up. Bank covenants are valued at the end of every quarter.

RECEIVABLES AND DEBTS WITH RELATED COMPANIES

NOK 1 000	2018	2017
Debts – Triton Fund IV LP's		
Subordinated loan		629 637
Accured interest subordinated loan		11 753
Total		**641 390**

The interest on the loan is 8%, and the interest is accured to the principal.
The loan was fully repaid in 2018.

Note 9 – Capital management

At the beginning of 2018, the group's capital consisted of equity and a shareholder loan. In 2018, the Group carried out refinancing operations where bank debt increased and the shareholder loan, including accrued intereest, was repaid in full. The company's goal of sound inancial capacity is met with this financing structure. See note 8.

OBJECTIVES AND STRATEGY
The overall objective of the Group's capital management is to be an attractive borrower through sound liquidity planning so that the Group at all times will be offered cost-effective funding to top-market conditions for comparable borrowers and securities. The Group shall keep good relations with at least two sources of financing.

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

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

Note 10 – Cost of labour, no. of employees, compensations etc.

NOK 1 000	1.1-31.12.2018	1.1-31.12.2017
Salaries	630 689	391 561
Social security contributions	75 973	60 223
Pension costs, see note 11	48 763	34 107
Other benefits	25 683	23 940
Total	**781 108**	**509 830**
Average number of man-labour year	2 496	655
Loan to employees		
No loans are made to any of the employees.		
Auditor		
Audit fee – NOK 1000 excl. VAT		
Audit related consultancy services	3 324	4 671
Tax consultancy fee	13 641	6 569
Other services	1 333	487
Total	**18 298**	**11 726**

Note 11 Pension Cost

The group has pension agreements covering all employees. The group's Norwegian companies are required to have an occupational pension scheme in accordance with legislation on compulsory occupational pensions. The company's pension scheme fulfils the requirements of this legislation.

On 01.12.2012, the pension agreements of all Norwegian employees were changed from a defined-benefit to a contributory scheme. 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 31.12.2018, this scheme had 16 members. No guarantees have been given to the employees that the pension benefits will automatically be changed as a result of a reduction in National Insurance benefits. The collective pension agreement has been funded by the accumulation of funds with an insurance company. The fund invests in shares, bonds, the capital market, real estate and hedge funds. Future return is estimated based on historical return on these investments. The future return is uncertain and is dependent of interest level, development on the stock exchange and administration of the risks. The pension liability has been calculated using a straight-line pension-earning basis. Unrealised gains and losses resulting from changes in actuarial assumptions are distributed over the estimated remaining average pension-earning period.

The company's unsecured scheme comprises an agreement-based early retirement scheme (AFP) and a former President & CEO's pension agreement, which is financed via the company's operations. The Group's employees in Switzerland have a pension scheme that falls under the provisions for defined benefit pension in accordance with IAS 19. The scheme includes all employees of Flokk AG. Pension funds are managed by a private pension fund which is independent of the companies. The Pension Fund has an independent board that is responsible for the sound management of the pension funds. The Pension Fund guarantees under Swiss law, a minimum return on funds. As of 31.12.2018, this scheme had 92 members.

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

NOK 1 000	2018		2017	
	Covered	Not covered	Covered	Not covered
Components of pension costs				
Pension costs defined-contribution plan	39 816		25 487	
Pension costs defined benefit plan	8 959	(12)	8 802	26
Net pension costs	48 775	(12)	34 289	26
Pension plan obligations				
Obligation 01.01	464 017	120	546 227	131
Interest	3 149	3	1 907	3
Social security contribution	5 358		4 187	
Contribution by plan participants	3 855		2 640	
Paid pensions	(19 483)	(71)	(15 325)	(71)
Adm. costs	827			
Other	20 826		(3 934)	
Deviations from pension funds, due to changes in data	(37 349)	57	(1 488)	56
Obligation 31.12	**441 200**	**108**	**534 214**	**120**
Pension plan assets				
Assets 01.01	396 173		452 594	
Return	2 687		1 613	
Paid premium	7 885		5 502	
Pension payments	(19 483)		(15 325)	
Other	18 707		(530)	
Deviations from pension funds, due to changes in data	(18 298)		10 725	
Assets 31.12	**387 671**		**454 579**	
Net pension plan assets/(-obligations)	**(53 529)**	**(108)**	**(79 635)**	**(120)**
Actuary calculation is made annually using the following assumption (p.a.)	**CH**	**NO**	**CH**	**NO**
Discount rate	0,90 %	2,60 %	0,65 %	2,60 %
Expected increase in salaries	0,50 %	2,75 %	1,00 %	2,50 %
Expected G-increase		2,50 %		2,25 %
Expected growth in running pensions	0,00 %	0,00 %	0,00 %	0,00 %
Expected return on pension plan assets	0,90 %	2,60 %	0,65 %	2,60 %

Actuarial assumptions for demographic factors and retirements are based on current assumptions NRS (V). The standardised assumptions with regard to mortality and disability trends were prepared by the Association of Norwegian Insurance Companies. The estimates are based on K2013 with enhanced disability tariff IR73 and enhanced life expectancy. For employees in Switzerland, the BVG2015 GT is used. 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 financial rate of return on the funds in 2018 was -4.0% (2.57%).

Return on pension funds are expected to increase in 2019. Future returns are uncertain and dependent on interest rates, stock market fluctuations and risk management. Contributions to the pension scheme for 2019 are calculated to TNOK 3 843.

THE PENSION FUNDS HAVE THE FOLLOWING INVESTMENT PROFILE:

Cash	17 %
Equity instruments	30 %
Debt instruments	42 %
Real estate	10 %
Other	1 %
Total	**100 %**

Note 12 – Depreciable assets and fixed property

NOK 1 000	Buildings and other fixed property	Machinery and equipment	Furniture and fittings [1]	Construction in progress	Total
Fiscal year 2017					
Booked value 01.01.17	35 137	33 637	69 280	19 105	157 160
Conversion differences	427	(128)	1 235	672	2 207
Purchase of enterprises	113 817	14 808	9 692	9 362	147 679
Additions	234	3 668	13 961	16 741	34 603
Transfer from construction in progress	8 232	497	14 627	(23 357)	0
Reclassification [2]			13 185		13 185
Reclassification to cost			(2 720)	(1 808)	(4 528)
Sales	(308)	(44)	(3 936)		(4 288)
This year's ordinary depreciation	(8 412)	(9 957)	(23 653)		(42 022)
Booked value 31.12.17	**149 127**	**42 482**	**91 671**	**20 716**	**303 995**
Per 31.12.17					
Cost	467 957	555 829	504 613	20 716	1 549 115
Accumulated depreciations	(318 830)	(513 348)	(412 943)		(1 245 121)
Fiscal year 2018					
Booked value 01.01.18	149 127	42 482	91 671	20 716	303 995
Conversion differences	3 721	(2 752)	(395)	1 235	1 811
Purchase of enterprises	138 946	93 105	53 537	4 180	289 768
Sale	(33 636)	(2 825)	(807)		(37 267)
Additons	2 049	5 211	16 998	69 733	93 992
Transfer from construction in progress	6 606	8 373	16 703	(31 519)	162
Reclassification		(193)	(1 224)		(1 416)
Reclassification to cost		(34)	(998)	(387)	(1 419)
Sales	(26)	144	(7 109)		(6 991)
This year's ordinary depreciation	(13 692)	(25 134)	(35 201)		(74 027)
Booked value 31.12.18	**253 096**	**118 379**	**133 176**	**63 958**	**568 608**
Per 31.12.18					
Cost	557 771	785 433	606 808	63 958	2 013 970
Accumulated depreciations	(304 675)	(667 054)	(473 632)		(1 445 361)
Economic life	10-25 years	6-8 years	3-10 years		

The Group has tangible fixed assets in use that are fully depreciated.
[1] In furniture and fittings, tools and fixtures for the production of the Group's products are included.
[2] Reclassification of sales tools from inventory to assets.

Note 13 – Other operating costs

NOK 1 000	1.1-31.12.2018	1.1-31.12.2017
Premises costs	68 901	55 916
Marketing costs	67 406	42 037
Travelling costs	26 832	20 930
Fees	87 974	48 412
Purchase of enterprices costs	3 934	11 254
Freight	112 847	67 331
Royalty	33 205	24 961
Car expenses	25 154	20 605
IT-expenses	36 309	25 865
Other operating costs	31 976	34 388
Profit sale of Espisa	(39297)	
Total other operating costs	**455 241**	**351 698**

Note 14 – Taxes

THE MAJOR COMPONENTS OF INCOME TAX EXPENSE ARE:

NOK 1 000	2018	2017
Taxes payable on this years result	30 594	25 591
Changes in deferred taxes and deferred tax benefit (Norway)	(20 681)	(9 555)
Changes in deferred taxes and deferred tax benefit (Group and other countries)	11 712	2 092
Taxes previos years	(11 924)	1 743
Income tax expense reported in the income statement	**33 549**	**19 871**
By using the Norwegian tax rate, the taxes differ from booked figures as a result of the following:		
Income before taxes	84 778	61 583
Taxes 23%	19 499	14 780
Taxes due to:		
Change in assessment previous years	11 924	1 743
Permanent differences	4 245	3 565
Changed tax rate Norway [1]	1 430	459
Other: differences in tax rates, currency etc.	(3 549)	(676)
Income tax expense reported in the income statement	**33 549**	**19 871**

[1] The tax rate in Norway changed from 25% to 24% per 01.01.2017 and from 24% to 23% per 01.01.2018.

Tax rates outside Norway that deviate from 23%:
The largest effects are related to Flokk Inc. (US 38.7%) and Flokk GmbH (Germany 30%) which have higher nominal tax rates than the nominal tax rate in Norway, while Flokk AG (Switzerland 19%) and Profim Sp. Z.o.o. (Poland 19%) has lower nominal tax rates.

Specification of the basis of deferred taxes:		
Temporary differences included in the provision for deferred taxes:		
Fixed assets	(48 870)	(25 319)
Intangible assets	(68 973)	(57 294)
Current assets	2 495	(9 117)
Obligations and other differences	(45 125)	(46 323)
Carry forward losses	266 816	119 478
Pension obligations not covered	54 140	78 027
Total temporary differences	**160 483**	**59 452**
Net deferred tax	**34 078**	**13 426**
Tax rate	22 %	23 %
Deferred tax and deferred tax benefit are booked as gross value in the balance sheet statement.		
Deferred tax benefit	80 261	43 432
Deferred tax	(46 183)	(30 006)
Total	**34 078**	**13 426**

Deferred tax assets are mainly linked to temporary differences in non-current assets, intangible assets and carry forward losses. There is a high degree of probability that the group will generate taxable profits in subsequent periods against which these deferred tax assets can be utilised. The benefits of the deferred tax assets have therefore been recorded at their full value.

NOK 1 000	2018	2017
Reconciliation of deferred tax		
Opening net balance as of 01.01.	13 426	10 150
Purchase of enterprises	2 299	(231)
Tax expense during the period recognised in profit or loss	8 969	7 407
Change in deferred tax assets against equity		(1 196)
Other: differences in tax rates, currency etc.	9 384	(2 704)
Closing net balance 31.12.	**34 078**	**13 426**
Reconciliation of current income tax for the year ended 31.12.		
Current income tax charge	30 594	25 591
Purchase of enterprice	8 739	(37)
Tax payment, not settled	29 012	4 585
Prepaid income tax	(34 751)	(17 031)
Other changes	(1 352)	(525)
Closing balance 31.12.	**32 242**	**12 583**

Note 15 – Inventories

INVENTORIES CONSIST OF THE FOLLOWING ITEMS:

NOK 1 000	1.1-31.12.2018	1.1-31.12.2017
Raw materials	176 995	120 206
Work in progress	54 297	19 019
Finished goods	60 606	49 287
Total inventories	**291 898**	**188 512**
Change in inventories	103 386	75 498
Dead stock allocation	14 149	6 564

Write-down of inventory booked as cost amounts to TNOK 6 909 (TNOK 5 450).
The amount is classified as cost of goods sold.

Note 16 – Accounts receivables and other receivables

NOK 1 000	2018	2017
Gross outstanding	438 372	294 983
Allowance for doubtful accounts	6 837	4 077
Total accounts receivables	**431 535**	**290 906**
Prepaid expenses	27 549	17 956
Deposit	1 046	1 034
Other receivables	9 306	17 906
Total other receivables per 31.12	**37 901**	**36 896**
Total receivables per 31.12	**469 436**	**327 802**
Specification of provision for bad debt:		
Provision per 01.01.	4 077	322
Purchase of enterprise	2 597	2 432
Change in provision during the year	163	1 323
Provision per 31.12.	**6 837**	**4 077**
Realized losses	2 623	3 512
Age distribution accounts receivables per 31.12.		
Not due	356 324	227 758
Due 0-30 days	55 941	49 003
Due 30-60 days	9 523	4 408
Due more than 60 days	9 747	9 737

Provisions for credit losses are made each year by using a simplified method for expected credit losses that are determined based on individual customer assessments. An external credit rating, internal credit rating, and a full assessment of each individual customer are used as the basis for estimating the expected loss. All sales are made on credit with an average credit period of 30 days net.

Note 17 – Aggregated financial income/expenses

NOK 1 000	1.1-31.12.2018	1.1-31.12.2017
Financial income		
Interest income	1 099	696
Foreign exchange gain derivats	11 172	14 673
Other foreign exchange gain	240 148	176 834
Other financial income	9 864	9
Total	**262 283**	**192 212**
Financial expenses		
Interest expense bank loan etc.	107 809	89 587
Foreign exchange loss derivats	9 226	21 160
Other foreign exchange loss	364 265	226 416
Other financial expenses	22 424	8 384
Total	**503 724**	**345 547**

The Group has foreign currency translation reserve booked against other comprehensive income. A reconciliation of this is shown in the consolidated statement of changes in equity. A reconciliation of this is stated in the statement of changes in equity.

Note 18 – Companies in the Group

THE FOLLOWING COMPANIES ARE INCLUDED IN THE GROUP:

Company	Business location	Ownership %	Company's share
Flokk Holding AS	Oslo		
Trispin Acquico AB	Nässjö	100 %	100 %
Flokk Holding AB	Nässjö	100 %	100 %
Flokk AB	Nässjö	100 %	100 %
Fastighets AB Stolhuset	Nässjö	100 %	100 %
Flokk AS	Oslo	100 %	100 %
Sundveien AS	Oslo	100 %	100 %
Flokk GmbH	Düsseldorf	100 %	100 %
Flokk BV	Rotterdam	100 %	100 %
Flokk Sarl	Paris	100 %	100 %
Flokk A/S	Copenhagen	100 %	100 %
Flokk LTD.	London	100 %	100 %
Flokk Asia PTE LTD.	Singapore	100 %	100 %
Flokk AG	Koblenz	100 %	100 %
Flokk Trading (Shanghai) Co., Ltd	Shanghai	100 %	100 %
Flokk Australia PTY LTD.	Sydney	100 %	100 %
BMA Ergonomics B.V.	Zwolle	100 %	100 %
Flokk N.V.	Woluwe-Saint-Lambert	100 %	100 %
Flokk USA, Inc.	Palo Alto, CA	100 %	100 %
Flokk Furnitures Inc.	Toronto, ON	100 %	100 %
Malmstolen AB	Stenungsund	100 %	100 %
Malmstolen Produktion AB	Hunnebostrand	100 %	100 %
Offecct AB	Tibro	100 %	100 %
Giroflex France Sarl	Paris	100 %	100 %
Profim Sp. Z.o.o.	Turek	100 %	100 %

Note 19 – Share Capital

Flokk Holding AS has a total of 30 shares each with a face value of TNOK 3 per share. The share capital is TNOK 90. Flokk Holding AS has one share class in which each share has one vote. There are no restrictions connected to trade with the shares in Flokk Holding AS.

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

MAJOR SHAREHOLDERS IN FLOKK HOLDING AS AT YEAR-END:

Shareholder	Share capital	No. of shares
Flokk Holding II AS	NOK 90 000	30
No. of outstanding shares per 31.12.17		30
No. of outstanding shares per 31.12.18		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 the board are shareholders through their ownership in the companies Spinnaker Norway MipCo AS and Spinnaker Norway Mipco 2 AS. There are no restrictions connected to trade with the shares in Flokk Holding II AS. With the exception of the rights in § 7 in the articles of association, the preference shares and the ordinary shares give equal rights in the company.

MAJOR SHAREHOLDERS IN FLOKK HOLDING II AS AT YEAR-END:

Shareholder	Ordinary shares	Preference shares	Portion
Spinnaker Bidco S.à.r.l.	21 272 728	2 515 375	80 %
Spinnaker Norway MipCo AS	3 439 924	84 000	12 %
Spinnaker Norway MipCo 2 AS	2 461 165		8 %
Total	**27 173 817**	**2 599 375**	**100 %**

Note 20 – Earnings per share

NOK 1 000	2018	2017
Earnings per share	1 690	1 390
Fully diluted earnings per share	1 690	1 390
Total comprehensive income per share	3 890	1 419
Fully diluted total comprehensive income per share	3 890	1 419
Net income	50 687	41 712
Total comprehensive income	116 699	42 570
Median number of outstanding shares	30	30
Median number of outstanding shares (fully diluted)	30	30

Note 21 – Related parties

Payments to executives (NOK 1000)	CEO	Rest of Group Management	Board
2017			
Board of Directors fee			922
Salaries	4 450	11 284	
Bonuses	818	2 006	
Other benefits	219	832	
Pension costs	111	989	
2018			
Board of Directors fee			1 132
Salaries	5 389	14 323	
Bonuses	1 085	2 991	
Other benefits	179	929	
Pension costs	115	1 122	

Shares owned by management and board members in the mother company Flokk Holding II AS through the company Spinnaker Norway MipCo AS pr. 31.12.18:

Group Management	Ordinary shares	Preference shares
Lars Ivar Røiri (Røiri Invest AS)	400 000	10 000
Lillevi Ivarson (Tunset AS)	160 000	4 000
Eirik Kronkvist	80 000	2 000
Patrik Röstlund	80 000	2 000
Ketil Årdal (Årdal Invest Holding Aps)	60 000	1 500
Christian Lodgaard	48 000	1 200
Frederik Fogstad	16 000	400

Shares owned by management and board members in the mother company Flokk Holding II AS through the company Spinnaker Norway MipCo 2 AS pr. 31.12.18:

Board	Ordinary shares	Preference shares
Aromi Invest Oy (Esko Mikael Aro)	255 000	4 500
Pernille Stafford	34 000	600

Group Management	Ordinary shares	Preference shares
Lars Ivar Røiri (Røiri Invest AS)	85 000	1 500
Patrik Röstlund	85 000	1 500
Christian Lodgaard	42 500	750
Frederik Fogstad	127 500	2 250
Cross Invest AS (Trygve Aasland)	127 500	2 250
Piotr Chelminski	195 500	3 450

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. No loans have been given to any employees of the company or closely related parties as of year end. Neither does the company have any other transactions with closely related parties.

In accordance with the current bonus scheme for management and senior employees, the group has allocated TNOK 3 269 as of 31.12.18. The bonus will be due for payment in 2019. There are no option programmes or agreements of share-based payment in the company.

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 transactions with associated companies and shareholders, see note 8 for settlement of subordinated loans and note 19 for description of equity transactions.

Note 22 – Operational leasing agreements

The Group has entered into leasing agreements for cars, offices and IT-equipment, where office rental are the major part. Most of the leasing agreements have an option to renew. There exist no condition to take up these options. The rental agreements do not contain restrictions of the company's dividend policy or financing opportunity. The rental costs of 2018 comprise TNOK 49 889 (TNOK 38 024). Future minimum rental for non-terminable leasing agreements falls due as follows:

NOK 1 000	2018	2017
Within 1 year	48 921	24 198
1 to 5 years	62 910	31 993
More than 5 years	306	
Total	**112 137**	**56 190**

Note 23 – Guarantees provision

NOK 1 000	2018	2017
Balance 01.01.	6 048	6 216
Purchase of company	6 765	2 498
Provisions	3 651	(511)
Provision used	(3 096)	(2 155)
Balance 31.12.	**13 368**	**6 048**

The company has made a provision of TNOK 13 368 for warranty claims for chairs sold in the past five years. The provision has not been discounted, as the effect of such discounting is insignificant. The warranty costs are estimated to be paid out over the next five years with the main emphasis being early on in the five-year period. Approximately 40% of the amount is expected to be used within one year. The provision has been calculated on the basis of historical figures and the age distribution of complaints costs. The level of the provision has been adjusted to the turnover for the past five years. In addition, an evaluation has been made of whether there are other specific events that are of importance to the size of the provision.

On parts there are a 10 years guarantee on HÅG, RH and BMA products, and RBM products give six years guarantee. The group has some products that are intended for 24/7 use with a 3-year warranty. RBM-products also gives a half year guarantee on service work. On Profim products, there is a five-year warranty on the Standard series and on some selected Classic products, the remaining products in the Classic series have three years.

Note 24 – Other short-term debt

NOK 1 000	2018	2017
Accrued salary expenses	52 500	56 363
Other accrued expenses	76 466	53 835
Total other short-term debt	**128 966**	**110 198**

Note 25 – 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.

Income statement – Flokk Holding AS

NOK 1 000	Notes	01.01.-31.12.2018	01.01.-31.12.2017
Cost of labour	2	1 582	1 190
Other operating costs	2	14 329	4 587
Total operating costs		**15 911**	**5 777**
Operating income		**(15 911)**	**(5 777)**
Financial income	3	318 750	223 132
Financial expense	3	318 221	197 860
Net financial income/(expense)		**530**	**25 272**
Income before taxes		**(15 381)**	**19 495**
Income tax expense	4	(21 422)	(9 423)
Net income		**6 040**	**28 918**
Information concerning:			
Transferred to other equity		6 040	28 918
Total distribution		**6 040**	**28 918**

Balanse Sheet – Flokk Holding AS

NOK 1 000	Notes	31.12.2018	31.12.2017
Assets			
Deferred tax benefit	4	27 873	6 452
Shares in subsidiaries	5	3 350 332	1 528 274
Loan to subsidiaries	5	359 977	360 889
Total fixed assets		**3 738 182**	**1 895 615**
Group receivables	6	82 749	90 641
Other receivables		51 755	25 555
Cash and liquid funds		18 162	68 801
Total current assets		**152 666**	**184 997**
Total assets		**3 890 848**	**2 080 611**
Equity and liabilities			
Share capital	7	90	60
Other paid-up equity	7	755 720	404 770
Total paid-up equity		**755 810**	**404 830**
Retained earnings	7	213 774	207 734
Total equity		**969 584**	**612 564**
Senior loans	8	2 799 610	1 244 306
Total long-term liabilities		**2 799 610**	**1 244 306**
Short-term debt to credit institutions	9	118 198	221 321
Accounts payable		547	1 129
Group payable	6, 9	1 572	247
Other short-term debt	9	1 336	1 046
Total current liabilities		**121 654**	**223 742**
Total liabilities		**2 921 264**	**1 468 048**
Total equity and liabilities		**3 890 848**	**2 080 611**

31 December 2018
Oslo, 25 June 2019

Mikael Aro
Chairman of the Board

Thomas Hofvenstam

Pernille Stafford-Bugge

Joachim Espen

Andrzej Bartos

Kristine Landmark

Lars I. Røiri
CEO

Cash Flow Statement – Flokk Holding AS

NOK 1 000	01.01.-31.12.2018	01.01.-31.12.2017
Income before tax	(15 381)	19 495
Group contribution	(71 895)	(83 500)
Change receivables	(4 078)	(6 895)
Change in payables	990	929
Change in other provisions	68 342	69 715
Cash flow from operating activities	**(22 022)**	**(256)**
Acquisition of subsidiaries		(94 971)
Investment in subsidiary	(429 873)	(61 133)
Cash flow from investing activities	**(429 873)**	**(156 103)**
Short or longterm borrowing	1 506 307	191 400
Loan to subsidiary		(175 300)
Repayment of amount borrowed	(56 024)	(63 050)
Net change in bank overdraft	(91 323)	155 133
Group contribution received	83 500	54 800
Repayment of share premium	(373 650)	
Repayment of shareholder loan	(667 555)	
Cash flow from financing activities	**401 256**	**162 983**
Cash flow for the year	(50 639)	6 624
Opening balance - Cash and liquid funds	68 801	62 177
Closing balance - Cash and liquid funds	**18 162**	**68 801**

Notes – Flokk Holding AS

Note 1 – Accounting policies

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

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

CURRENCY
Transactions in foreign currencies are translated at the exchange rate at the time of the transaction. Monetary items in foreign currencies are translated to NOK at the exchange rate on the balance sheet date. Non-monetary items measured at the historic exchange rate expressed in foreign currency are translated to NOK using the exchange rate at the time of the transaction. Non-monetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate set on the balance sheet date. Foreign currency changes are recognised through profit and loss during the accounting period.

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

Payable tax and deferred tax are recognised directly against equity to the extent that the tax items relate to equity transactions.

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

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

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

SUBSIDIARIES/ASSOCIATED COMPANIES
Subsidiaries and associated companies are valued in accordance with the cost method in the financial statements. Investments are stated at the cost of the shares unless they have had to be written down. They are written down to fair value when the fall in value is due to causes that it cannot be assumed will be transient and this is regarded as necessary pursuant to good accounting practice. Impairment charges are reversed when the basis for impairment not longer exists.

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

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

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

CONSOLIDATION
Flokk Holding AS is 100% owned by Flokk Holding II AS. The group's supreme parent company is Spinnaker Holdco S.á.r.l. (former Triton IV No. 10 S.á.r.l.), an investment company registered in Luxembourg. Flokk Holding presents the consolidated financial statements for the group. The consolidated financial statements can be obtained upon request to Flokk Holding, P.O.Box 5055 Majorstuen, 0301 Oslo.

Note 2 – Operating costs

NOK 1 000	2018	2017
Fees auditor	1 293	4 587
Fees consultancy	1 909	
Financial and legal consultancy	10 656	
Provision directors' fee	1 582	1 190
Other operating costs	471	
Total operating costs	**15 911**	**5 777**

Note 3 – Aggregated financial income/expense

NOK 1 000	2018	2017
Financial income		
Interest income	9 598	5 971
Foreign exchange gain	153 993	73 736
Group contribution	71 895	83 500
Other financial income	83 264	59 925
Total	**318 750**	**223 132**
Financial expense		
Interest expense	9 478	40 427
Foreign exchange loss	228 771	150 147
Other financial expenses	79 971	7 287
Total	**318 221**	**197 860**

Note 4 – Taxes

NOK 1 000	2018	2017
Taxes payable this years result	0	0
Change deferred tax	(21 422)	(9 423)
Income tax expense	**(21 422)**	**(9 423)**
Income before taxes	(87 276)	(64 005)
Group contribution	71 895	83 500
Permanent differences	(83 264)	
Received dividend		(59 925)
Carry forward losses	124 727	43 637
Change temporary differences	(26 081)	(3 207)
Basis taxes payable	0	0
23% taxes payable	**0**	**0**
Income before taxes	(15 381)	19 495
23% taxes	(3 538)	4 679
Taxes due to:		
Permanent differences	(19 151)	(14 382)
Change in tax rate	1 267	281
Income tax expense reported in the income statement	**(21 422)**	**(9 423)**
Specification of the basis of deferred taxes		
Temporary differences included in the provision for deferred taxes:		
Loan costs	(51 636)	(25 555)
Carry forward losses	178 333	53 606
Total temporary differences	**126 697**	**28 051**
Net deferred tax	**27 873**	**6 452**
Deferred tax and deferred tax benefit are booked as gross value in the balance sheet statement.		
Deferred tax benefit	39 233	12 329
Deferred tax	(11 360)	(5 878)
Total	**27 873**	**6 452**

Flokk Holding AS is a holding company that receives group contribution. Deferred tax benefit is capitalized and will be utilized against future group contributions. Net deferred tax is calculated using 22% in 2018 and 23% in 2017.

Note 5 – Shares in subsidiaries

Company	Business location	Time of acquisition	Ownership	Company's share	Currency	Booked value	Equity	Net income
Trispin Acquico AB	Stockholm	2014	100 %	100 %	TSEK	942 617	235 253	(11)
Flokk AS	Oslo	2016	100 %	100 %	TNOK	2 408 092	133 337	57 137

Note 6 – Receivables and debts with companies within the same group and with related companies

NOK 1 000	Flokk AS		Sundveien AS		Flokk Holding AB		Flokk Holding II AS		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Receivables										
Loan to subsidiaries	264 810	262 828			95 167	98 061			359 977	360 889
Accrued interest loan	6 852	4 038			2 903	1 758			9 754	5 796
Group receivables		246					1 100		1 100	246
Group contribution	68 295	80 100	3 600	3 400					71 895	83 500
Total	**339 957**	**347 213**	**3 600**	**3 400**	**98 069**	**99 818**	**1 100**		**442 726**	**450 431**
Debts										
Group payable	1 572	247							1 572	247
Total	**1 572**	**247**							**1 572**	**247**

Note 7 – Equity

NOK 1 000	Share capital	Other paid-up equity	Total paid-up equity	Retained earnings	Sum Equity
Equity per 31.12.16	**60**	**404 770**	**404 830**	**178 816**	**583 646**
Net income				28 918	28 918
Equity per 31.12.17	**60**	**404 770**	**404 830**	**207 734**	**612 564**
Capital increase	30	724 600	724 630		724 630
Repayment of share premium		(373 650)	(373 650)		(373 650)
Net income				6 040	6 040
Egenkapital pr. 31.12.18	**90**	**755 720**	**755 810**	**213 774**	**969 584**

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

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

On extraordinary general meeting 6 July 2018 a dividend of TNOK 373 650 to the comapny's shareholders was resolved. This is a repayment of share premium.

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

Note 8 – Receivables and debts

NOK 1 000	2018	2017
Long-term debt due later than 1 year		
Bank loan	2 799 610	1 244 306
Total	**2 799 610**	**1 244 306**
Loans secured by mortgage	2 849 610	1 306 106
Assets mortgaged:		
Shares	3 350 332	1 528 274

The senior loan was extended in 2018. The loan is in NOK and EUR. The down payment period is seven years and is due in 2024. The cost of the loan will be capitalised and expensed over the lifetime of the loan.

The interest is variable and normally tied for three months at a time. The average interest rates in 2018 was for the NOK-loan 0.96% and the EUR-loan 0%, plus margin. The company fulfilled the covenants in the loan agreement as at 31.12.2018. Interest rates correspond to the total of relevant IBOR and an interest margin based on the key performance indicator NIBD/EBITDA. The margin is set according to an incremental scale in relation to dey performance indicators achieved. There are terms linked to the loan in the form of certain key figures based on the result and solvency ratio which must be fulfilled.

At the end of 2018, the company had a total credit line of TNOK 3 214 610, consisting of long-term debt of TNOK 2 849 610 and an unused bank overdraft limit of TNOK 365 000.

Note 9 – Other short-term debt

NOK 1 000	2018	2017
Senior loan	118 198	221 321
Group payable	1 572	247
Accounts payable	547	1 129
Other short-term debt	1 336	1 046
Total other short-term debt	**121 654**	**223 742**

Note 10 – Compensations to executives

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 1 000	2018	2017
Auditor		
Audit fee	404	30
Audit related consultancy services	740	
Tax consultancy fee	149	
Payments to executives		
Board fee	1 132	922

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.

The annual financial statements were approved by the Board of Flokk Holding AS on the 25 June 2019.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Flokk Holding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Flokk Holding AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, 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 comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 26 June 2019
ERNST & YOUNG AS

Asbjørn Ler
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Corporate Sustainability Report 2018

The Environment and Corporate Social Responsibility

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

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

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

Materiality and Boundaries

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

Materiality analysis

During 2018, Flokk management calibrated Flokk's materiality analysis based on an internal survey and an external desktop analysis. This materiality assessment resulted in an updated set of significant topics, for both the company and external stakeholders.

Important topics for the report:

- **The environment –** philosophy, management and strategy
- **Climate –** energy efficiency, CO_2 emissions and risk
- **Resources** – materials, waste and closed loop
- **Chemicals** – products, production and suppliers
- **Health and safety** – customer and workplace
- **Ethical guidelines** – code of conduct
- **Responsible supply chain** – human rights and transparency
- **Product design** – liability and certification

Report scope

In this years' report, Profim, Offecct and Malmstolen are not covered. The report presents primary data concerning 100% of the workforce in Flokk's integrated brands, i.e. full-time employees in Norway, Sweden, the Netherlands, Switzerland, Denmark, Germany, Belgium, France, the UK, China, Singapore, Australia and the USA.

Materiality for external interested	Low	Medium	High
High		Closing the loop Sub-suppliers	**Chemicals** **Customer health & safety** **Suppliers: labour standards & human rights** **Ethics and anti-corruption** **Sustainable product design & innovation** **Resources/materials sourcing & use** **Workplace: health & safety** **Legal compliance** **Suppliers: environmental challenges** **CO_2 emissions** **Energy consumption & efficiency**
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 Climate risk	
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

In order to be successful in sustainable business, we depend on a constructive two-way dialogue with everyone involved, internally and externally, throughout the value chain. Flokk is profitable and makes its living by offering people sustainable products with a focus on innovation, ergonomics, design, high quality and good health and well-being. We have systematically accumulated knowledge of what is expected of us and our deliveries, and the impact our production and operations have on external stakeholders.

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

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

Involvement in organisations

We are active members of the Confederation of Norwegian Enterprises (NHO) through the trade association the Federation of Norwegian Industries, Furniture & Interiors – Furniture Committee, of which our CEO, Lars I. Røiri, is a deputy member of the board. We are heavily involved in the Norwegian Rooms furniture cluster, of which our SVP HR, Lillevi E. Øglænd Ivarson, is a board member.

We are active contributors to the revision of the EN 1335 standard for office furniture at national and European level. Through NHO, we are members of the German federation of furniture manufacturers, BSO, and the European Furniture Industries Confederation (EFIC). Besides these, we are involved in various communities concerning our production facilities.

Involvement in projects

- “Leading in Environment and Quality” - a project under the umbrella of the Federation of Norwegian Industries and Flokk is one of 22 participating companies. The goal of the project is to increase efforts to tackle sustainability challenges and thereby increase our competitive strength.
- “Business Model Innovation for Circular Furniture Flow” - a major Swedish research project with RISE, aimed at developing circular business models for the furniture industry. So far, it has confirmed our leadership in actual sustainability performance and transparency and provided insights into potential future circular business models.
- “Circular seating from 50% recycled to 100% circular product development for sustainable furniture” - awarded significant funding from the Research Council of Norway in 2018. This three-year project with SINTEF aims to identify and develop further post-consumer recycled materials and explore further design criteria, in order to prepare our products even better for the circular business models that we are testing.
- “Rapid tooling 4.0” - a continuation of previous research that developed rapid tooling technologies suitable for prototype and small series production. The aim of this project conducted with SINTEF and OMBE Plast AS is to take the technology closer to industrial/high volume applications.
- “InCharge” - Electrical and smart applications in mobile furniture are effectively limited by access to power supply. This project with SINTEF develops technology that enables remote electric charging via a transmitter that automatically detects the receiving units, and precisely directs the energy.

Stakeholder Matrix

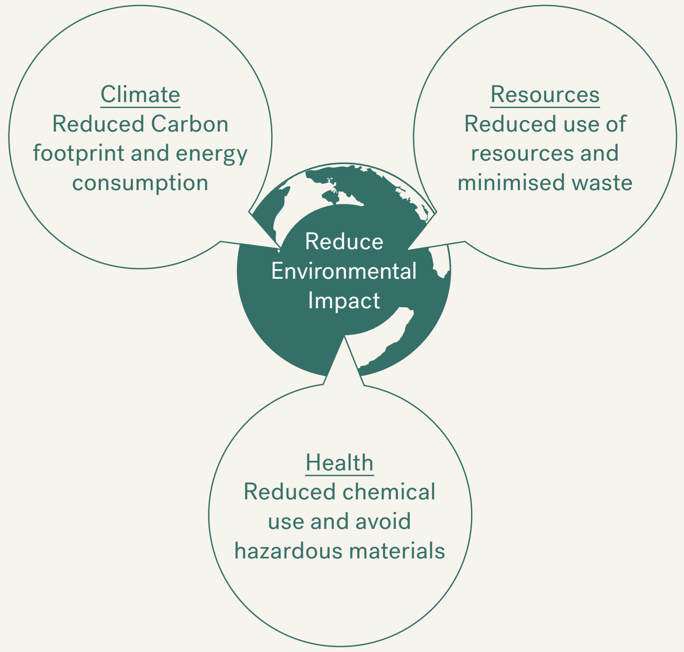
Stakeholders	Mutual influence / impact	Forum for dialogue – Frequency	Key topics 2018	Response
INTERNAL				
Owners	Flokk is owned by the private equity firm Triton AB. Triton's purpose is to achieve the greatest possible profitability by creating sustainable, long-term value in their portfolio companies, through changing economic cycles.	Triton maintains a clear, structured dialogue with Flokk in the form of monthly phone conferences, quarterly performance reviews and an annual ESG forum (ESG - Environmental, Social and Governance). Flokk reports to Triton on key ESG KPI's bi-annually.	Two highlights from Triton's ESG agenda in 2018: A - Reduction in energy consumption and comply with the European Energy Efficiency Directive (EED). B – Organized Global Procurement organization to establish the Flokk processes in the new brands and value chains, and integrate processes related to contracting, Supplier Performance tracking and follow-up.	A – Flokk reports value creation projects on energy reduction measures to Triton, and comply with EED through ISO 50001 certificate obtained in Feb'2019 B – Screening for supply chain management tool has continued in 2018 due to integration process. Target is to decide on a solution in 2019.
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.	Bi-monthly board meetings, attended by CEO, CFO, and other members of Group Management when relevant. The Board only works with the company via Group Management. The company has established a risk, environment, energy and quality (REQ) forum – meeting two to four times a year. ISO Management Review is integrated in the REQ agenda, in which VP Sustainability reports on status of environmental & energy goals to Group Management.	Innovation, digitalization, brand strategies for acquired brands, strategic governance. Market communication of environmental benefits. Preparations for expanding ISO certification with ISO 50001:2018, in addition to ISO 14001:2015. Energy management in higher focus, next to life cycle thinking, risk management and exercise of leadership.	Raised level of innovation in portfolio development, including key sustainability topics. Continued migration of post-consumer recycled material in component production. A surge in marketing communication on sustainability for 2019. Flokk was ISO 50001 certified in Feb'2019.
Employees and trade unions	Flokk employees influence the company through their productivity, creativity, competence and involvement. Flokk as a company influence its employees through personal development activities, compensation & benefit schemes, general working conditions as well as the company culture. Additionally Flokk influences the employees' immediate environment: family, friends etc.	The employees are heard via various formal bodies linked to the trade unions, board work, working environment committees, Corporate Executive Council etc. Our corporate culture is characterized by dialogue, transparency, trust and mutual respect. All employees have an annual personal development talk, setting objectives and personal development goals all linked to Flokk strategy and the department's action plan.	The biannual working environment survey was conducted in January 2018. The survey was followed up by a wide-ranging process that involved broad participation in order to improve the working environment further through specific actions.	We emphasize keeping our employees updated on business status, important decisions and progress in relation to goals. We have monthly newsletters for all employees at Røros and Nässjö sites. Regular General Meetings take place four times a year, and departmental meetings are held at least every second month. In addition Monthly Highlights of the value chain main activities is published monthly.
EXTERNAL				
Customers, importers and dealers	Flokk has three customer groups: dealers, importers and end users. Dealers represent the public face of the company vis-à-vis end customers and users, and exercise considerable influence over the company's reputation.	Customer Survey was distributed to our dealers in 2018. Environmental issues not covered this year.	Response time improved by implementing the Customer Service Module of Super Office to be the tool for e-mails / requests. Order registration from screen is ok. EDI solution from the main dealers is still a project and will hopefully be ready during 2019.	Overall customer satisfaction, still need to improve on response time. In next survey end of 2019, we will include environmental aspects on packaging, transportation, services to prolong life-time and end-of-life handling.
Suppliers and their workers	The focus has been on Flokk supplier of direct materials (DM) to develop suppliers and value chains strengthening total performance towards customers and markets. Focus on improving Low-performing suppliers, and increase activities/ business with suppliers who prove that they can maintain a high and predictable level. Supplier Performance include Quality, Delivery, Risk (including environment, energy and CSR) and Cost, and is key element of strategic planning and execution (Sourcing/Contracting).	Key suppliers receive a minimum of follow-up and structure, where together we can look at performance status, improvements and opportunities. This is done via structured meetings, which are also held with low performing suppliers, to achieve the desired level of performance to ensure adequate corrective measures are implemented. For internal coordination of the Supplier Performance and actions, we have a monthly status meeting (Supplier Performance Status). As soon as a supplier is identified as low performing, we coordinate temporary deviation of the supplier, and new contracts are put on hold. This way we manage to focus the resources where it is most needed.	2018 has been influenced a lot by integrating the Giroflex brand and its suppliers to our material supply. Many new suppliers with a various level of performance and commercial commitment. Focus has been to secure a high level of contracted supply, based on the well-performing suppliers. We focused on the most critical suppliers and value chains first, and made specific plans and actions for maximizing the total Supplier Performance, by implementing the "Flokk sourcing process". Top 5 suppliers are now under contract, or ongoing contract negotiation.	To further develop and strengthen the focus, dedication and the positive development of the Supplier Performance, we have made effort to ensure new suppliers are on boarded in a good manner. New suppliers to Giroflex has been sourced and contracted via Flokk processes and team, and enabled a set of outsourcing projects to enable Giroflex to build future operation on high performing value chain. Visits and evaluation of China suppliers show that the long-term cooperation with a small number of suppliers in a limited area is giving a steady and well performing supply base.
Local communities	Flokk is an important employer in several local communities and contribute accordingly. Through this we participate in the development of the business sector in the regions.	There is close cooperation on matters that affect the communities and the company. The company holds important positions, and actively participates in municipal and local business sector projects. It is important for Flokk to show engagement and act as a responsible business partner.	Flokk has contributed financially to culture and sports projects in the local communities, in addition to the statutory taxes and duties.	The 'Growth 2020' project at Røros focuses on the challenges associated with falling population numbers and the need for jobs in the region. In Nässjö, sustainability and social development have been focused in several projects.
NGOs and organisations	Flokk is a member of the Ethical Trading Initiative Norway (IEH / ETIN) and collaborates with environmental organisations as needed. We support Hold Norge Rent through membership.	Representatives of the purchasing and sustainability departments are invited to seminars and courses run by IEH. We actively participate in the environmental foundation ZERO's Fossil Free plastics forum.	IEH has high focus on gaining control of a responsible supply chains. In 2018, we continued to work with, and financially support, ZERO on surveying potential and possible solutions of fossil free plastics.	Our annual reporting to IEH is integrated in this corporate sustainability report. We share our experience on increasing use of recycled post-consumer plastics to ZERO's Fossil Free plastics forum.
Industry associations	A - Federation of Norwegian Industries, Furniture & Interiors (NHO - Confederation of Norwegian Enterprise). B - Norwegian Rooms furniture cluster. C - Confederation of Swedish Enterprise.	A - Annual General Meetings, board meetings. B - Board member in the cluster, quarterly board meetings. C - Involved in research project cross Swedish players in our market.	A - Pilot member of "Leading on Environment and Quality" project. EPD practice improvement, research agenda. B - Downstream innovation, circular economy. C - Circular business models for furniture industry.	A – Contributions to promote & improve the environmental product declaration (EPD) regime. Promotion of best practice for environmental criteria when purchasing office furniture. B – Tailored academic training on MBA level for 5 employees C - Third verifying stage was kicked off Q1'2018.

The Environment – Background

Sustainability has been a high priority for the company for nearly 40 years. Back in 1990, we already employed a 100% full-time environmental manager – long before customers and the general public showed an interest in the environmental performance of companies and products in general. We are proud that we are sustainable pioneers, with several milestones as the first office chair producer in Europe to be ISO 14001 certified in (1999); and the first office chair producer in the world to declare products with EPDs – Environmental Product Declarations (2004) and to obtain the Nordic Swan Ecolabel (2010).

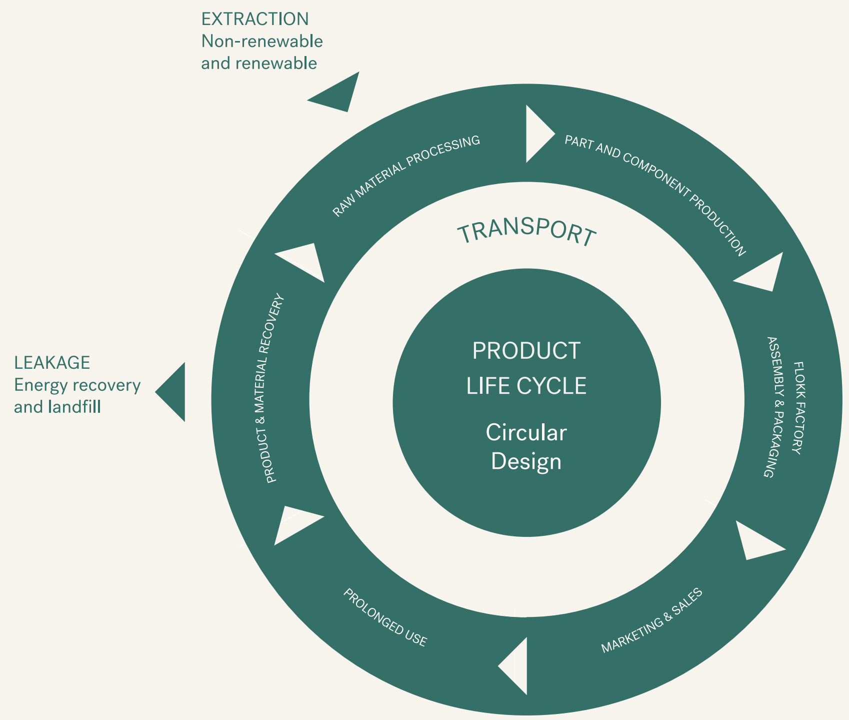
Three focus areas

As we grow as a company and our environmental footprint increases, we need to safeguard our ability to stay focused and work systematically in our efforts to minimise our environmental impact. At Flokk we help to structure this complex work by defining three equally important focus areas throughout the entire life cycle: Climate, Resources and Health, and seeking best performance within each area.



The entire life cycle counts

Our total environmental impact is linked to all the people and entities involved, so that we stay focused throughout the value chain. More than 95% of the total environmental impact of our products is generated before parts and components even arrive at our factories, and we make sure that we pay particular attention to these phases, 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, as the basis for our product development, 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.

5 circular design criteria
1. Low weight
2. Few components
3. Right choice of materials
4. Long life span
5. Design for disassembly

3 (III) Focus areas
I. Climate - emissions & energy
II. Resources - materials & waste
III. Health - chemicals & wellbeing

1. Low weight
A major factor is to use less materials and resources through weight optimisation and smart dimensioning of parts and components. Low weight is also related to health, as the products are handled and carried by people during their lifetime.

2. Few components
The best solution is often the simplest. We aim to provide solutions based on clever ideas and integrate functions into fewer parts. Besides more efficient use of resources, this results in fewer tools and processes, simpler assembly, and less packaging and transport.

3. Right choice of materials
We focus on increasing our use of recycled and renewable materials, due to their lower impact on the environment, Then we give value to waste, materials are kept in a closed loop, and we reduce our carbon footprint by using less energy-consuming processes. We aim to avoid substances that are harmful to health and the environment, in terms of products, production and conditions at our suppliers.

4. Long lifespan
One important measure is to actually reduce the need to replace our products. The longer their lifetime, the longer it will take for them to be replaced by new products. A long lifespan helps to reduce the consumption of energy and resources. Long lifespans are achieved through high quality, timeless design, multiple use adjustments and replaceable wearing parts. Flokk offer products with a ten-year guarantee.

5. Design for disassembly
Materials must be kept within a closed life cycle at end-of-use, in order to be available for new life in new products. This is why our products are designed to be easy to dismantle without any need for special tools. Plastic parts are marked to facilitate sorting and recycling.

Product improvement
5-III is our framework for evaluating our existing portfolio for potential improvements in circular performance, either when it comes to an increased proportion of recycled materials or removing the glue and staples used to fasten textiles.

Sustainable Design and Innovation Recognitions in 2018
In 2018, Flokk was recognised for its sustainable design and innovative work in several aspects:

- **HÅG Capisco –** winner in Norway & Nordic finalist in the Nordic Design Competition “Sustainable Chairs” hosted by the Nordic Council of Ministers. All finalists were showcased at the ”Nordic Pavilion” at COP24 in Katowice, Poland.
- **BMA Axia Vision 24/7 –** shortlisted as a Finalist in the Plastics Recycling Awards Europe 2019. Showcased at the Plastics Recycling Show in Amsterdam, April 2019.
- **Floke project “Plastic in the Whale”** – nominated for the Nordic Council Environmental Award 2018. Flokk participated in this innovation programme by Æra, together with other Norwegian operators from the entire value chain, generating concepts to reduce use and boost the recycling of low-value plastic.

The Environment - Management and Strategy

Flokk's company values, intended to spotlight our culture and practices, make environmental awareness a key aspect of our operations:

Human-centred, Sustainable, Innovative

Most of Flokk's environmental footprint is attributable to our products, and new product developments represent the processes with the longest time horizons. Consequently, the core of the company's environmental focus lies in our design philosophy, which has sustainability as one of its four cornerstones, while circular design criteria are described as part of the foundation for all new product development and product improvements. The design philosophy is owned by SVP Products & Brands, and the sustainability cornerstone by VP Sustainability.

The Sustainability Department is part of the Products & Brands organisation. Besides responsibility for the sustainability cornerstone of the design philosophy, the department has a support function, and is responsible for and collaborates on a defined set of sustainability measures across all departments and locations. The sustainability strategy is integrated into the Group's three-year strategy plans.

This holistic approach to our sustainability efforts reflects the company vision: **Inspire Great Work.**

The Group's owners focus on environmental, social and governance (ESG) issues, and maintain a good dialogue with the Sustainability Department.

Sustainability communication in 2018:

- **Launched animation movie about 5-III, our Principles for Sustainable Design**
- **Facelift of our Sustainability webpage**
- **Sales training on Flokk sustainability issues as preparation for the Stockholm Furniture Fair in February 2019**

Environmental & Energy Management System

The Group is ISO 14001:2015 and ISO 50001:2011 certified by KIWA.

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

+ **In 2018, Flokk invested in a digital KPI and data collection and reporting tool – Normative – with the aim of increasing management efficiency**

The environmental & energy goals for 2018 were based on aspect analysis of the factories at Røros, in Nässjö and Zwolle, as well as the head office in Oslo and sales office in Germany.

Goals 2019

- **Implement and roll out our new KPI data tool, Normative**
- **M3 (ERP) improvements to enable updated BOM on demand and Supply Chain Management**
- **5-III transition and implementation at new acquisitions**
- **Align 5-III in all of our innovation processes and procedures: Design Brief, Product Specification, Product Development Process, Product Maintenance Process and Lessons Learned**

Long-term sustainability goals

In addition to our annual goals, we operate according to a set of strategic goals, aiming to ensure the greatest possible correlation with the current global strategy, goals and action plans. Since we will soon reach our previous target year, 2020, we will use 2019 to redefine a complete set of future-oriented goals.

Climate – GHG (CO_2) Emissions And Energy

- **Reduce average energy consumption per produced product by 20% by 2020 (based on 2010 figures)**
- **100% renewable energy & fossil fuel free by 2025**

Flokk's contribution to:

- UN Sustainable Development Goals (SDG) nos. 7 and 13
- The IPCC report's goal of reducing GHG emissions with 45% by 2030, in order to reach the 1.5 degree target

Resources – Materials And Waste

- **Increase the share of recycled materials used in the products to an average of 60% by 2020**
  - 1,000 tonnes of recycled post-consumer plastics by 2022
  - Increase the recycled share of metals to 100% for aluminium and 50% for steel by 2025
- **100% FSC certified or reused wood, paper and cardboard by 2022**
- **Facilitate that our products are disassembled at end-of-life, and that over 90% of the materials are recycled or recovered**

Flokk's contribution to:

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

Health – Chemicals

- **Products and their manufacture must be free of chemicals that are hazardous to the environment and/or health**
- **All standard fabrics must achieve the EU Ecolabel by 2022**

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

Competence – Commitment – Communication

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

Risk Management

The framework for Flokk business risk management is based on four defined main risk categories: Strategic, Financial, Operational and Compliance risk. This classification is useful during risk identification, assessment & prioritization, performed by Group Management and next level managers. The Group's three-year strategy, approved by the Board, is highly linked to the defined risks and opportunities.

Social, environmental and climate-related impacts that have the potential to generate substantive changes in operations, revenue or expenditure are covered throughout the risk analysis, and represented in various fields in all four risk categories.

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

- Materiality analysis - set of significant topics defined through survey & workshop on risks & opportunities
- REQ Forum - strategic sync/status meetings between Group Management and managers for Quality, HSE, Sustainability, Legal & Risk, Insurance (REQ – Risk Environment Quality)
- Interested parties analysis - procedure to describe expectations, requirements, risks and opportunities associated with all our stakeholders
- 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

Flokk is an expanding Group, resulting in numerous positive effects such as the 2017 acquisitions of Malmstolen, Offecct, Giroflex, and of Profim in 2018. Flokk has strengthened the market position and the effectiveness of our work on mastering the circular economy.

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

No Flokk facilities or suppliers have been defined to be situated in areas with high risk of physical impact of climate change.

Risks and opportunities – Environmental and Social

Themes	Risk	Identified Risks	Risk Management
Environmental Issues - own activities and operations, including R&D	Strategic Operations	Environmental incidents & accidents	o Sustainability topics included in Due diligence merging & acqusitions o Environmental & Energy Policy o ISO 14001 & 50001 - environmental & energy management system (EED compliance) o Environmental & Energy Aspect Analysis o 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 o Quantified targets for annual consumption of post consumer recycled material in production (both closed material loop & low carbon footprint materials) o Risk reduction Production sites - Management system Risk module o Waste Management o Research projects & business model tests ongoing to explore circular solutions o Chemical management - EcoOnline & MSDS archives o ECO labeling o Supplier Appraisal o Environmental Requirements to Suppliers o Code of Conduct – Business Partners o Supplier Performance monitoring & Supplier audits o Supply Chain Management digital tool (to be implemented)
	Climate	o Global warming from GHG emissions o Inefficient energy consumption o Energy & heating emissions o Transportation & travel emissions o Dirty energy mixes	
	Resources	o Overconsumption o Material scarcity o Waste generation o Barriers for full implementation of Circular Economy	
	Health	o Use of chemicals harmful to health and/or the environment	
Responsible Supply Chain - operations of suppliers and sub-suppliers	Operations	o Growing supply chain - number and distribution o Moving suppliers to low cost countries	
Social Responsibility & Human Rights - own + business partners	Operations Compliance	o Negligence of terms of employment o Discrimination o Harassment	o HR Policy & Code of conduct – Employees o Employee Management System - People@ Flokk o IDT - Individual Development Talks, Training & e-learning o Trade unions & working environment committees/survey
Health and Safety - Workplace	Operations Compliance	o Lost time injury frequency o Strain - work exhaustion o Chemicals exposure o Fire at own premises	o Health & Safety Policy o Risk reduction HSE cases registered - Management system case Module o Internal Audits o Safety Rounds
Health and Safety - Customers	Compliance	o Injuries & strain o Chemicals exposure o Customer satisfaction o Reputation	o Technical tests according to international standards with requirements concerning ergonomics, usability, safety, stability and strength o Eco labelling - free of hazardous chemicalso o Customer training by sales persons in proper use of productso o Customer Service Module in CRM
Legal	Financial	o Local laws & regulations o New markets	o External Market Requirement

Climate – GHG (CO_2) Emissions and Energy

Well aware that the majority of our carbon footprint is related to our products and the phases before parts and components arrive our final assembly sites, we still put great effort into minimising the impacts from our own facilities and activities.

Operational impact

We have a direct influence on and control of the GHG emissions generated at our factories and sales offices. We monitor the energy consumption of our main sites through monthly recording and quarterly status meetings, analysing and adjusting the trends in relation to our annual reduction targets.

We report our GHG emissions from our factories and sales offices in accordance with the global standard in the Greenhouse Gas Protocol Initiative. To enable comparison, all collected data is converted into energy (MWh) and tonnes of CO_2 equivalents (tCO_2e).

Flokk 2018
2361 tCO_2e
Total GHG emissions

10 862 MWh
Total energy consumption

590 551
Number of products produced
(ex Malmstolen, Offecct, Profim)

The carbon inventory is divided into three main scopes of direct and indirect emissions:

Scope 1 Covers our direct energy consumption/GHG emissions associated with fuel consumed by our own and leased vehicles (service and sales operations), as well as our consumption of oil and natural gas to heat our offices and factories.

Scope 2 Represents our indirect energy consumption/GHG emissions generated by the energy purchased – electricity and district heating – that is used at all of our sites.

Scope 3 Shows our other indirect GHG emissions associated with transporting products to customers from the factories, as well as our employees' business travel by air. Employees' travel to and from work is not represented either.

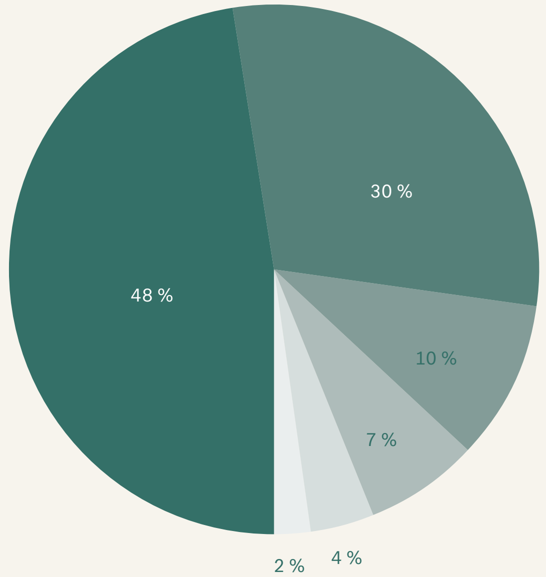
Gases included in the calculations: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs.

Product footprint

Our greatest climate impact is related to our physical products, with more than 95% of their carbon emissions being generated in the phases before parts and components even arrive at our factories for assembly.
Our products' quantitative climate footprint is documented through EPDs (Environmental Product Declarations) and is not covered in this chapter.

EPDs are based on life-cycle analysis according to ISO 14025.

Flokk's GHG emissions in 2018 - Distribution



Flokk's main GHG emissions are linked to our sales force's travel and the transport of goods to customers.

+ Fuel used for Sales & Service travels accounted for 30% of Flokk's total emissions, with no change since 2017

In 2018, we screened the market and listed a recommended choice of vehicles, with the aim to improve the fuel efficiency of our company car fleet.

– Goods transport by trucks with trailers of +33 t accounted for 48% of Flokk's total emissions, about 9% increase from last year, due to activities added from Giroflex

- o We take several measures to limit the impact of our outbound transport of products to customers:
- o High degree of flat packing.
- o Transport of fully assembled chairs, in cases where we can deliver full lorry loads to the same customer.
- o Where we cannot completely fill vehicles, we fill up the unused space with other products that can be delivered along the same route.
- o Frequent dialogue and annual upgrading of environmental requirements towards transporters, due to the rapid development concerning vehicles (Euro emission standards, emission and pollution tracking, and increased shares of renewable fuel and railway transport).

+ We reduced our use of fossil fuels for heating in factories, generating 25% lower emissions since 2017

At Røros, we replaced fossil burning oil with HVO100 biobased oil, and in Zwolle we down-sized our facilities, leading to reduced natural gas consumption.

+ 15% GHG emissions reduced per produced unit

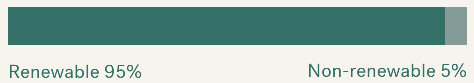
Even though we added the Koblenz factory to our scope in 2018, and thus produced more units, we still managed to reduce the overall emission intensity, since Koblenz uses 100% renewable energy.

Flokk's GHG emissions [tCO_2e] - Market based

	2016	2017	2018
Scope 1 - Direct emissions	**824**	**911**	**862**
Fuel for heating (Burning oil, natural gas)	211,9	208,9	157,5
Fuel for sales and service travels	612,2	702,1	704,0
Scope 2 - Indirect emissions	**285**	**162**	**146**
District heating	18,7	46,8	42,4
Electricity	266,7	115,1	104,0
Scope 3 - Other indirect emissions	**1 149**	**1 276**	**1 353**
Employees air travel	293,0	245,0	224,9
Goods transportation	856,0	1 030,8	1 128,2
Total GHG emissions [tCO_2e]	**2 259**	**2 349**	**2 361**
Number of produced units	468 077	496 598	590 551

GHG emitted per produced unit [kgCO_2e/unit]

Renewable share of purchased electricity in 2018

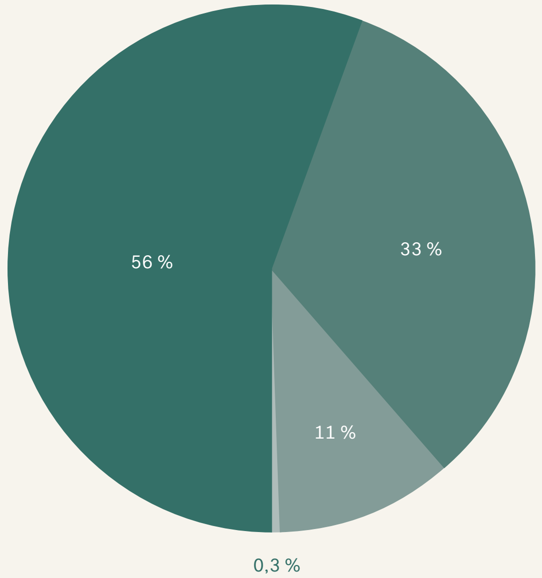


Flokk's energy consumption [MWh]

	2016	2017	2018
Fossil fuel sources:	**3 569**	**3 902**	**3 623**
• Burning oil	56	86	59
• Natural gas	1 077	1 020	777
• Diesel (0, B5, NO, SE)	2 360	2 669	2 626
• Diesel (0, B5, NO, SE)	76	127	162
Renewable fuel sources:	**1**	**25**	**34**
• Biofuel*	1	25	34
District heating	**1 313**	**1 278**	**1 165**
Electricity	**7 071**	**6 619**	**6 041**
Total energy consumption [MWh]	**11 954**	**11 824**	**10 862**
Number of produced units	468 077	496 598	590 551

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

Flokk's energy consumption in 2018 - Distribution



Flokk's electricity consumption represents 56% of our total energy use, but only 4% of our total GHG emissions, due to our extensive use of renewable energy at our factories.

+ We reduced our electricity consumption by 9% since 2017

Our electricity consumption reduction has been achieved as a direct result of energy efficiency initiatives:

At Røros:
- o Smart management of ventilation in production areas
- o Replacement with 99% LED lighting
- o New windows in the office section
- o Lower temperature at nights and during weekends
- o Process improvement on the HÅG assembly line

In Nässjö:
- o Streamlining of the production process in general
- o New smart-controlled door for outdoor waste handling

In Zwolle:
- o Reduced site area by 48%
- o Monitoring and timing of heating at night
- o Replacement with LED lighting

Long-term goal
Become 100% fossil fuel free by 2025

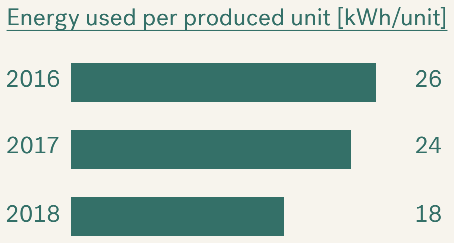
Today the share of renewable fuel represents only 1% of the total fuel we buy. To become 100% fossil fuel free we will:
- o At Røros, replace the need for burning oil by installing a heat-pump system.
- o For the other sites, develop a plan to cut free from fossil fuel as part of our Energy Efficiency Management.

Goals 2019

- 100% LED at Røros and in Nässjö
- At Røros we will search and repair compressor leakages

+ 25% reduction of energy consumption per produced unit

Even though we added the Koblenz factory to our scope in 2018, and thus produced more units, we still managed to reduce the overall energy consumption intensity, due to successful energy efficiency measures at all factories.



Energy efficiency – ISO 50001

Over the years, Flokk integrated brands have achieved the systematic implementation of energy saving measures. As we grow, the Flokk Group is dedicated to continuing to improve our energy efficiency at all sites.

In view of the challenges of increased dependence on energy imports and finite energy resources, the European Union (EU) has set the ambitious goal of improving energy efficiency by at least 30% by 2030, and established a set of binding measures for the qualifying companies, including Flokk.

In 2016-2018, Flokk complied with the EU's EED – Energy Efficiency Directive – by conducting energy audits under EN 16247.

In February 2019, Flokk was ISO 50001 certified

The ISO 50001 scope covers countries that qualify for EED, ensuring Flokk's compliance from this date.

New acquisitions that also qualify for EED, but are not integrated in Flokk's ISO scope (yet), will comply through energy audits. ISO 50001 will strengthen Flokk's ongoing strategy to reduce energy consumption, carrying energy saving measures from previous energy audits into our ISO management system.

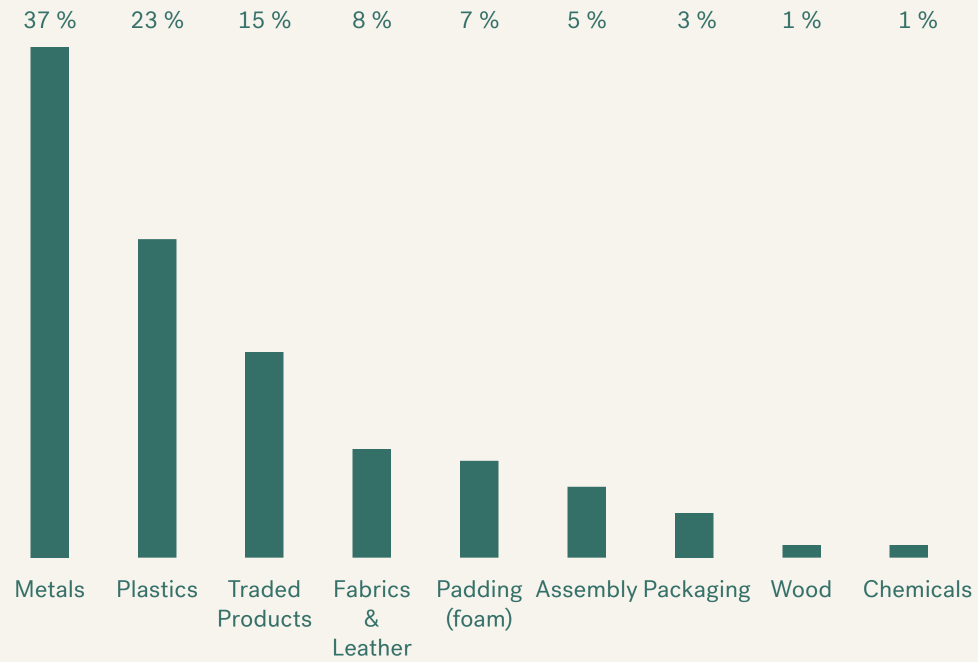
Goals 2019

- **ISO 50001 - Training of personnel with influence on energy consumption and management**
- **Definition of a common Flokk scheme for conducting internal energy audits**
- **Integration of German offices into our ISO management system – establishing a plan for KPI energy tracking and energy saving measures**

Resources - Materials

The Earth's resources are finite, and our generation's consumption of non-renewable resources is far from sustainable. At Flokk, we seek to develop products with reduced weight, fewer numbers of parts, and an increased share of recycled materials. Last year we produced close to two million new products. With an estimated average weight of 15-20 kg per product, our operations naturally require large quantities of raw materials and components, reflecting our focus on efficient use of resources. Our products' material composition, as well as the share of recycled materials, are declared in EPDs – Environmental Product Declarations.

Distribution of materials purchased by Flokk in 2018



Recycled materials

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

Recycled versus recyclable content

At Flokk, we consider it important to differentiate between the terms "recycled" and "recyclable" concerning materials. Paper, metals and plastics are all recyclable materials, since they can be reused. Most furniture producers can claim that their chairs are more than 95% recyclable. However, the ultimate environmental benefit stems from the share of already "recycled" materials used in a product.

91% carbon footprint saved per kg material by changing from virgin polyamide to recycled polypropylene

HÅG Capisco 53 % | HÅG SoFi 58 % | RBM Noor 6070 49 % | BMA Axia 2.2 56 % | RH New Logic 60 % | BMA Axia Vision 63 %

2010 → 2018

Share of recycled materials

Today, our best chairs contain 50-60% recycled material. Our two latest products actually exceed our long-term target – 60% share of recycled materials.

Plastics

In 2018, Flokk purchased 1,750 tonnes of plastics, which accounted for 23% of our total purchases of materials. Most of our plastic parts are made of polypropylene (PP), polyamide (PA) and polyoxymethylene (POM). We aim to use as much PP as possible, since this has the lowest environmental impact.

All parts that weigh more than 50 g are type-marked to simplify the sorting of parts for recycling.

We introduced recycled plastics into our products in as early as 1995. In 2018, we used over 559 tonnes of recycled plastics in our products (335 tonnes post-consumer / 224 tonnes post-industrial), which represent more than 30% of the plastics we purchase each year. To achieve our 2022 goal of 1,000 tonnes, we design all our new projects to tolerate the use of recycled plastics.

+ **710 tCO_2-eq saved in 2018 by using recycled instead of virgin plastic**

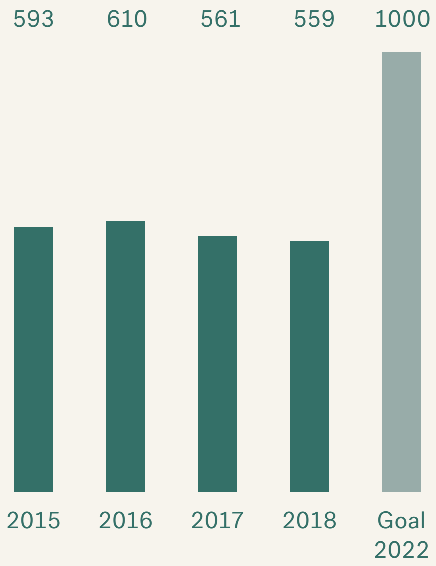
+ **NOK 9 mill granted for research* into circularity and reinforced recycled plastic post-consumer waste**

* 'Circular Seating' – Norwegian Research Institute/SINTEF/Flokk

In 2018, we started up a project aiming to boost the migration of recycled plastics into our existing portfolio. Results so far at the end of 2018: five new components out of 54 selected have now been phased into production as recycled plastics.

Long-term goal
Half of the plastics we purchase in 2022 will be recycled plastics

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



Ocean plastic prototypes

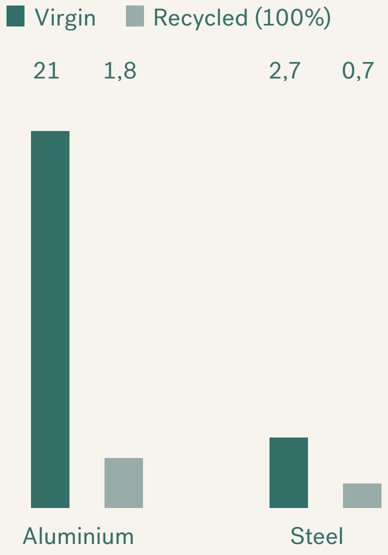
In 2018, we performed several trials with ocean plastic on our bestsellers, HÅG Capisco and RBM Noor.

The prototypes passed technical strength and cyclic tests, and the natural green colour fits well with our company profile and portfolio palette.

The ocean plastic used is produced in Denmark from discarded fishing gear, collected by European fishermen in partnership with WFO – Waste Free Oceans.

We plan to launch ocean plastic in 2019/20, depending on stable flow, quality and pricing.

GHG emissions per kg raw material [kgCO_2e]



Metals

In 2018, purchases of metals (mostly steel and aluminium) accounted for 37% of Flokk's total purchases of materials.

In order to limit environmental impacts, 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.

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

Long-term goal
Increase the recycled share of metals to 100% for aluminium and 50% for steel by 2025

Fabrics & Leather

Our standard collection consists of durable textiles and leather with good environmental properties.

We offer wool and synthetic textiles, and one of our bestsellers, Xtreme, is made from 100% post-consumer recycled polyester.

13 out of our 21 standard upholsteries are certified under various ecolabels, such as the EU Ecolabel (the 'Flower'), Oeko-tex® or The Blue Angel

Padding

The padding materials we use are mainly based on polyurethane (PUR) foam, which is not a 100% recyclable material.

Over the years, we have conducted a few research and pilot projects to find alternatives to PUR, but as yet, no acceptable alternatives that do not compromise on comfort or sustainability are available.

Wood

In 2018, the wood we purchased accounted for 1% of Flokk's total purchases of materials.

The wood used in Flokk's products originates from traceable and sustainably driven forestry. In 2018, we kicked off our FSC 100% implementation plan.

Long-term goal
Our factories are to be FSC® Chain of custody certified and 100% of the wood we purchase will be FSC-certified by 2022

Water

Our only direct production process that requires water is the cleaning of metal parts for surface treatment at the factory at Røros. In our Swiss factory in Koblenz, the water needed for the foam production is used in a closed process.

+ 5 750 m³
Water consumption at our four main factories in 2018

Water from the cleaning process at Røros is cleaned in-house, and then controlled and discharged into the municipal treatment plant.

All our facilities (factories, HQ and sales offices) are connected to the municipal drainage system.

Packaging

Our products are delivered to customers flat packed in cardboard boxes. In 2018, our two factories in Scandinavia sent a total of 1 189 tonnes of packaging out into the market. This consisted of 64% cardboard, 32% plastics, 2% expanded polystyrene (EPS) and 3% other materials such as tape, bubble wrap, etc. Numbers for Zwolle and Koblenz are not available in the required fraction details.

We see a delicate balance between extended use of recycled packaging materials and adequate quality. The cardboard packaging we use in Nässjö contains 88% recycled fibre, compared to 97% formerly. In fact, damage sustained during transport due to a higher proportion of recycled cardboard is responsible for some of the complaints we receive. We are also looking into possibilities of eliminating expanded polystyrene from all packaging.

Flokk is a member of several national takeback schemes, such as "Grønt Punkt" in Norway and FTI in Sweden.

+ In 2018, we became "Control Members" of Grønt Punkt, which also requires our Norwegian suppliers to be members, ensuring producer responsibility in our supply chain

Each year, we report how much packaging we have sent out into the market and pay a charge on this basis. The charge ensures that old packaging is collected and recycled.

Resources - Waste

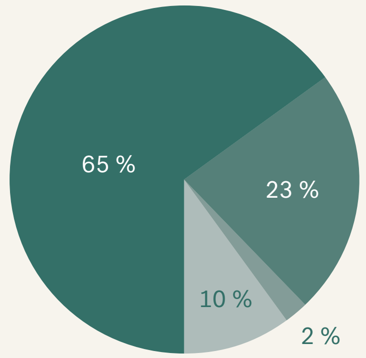
Waste should be considered a resource, so we work to minimise the waste generated from both processes and products. Our products are easy to disassemble, and materials are marked to enable sorting for recycling. In this way, we contribute to increasing the share of materials recovered, in a closed loop. By developing and testing circular business models, we also aim to facilitate a systematic return and take-back system for our products.

Waste fractions at Flokk factories

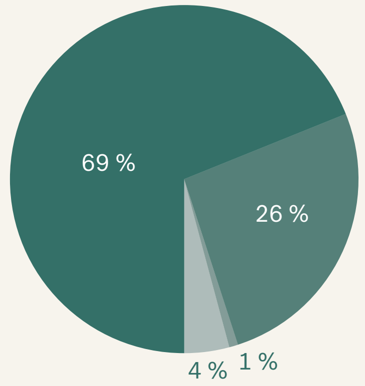
The waste disposal methods has been provided by the waste disposal contractors

- Recycled
- Incinerated with energy recovery
- Landfilled
- Treated as hazardous waste

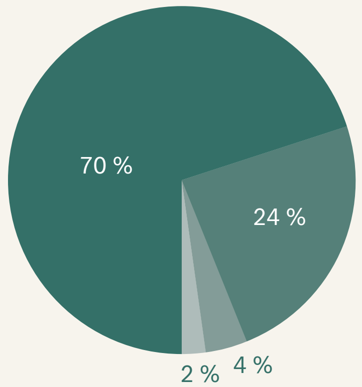
2016 - Total: 741 tonnes



2017 - Total: 877 tonnes



2018 - Total: 1074 tonnes



Waste fractions at Flokk factories [tonnes] including hazardous waste breakdown	2018
Non-hazardous waste	**1 054**
Recycled	746
Incinerated with energy recovery	262
Landfilled	46
Hazardous waste	**19**
Recycled	1
Incinerated with energy recovery	16
Landfilled	2
Total [tonnes]	**1 074**

Waste from products

Waste generation directly linked to our products takes the form of packaging, protective materials for transport, and used products. Flokk is a member of several national take-back schemes for packaging, and we are dedicated to ensuring that our products are maintained, reused and recycled, and recovered at the end of their service lives.

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 are still in the process of establishing a reliable and effective recovery system for all protective materials used.

Waste from operations and offices

Another source of waste generation is from our production processes and daily office routines.

Results 2018

- **+ Changed to paper-less travel expenses, thereby saving a considerable, but so far unknown, amount of paper**
- **+ Removed all disposal plastic cups/plates from our new canteen at Røros**

As part of our Environmental Requirements, we require suppliers to have a plan to minimise their waste volumes. We have previously returned cardboard packaging to selected suppliers, but in 2018 we decided to recycle rather than reuse, due to quality and damage issues.

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.

Results 2018

- **+ Increased plastic fractions to recycling in Nässjö by 7.3 tonnes (target 2019: 10 tonnes)**
- **+ Introduced a new sorting fraction of "hard plastics" at Røros, delivering a full container for recycling**

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

Today, 71% of our production waste (mostly metals and cardboard) is recycled, while 22% is incinerated to recover energy. The remaining percentage of hazardous waste is declared pursuant to the requirements of the Waste Regulations and delivered to an approved reception facility. The considerable 4% increase in landfill in 2018 is mainly due to the addition of Koblenz waste generation, and to the renovation of the Røros showroom, resulting in 12.1 tonnes of bricks and tiles.

Goals 2019

- **○ Start measuring the amount of incoming versus outgoing packaging, in order to identify the delta amount**
- **○ Explore the possibility of renewing contracts with our waste handlers, to achieve more efficient and specific sorting**

Closed loop – Circular economy

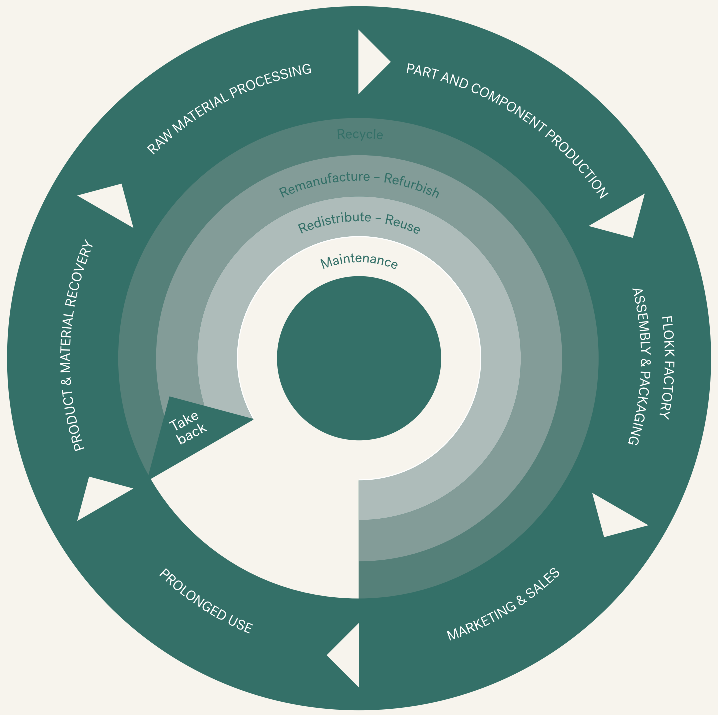
Flokk is working on solutions to ensure that our products are actually returned, by taking control of them in the usage phase, and by facilitating systematic reuse and recovery of our “recycle-ready” products.
We now also include a circular business model test as a principle for new product development, ensuring that future products are feasible for future circular needs, and also optimised within the existing business logic. We are also exploring how to ensure the full traceability of our chairs and secure a circular value chain.

Results 2018

+ **Partnership signed with Opnieuw: take-back, refurbishment and sale of second-life chairs**
+ **Letter of Intent signed with Selvaag, large real estate developer in Norway: furniture-as-a-service pilot**
+ **Floke concept launched: exploring the marketplace for recycled plastics (Æra, Orkla, ++)**

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

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



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

Goals 2019

- **Market test and develop scalable furniture-as-a-service model in Finland**
- **Pilot HÅG buy-back and certified re-use programme in Norway with two partners**

Health – Chemicals

The furniture industry uses chemicals in paints and glue, and in the production of textiles, foam and other plastics. Together, the EU countries are the largest producers of chemical products in the world and the EU also leads the way in regulating chemicals through the REACH framework. In Flokk, we continuously work to 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 apply the REACH rules when we set chemical requirements for ourselves, our partners and our suppliers.

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

Goal 2019
All Flokk Environmental Requirements towards our suppliers will be updated with regard to chemical requirements

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 track of all chemicals in use at our facilities, and MSDS (materials safety data sheets) are readily available. We use EcoOnline to monitor and evaluate the risks associated with chemicals in our production, and to substitute when necessary. We evaluate the risks associated with the chemicals used in our facilities every year, and undertake continuous substitution of chemicals that may have undesirable effects.

Results 2018
– The number of chemicals increased by 4 in the mechanical workshop Røros, related to a single project
+ Removed one gluing process for BMA seats in Nässjö
+ Removed 10 chemicals in Zwolle

Goal 2019
Improve control of hazardous materials storage at all sites (transfer knowledge to new acquisitions by 2020)

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

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

Results 2018
+ Phased out chrome tanned leather
+ Kicked of a programme to replace chromed surfaces in the RBM portfolio by 2019

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

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

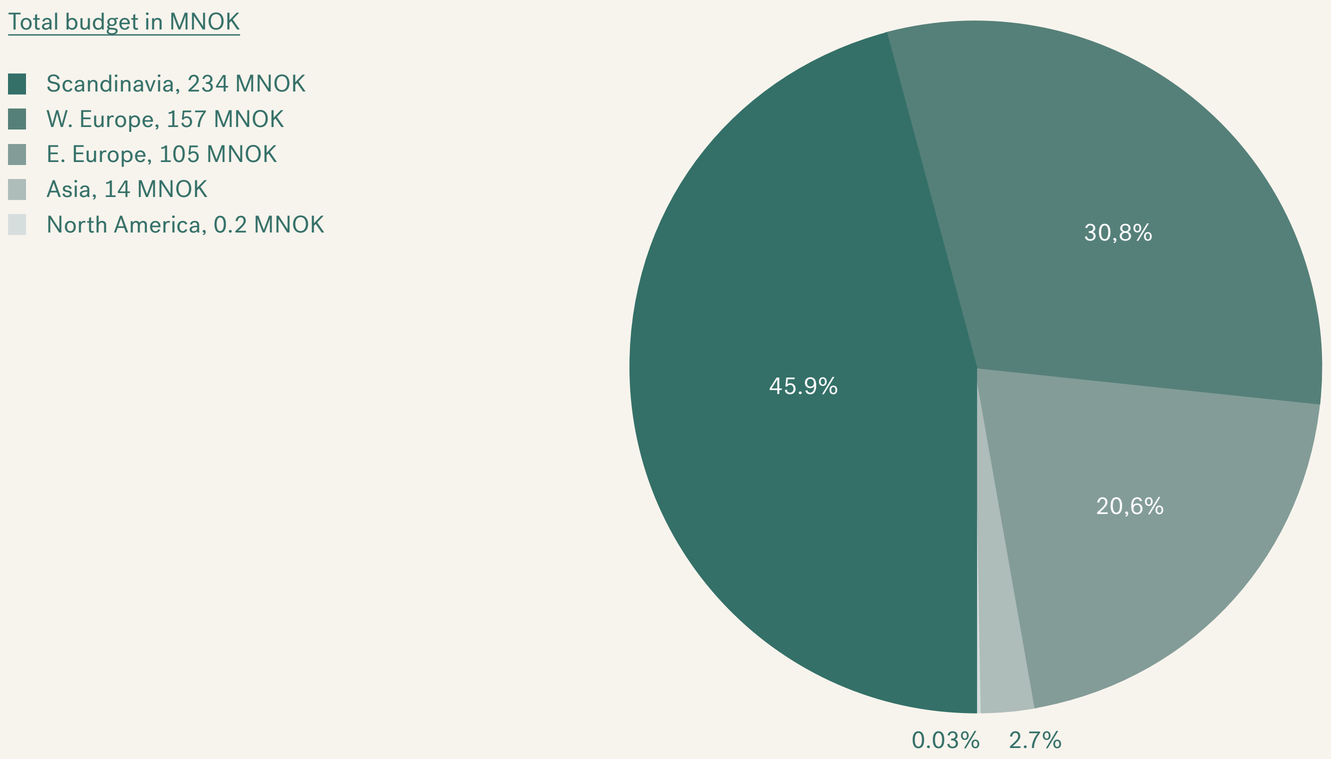
Responsible Supply Chain

At Flokk, we aim to choose suppliers who share our environmental and social values, as the basis for long-term, sustainable relationships. With more than 95% of our products' environmental impact being related to the phases before parts and components even arrive at our factories, the choice of suppliers is crucial to our work of minimising environmental impacts.

Localisation

Flokk has a certain number of suppliers in low-cost countries in Eastern Europe and Asia. In Asia, we have a small number of eight suppliers, with whom we have worked for a long time. We have a particular focus on these suppliers meeting the requirements in international regulations concerning human rights and working conditions.

Percentages of the 2018 procurement budget used for our main operations, that is spent on local suppliers (for purchases exceeding more than NOK 100 000):



As our main operations are spread across Northern and Western Europe, we regard our European suppliers as local suppliers (93% of the total), since they deliver to all of these sites in various amounts and categories.

After the addition of the Giroflex suppliers, we see an increase in suppliers located in Switzerland. Many of the long-term and well-performing suppliers will continue to supply to Giroflex, but in the future, this business will be based on a contractual relationship, on Flokk's terms and conditions. The materials flows towards Giroflex will change considerably, based on several outsourcing initiatives that are already being put into action.

Supplier selection

Since 2011, we have systematically worked on concentrating our supply chain on less suppliers.
As our company grows through acquisitions, we can see an increase in the total number of suppliers. On the other hand, more business and products are being placed with high-performing key suppliers, and the number of suppliers per produced unit is actually decreasing.

In our sourcing process, decisions are based on Total Cost of Ownership, and are not focused solely on price (includes transport, cost of capital, overhead, etc.).

We work actively with both existing and new suppliers and subsuppliers for all first-tiers to have a sustainable profile. We obtain assurance that new suppliers exercise environmental responsibility, have a shared respect for human rights and offer good working conditions. We have zero tolerance for corruption.

All new suppliers must sign and commit to Flokk's:
- Code of Conduct – Business Partners (based on the ten principles of the UN Global Compact).
- "Environmental Requirements" (covering the use of raw materials and chemicals, process control and energy consumption)

All new suppliers to Flokk in 2018 were screened on the basis of environmental and social criteria, and the largest and most relevant suppliers from the Giroflex integration have either signed or are negotiating new contracts.

There have been many changes to our supply chain in 2018, and here are some highlights:
- Outsourcing of Giroflex steel parts, foam, sewing and upholstery to well-known Flokk suppliers with high performance and compliance. Some steel parts outsourced to the Flokk site in Turek, Poland.
- Changed suppliers of castors for Flokk, thus supply chain moved from Taiwan to Italy. Decision related to total cost, and improved climate footprint due to closer distance.
- Changed supply of RBM steel-based frames and components as part of an exit plan requiring product phase-outs and re-location of tools, etc.
- Introduced new plastics supplier in Norway, with interesting tooling and materials know-how.
- Pre-assembly of BMA steel/aluminium components moved out of Nässjö to the Baltics.

Number of suppliers by region and country

Region	Country	No. Suppliers	Total
Scandinavia	Sweden	38	63
	Denmark	7	
	Norway	18	
W. Europe	Germany	22	84
	Italy	12	
	The Netherlands	22	
	Switzerland	23	
	Austria	2	
	United Kingdom	3	
E. Europe	Lithuania	13	22
	Romania	4	
	Latvia	2	
	Poland	1	
	Estonia	1	
	Bulgary	1	
Asia	China	7	8
	Republic of Korea	1	
North America	Canada	1	1

Supply chain control – follow-up and assessments

In 2018, we continued to make progress with strengthening our control of the supply chain, including by focusing on Giroflex supply. We still need to ensure a general supplier audit programme, in which we have the capacity and resources to actually visit and assess a regular scheme worldwide, ensuring transparency beyond the first tier.

Supplier Performance Status – SPS

We hold monthly SPS meetings to monitor and evaluate 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 is low performing, we coordinate temporary measures to close the deviation. Repeated low performance can put suppliers in the "New Business on Hold" category.

In 2018, no suppliers were assessed for, or were considered to have, negative environmental or social impacts. We do have one supplier of chrome-tanned leather, which will be handled in 2019.

Asian suppliers

Our practice of more detailed follow-up of suppliers in Asia is administered by our Chief Procurement Manager in China. This takes place as introductory visits to suppliers and their factories, prior to signing new contracts, and through regular follow-up visits to the facilities. This is working well and enables us to develop long-term relationships with high-performing suppliers.

In 2018, we commenced the full evaluation of all suppliers in Asia, to ensure our detailed understanding of their performance on environmental and social issues. This process will include supplier appraisals reflecting the UN Global Compact, action plans and the possible exit of suppliers that do not fulfil Flokk's requirements. New suppliers and business developments from acquisitions are also evaluated.

Supply Chain Management tool

We see a growing need to implement a supply chain management tool for transparent and navigable access to sustainability and social responsibility practices throughout the value chain. As we grow as a company, with recent acquisitions, we need to see further alignment of the supply chain before we can make a final choice. Our target is to land this decision in 2019.

Our Workplace

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

Number of employees by employment contract, region and gender

Country	Permanent employee	Temporary employee
Australia	3	
Belgium	13	1
China	11	
Denmark	14	
France	8	
Germany	49	5
Norway	262	10
Singapore	4	
Sweden	149	6
Switzerland	97	5
The Netherlands	45	11
UK	16	
USA	2	
Total women	**238**	**19**
Total men	**435**	**19**
Total employees	**673**	**38**

Number of employees by employment type and gender

	Full-time	Part-time
Total women	220	37
Total men	443	11
Total employees	**663**	**48**

Mutual trust

The importance of a solid working relationship between the company and employee representatives is well-anchored in our corporate culture, through a transparent and open dialogue. There is a high degree of trust between the two parties. The employee representatives are an important resource for the company.

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

The overall workforce

As of December 2018, the company had 711 employees (excluding Malmstolen, Offecct and Profim). The percentage of women has increased slightly to 36%, while 13% of the Group Management are women. The percentage of women on the Board of Directors doubled in 2018, to 33%. This has been a deliberate action.

All of our employees are directly employed by Flokk. Each year, in November and December, we experience seasonal fluctuations in production, and therefore need to increase our workforce with some temporary employees to meet market demands.

Our four largest workplaces at the end of 2018 were the factories at Røros, and in Nässjö and Koblenz, and the head office in Oslo.

Training of new employees – "Induction plan"

Flokk is highly aware of the importance of solid training when new employees are onboarded. It is the manager's responsibility to ensure that each new employee receives an induction plan that defines training activities during his/her initial period of employment. The plan's content will vary according to the job role/position. As an example, employees working in sales and supplier development will receive more anti-corruption training than employees in production.

However, all employees receive training in key topics such as HSE, vision, mission and values, and product and brand knowledge, as well as sustainability and corporate social responsibility. New employees also receive a policy package containing the most important Group Policies such as the People Policy, Environment & Energy Policy, CSR Policy, Code of Conduct, Internal Communication and IT Policies.

Zwolle

Koblenz

Nässjö

Røros

Local Communities

We define our main local communities as Røros and Nässjö. Flokk is aware of our duty to be an active and socially responsible employer, as this has a direct impact on our employees, their families and relations in general throughout the local communities. At Røros, a town of around 5,500 inhabitants, Flokk is considered to be a cornerstone company. In Nässjö (about 30,000 inhabitants), Flokk is one of the leading employers in the municipality. Focus areas are often business and socially-related issues, such as maintaining and developing sound transport services to the regions by air (Røros), road and rail.

Flokk AS is a member of the Røros Næringshage association (business park) and the Røros business forum. In addition, Flokk AS regularly provides input to Røros' planning work for the municipality. Flokk AB is an active member of the Nässjö Näringsliv AB association (municipality's business forum), of which Flokk AB's managing director has been chairman since 2015.

Flokk's smaller production site in the Netherlands, in Zwolle (about 125,000 inhabitants), is located in an area that is easily accessible by public transport and by car, and in the heart of BMA's main markets Germany, the Netherlands and Belgium.

Flokk also has a production Site in Koblenz in Switzerland. Koblenz has around 1,670 inhabitants, and Flokk (formerly Stoll Giroflex) is one of the largest employers in the town, and also in the surrounding region.

Remuneration and incentives

Flokk's Board of Directors comprises representatives of the owners and the company, and external members. External Board members receive a fixed annual director's fee. The Group Management receive fixed annual salaries and have a bonus agreement that is approved by the Board annually. The CEO has a severance agreement that gives entitlement to 24 months' salary in the event that the CEO leaves the company involuntarily. The Group Management's pension agreements are equivalent to those of the employees.

Freedom of association and the right to collective bargaining

Freedom of association and collective bargaining rights apply to all of the company's units, regardless of country. Freedom of association is described in our Code of Conduct – Employees and in our People Policy, which states: "Our employees have the right to join or establish trade unions according to their own wishes and to bargain collectively. Employee representatives must not be discriminated against and must have the opportunity to perform their trade union duties in the workplace in accordance with current laws and regulations.

Trade union work

Flokk cooperates closely with the five trade unions in Norway and Sweden and meets the representatives on a monthly basis. In the Netherlands, a Works Council represents all employees, and meets local management on a regular basis. In Switzerland, we have no union representatives at the production site, but the company is a member of the Furniture Industry Association, which represents our interests towards the trade unions. At all sites, cooperation meetings between line representatives and immediate supervisors take place regularly to ensure two-way information and to resolve day-to-day challenges.

Collective pay agreements and collective bargaining

In Norway and Sweden, we have a structured process for annual collective bargaining with the trade union representatives. The results of these annual negotiations are validated in collective pay agreements for all unionised employees. In Zwolle, we adhere to the collective payment agreements through the CAO Metalelektro trade union. In Switzerland, we relate to the agreements established between the Furniture Industry Association and relevant trade unions.

Equal pay policy

Flokk has a clear compensation policy outlining the principles for employees' remuneration. The company practices two different pay principles:

1. Collective pay agreements

Flokk has collective agreements in Norway and Sweden for unionised employees. In the Netherlands and in Switzerland, the company follows the index-linking of the relevant local collective bargaining agreement. Each agreement governs pay according to the basic principle of equality, with differentiation in terms of seniority and qualifications.

Within this area, women and men receive the same pay, since the only differences relate to seniority and qualifications. The remuneration level is above the minimum rates in the various collective pay agreements.

2. Individual pay assessments

Individual pay assessments are based on each employee's individual job description. Group HR ensures that the pay levels for the various positions are assessed and compared. Each manager must evaluate the employee's performance based on:

- o Qualifications
- o Initiative
- o Results achieved in relation to objectives
- o Cooperation abilities, attitudes, behaviour and positive contribution to the work environment
- o Compliance with the company's values

Individual differences in pay must be objective, justifiable and non-discriminatory in relation to:

- o Gender
- o Age
- o Ethnic heritage
- o Religion
- o Sexual orientation
- o Disability

Pay differences between women and men may occur, since they may have been assessed differently in relation to the aforementioned principles. However, internal pay statistics show that Group HR manages to steer the remuneration process, ensuring that no unfair pay differences occur between women and men, based on the elements outlined above.

Discrimination
Flokk aims to be a workplace with full equality between women and men. Everyone, regardless of gender, age, religion, ethnic heritage, disability, personal beliefs and background, has the same opportunities for employment and development. The company works actively to prevent discrimination. In the case of new appointments and the composition of teams and departments, the department's gender distribution is taken into account, and all managers seek to achieve a balanced and harmonised working environment.

Anti-corruption
Flokk expects all of its employees to avoid situations that may lead to a conflict between the company's and their own personal interests. Corruption or bribery in any form is unacceptable. This is set out in the Group's Code of Conduct – Employees. Anti-corruption measures focus specifically on the units that are most vulnerable (sales and purchasing). Our whistle-blower procedure describes how employees should report any suspected internal corruption or other types of misconduct which they may discover.

Flokk did not record any breach of the anti-corruption rules in 2018, nor were any recorded in previous years. For this reason, the Group has not been involved in any forms of sanctions associated with corruption.

Anti-competitive behaviour
In 2018, Flokk was not involved in any court case concerning intellectual property rights or any other anti-competitive behaviour.

Workplace - Health and Safety

The health, safety and working environment (HSE) of our employees is a fundamental priority for Flokk, and we promote sound and secure physical and psychosocial working conditions through our HSE work. HSE is an essential aspect of Flokk's shared management system, based on the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2011, covering any facilities with fire prevention and electrical installations.

Systematised HSE – preventive work

All Flokk employees are entitled to a safe and appropriate working environment – in which they are just as healthy when they finish work, as when they arrived. The responsibility lies with the employer, and primarily concerns 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. The daily operational HSE is distributed from top management, through legal entities to the line organisation, and to Flokk's production units and departments, which all have Safety Deputies.

There are legislative requirements in place concerning how certain types of work should be undertaken, and for the design and adaptation of the workplace. We seek to always use the correct protective equipment and to always comply with procedures and safe work practices. Employee welfare also includes ensuring that employees are not exposed to harmful substances. In this respect, every year we evaluate the risks associated with each chemical used in our facilities, and undertake continuous substitution of the chemicals that have undesirable effects. So far, we have replaced most of the harmful chemicals used in production with non-toxic alternatives.

For Flokk, systematic HSE work means staying one step ahead, identifying risks and implementing actions – always, no matter how well we perform. This is a continuous process and a natural part of our activities. Our employees are the most important resource in our efforts to create a safe working environment, as they play a crucial role in identifying what could go wrong and in taking relevant action, among other things by recording incidents. By taking responsibility for what happens around us, we can prevent illness and injury – so that all injuries and incidents must be reported, in order to achieve the target of zero injuries.

To anchor HSE aspects throughout the organisation, in compliance with Group HSE policy and legal requirements, we perform risk analysis and safety inspections, determine objectives and follow up on action plans.

Spot-checks

As part of our preventive approach, in 2018 we introduced spot-checks in addition to our regular planned and more detailed safety tours, performed two to four times a year. We regard spot-checks as a faster and easier way of inspecting performance and compliance in the day-to-day work and of the current HSE status.

In 2018, topics regarding orderliness, work at high temperatures, use of trucks, use of protective equipment and chemical handling were inspected. These topics cover the main types of work-related injuries occurring.

Injuries and Occupational Illnesses

At Flokk, we are running a campaign focused on training and awareness of unsafe conditions. This helps us to identify risks and take preventive action, in order to avoid more serious injuries occurring. Workstations at Flokk are designed and organised to prevent injuries without compromising effective operations. In order to prevent repetitive strain injuries, employees have the opportunity to vary their tasks.

All these activities lead to a reduction in number of recordable work-related injuries from 2017 to 2018:

	2016	2017	2018
Number of fatalities	0	0	0
Number of high-consequence work-related injuries	0	0	0
Number of recordable work-related injuries	1	3	2
Rate of recordable work-related injuries*	2,3	5,7	2,9

*Recordable work-related injury rate = Recordable work-related injury number x Working hours/1,000,000 (Number of hours worked in 2018: 679 178)

Occupational health services

Occupational health services are well-established within the company. There is open and transparent dialogue between company representatives and the representatives of the external occupational health services. All employees are aware of the services provided, which are the following:

- Attendance of follow-up meetings related to employees on sick leave, in order to customise rehabilitation programmes.
- Attendance of meetings focused on general HSE work at the sites.
- Offers of training and competence development activities.
- Participation in safety inspection rounds.
- Follow-up on correct ergonomic practices.

At the main sites, Working Environment Committees are in place, comprising representatives from the employees and the company. The Working Environment Committees meet on a regular basis, typically handling the following topics:

- Active participation in the company's health, environment and safety work. Participation in surveys, the preparation of action plans and giving advice on priorities and measures.
- Evaluation of the health and welfare aspects of working time arrangements.
- Review of all reports on occupational hygiene and measurement results.
- Addressing issues concerning the facilitation of employees with reduced functional capacity.
- Preparation of an annual report on the work.

Product Liability

Our aim is to deliver perfect products, and we are committed to ensuring our customers' complete satisfaction. With our level of technical expertise, combined with our honesty and sense of responsibility, our aim is for our customers to sit comfortably every time they choose a Flokk chair. We demand high quality in everything we do, and constantly strive to offer our customers work chairs and office chairs of a quality that exceeds their expectations, so that they get the most from their chairs and also feel good about them. A Flokk chair is built to withstand stress and to last.

Customer health and safety

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

That is why we give a ten-year guarantee on most of our chairs. All of our products have labels providing information concerning existing certification. They are also delivered with detailed user manuals and instructions for safe use, maintenance, cleaning and recycling.

Flokk has defined "Risk/Safety Claim" as when a customer is injured while using our product. We only experience few such cases, but when they do occur, they are followed up closely in our management system. In 2018, we had two Risk/Safety Claim cases, but with no major customer injuries (2017: three cases – no major customer injuries).

Labelling

All of our products are labelled with details of existing certification. They are also delivered with detailed user manuals and instructions for safe use, maintenance/cleaning, spare parts availability and handling at end-of-use for recycling.

Environmental certification

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

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

Environmental Product Declaration – EPD

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

Flokk has EPDs for more than 30 products, with three new EPDs obtained in 2018

The Nordic Swan Ecolabel

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

Flokk has 4 Nordic Swan Ecolabelled product families, the latest obtained in 2018 with the HÅG SoFi - ready for market by end of Q2 2019

Greenguard

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

Flokk has 23 product collections certified with GREENGUARD, three new obtained in 2018

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 21 products with Möbelfakta certification

Cradle to Cradle™

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

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

Product Certifications

Overview of Flokk integrated brands' technical tests & approvals, environmental certificates & declarations.

Note: this list of products is not a full overview of our portfolio. For a wider selection and more details, please read our Price lists available on our website

	TECHNICAL										ENVIRONMENTAL				
	EN 1335	EN 1729	EN 16139 (old: 13761)	IEC 61340 - ESD	GS, LGA	BS 5459	NPR 1813	ANSI BIFMA	EN 12720	EN 15372	MÖBELFAKTA	EPD, ISO 14025	THE NORDIC SWAN ECOLABEL	GREENGUARD	Cradle to Cradle™ BRONZE CERTIFICATE
HÅG CHAIRS															
HÅG Capisco	o		o	o	o						o	o	o	o	
HÅG Capisco Puls	o		o		o			o			o	o		o	
HÅG H03	o				o			o				o		o	
HÅG H04				o			o					o		o	
HÅG H05	o			o	o		o	o			o	o		o	
HÅG Futu	o				o	o	o	o			o	o		o	
HÅG Futu Mesh	o				o			o				o		o	
HÅG SoFi	o				o	o	o	o			o	o	o	o	
HÅG SoFi Mesh	o				o		o	o				o		o	
HÅG Tribute	o				o							o		o	
HÅG Inspiration	o				o			o			o	o		o	
HÅG Excellence	o				o			o			o			o	
HÅG Conventio			o		o			o			o	o	o	o	
HÅG Conventio Wing		o	o					o			o	o		o	
RH CHAIRS															
RH Activ	o			o	o	o		o			o	o		o	
RH Mereo	o				o		o	o			o	o		o	
RH Extend	o			o	o	o	o				o	o		o	
RH Logic	o			o			o				o	o	o	o	
RH Support				o								o		o	
RBM CHAIRS															
RBM Noor		o	o		o			o			o	o		o	
RBM Noor Up			o		o			o			o	o		o	
RBM Ana		o	o						o		o	o		o	
RBM Ballet		o	o												
RBM Bella			o						o						
RBM Low-back Bella			o		o						o				
RBM TABLES															
RBM Allround										o	o				
RBM Ultima										o					
RBM Eminent										o					
RBM Standard folding table									o	o	o	o			
RBM u-Connect										o	o				
RBM e-Connect										o	o				
BMA CHAIRS															
BMA Axia 2.0 Series	o				o	o	o					o			o
BMA Axia Vision 24/7	o			o			o					o			
BMA Axia Focus	o				o		o	o							
BMA Secur24	o				o	o									
BMA Axia Visit			o												
Giroflex CHAIRS															
giroflex 10															
giroflex 151			o		o										o
giroflex 313	o		o	o	o										o
giroflex 353	o		o	o	o		o								o
giroflex 434	o		o		o										
giroflex 545	o		o	o	o										
giroflex 60	o			o	o	o									
giroflex 64	o		o	o	o	o									
giroflex 68	o		o	o	o	o	o								
giroflex ADAPT	o			o	o										

GRI-Index

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

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

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

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

This year we have added two columns in the GRI-index, where we link our reported GRI disclosures to both UN SDGs – Sustainable Development Goals and the ISO 26000 – Guidance on Social Responsibility. 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.

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, 150			
102-2	Activities, brands, products, and services	20-27, 55-56			
102-3	Location of headquarters	Cover, 150			
102-4	Location of operations	2-3, 8-11, 31-32, 124-126			
102-5	Ownership and legal form	14-16, 73			
102-6	Markets served	2-3, 9-11, 31-32			
102-7	Scale of organisation	2-3, 30-39		SDG No 8.	
102-8	Information on employees and other workers	128-132			6.3.10 6.4.1-6.4.5 6.8.5 7.8
102-9	Supply chain	124-127			
102-10	Significant changes to the organisation and its supply chain	2, 8-11, 30-39, 126, GRI-index			
102-11	Precautionary Principle or approach	16, 37, 104-105, 126-128, GRI-index	We base our Code of Conduct for both business partners and employees on the Ten Principles of UN Global Compact. Work on "Risk management and internal control" as described on page 16, is based on the precautionary principles and continuous improvement.		
102-12	External initiatives	95-97, 102-103, 126, GRI-index	Member of IEH/ETIN - Ethical Trading Initiative Norway, Flokk Code of Conduct in accordance with the UN Global Compact, Long-term goals according to EU 2-degree target and selected numbers of the UN Sustainability Development Goals. Hold Norge Rent. ZERO Fossil free forum.		
102-13	Membership of associations	95-97, 130			
Strategy					
102-14	Statement from senior decision maker	11, 36-38			4.7 6.2 7.4.2
102-15	Key impacts, risks and opportunities	11, 16, 104-105			
Ethics and integrity					
102-16	Values, standards, principles and norms	14, 16, 34, 102, 128-129		SDG No 16.	4.4 6.6.3

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES	UN SDGs	ISO 26000
Governance					
102-18	Governance structure	12-17, 102			
102-20	Executive-level responsibility for economic, environmental, and social topics	12-17, 102			
102-26	Role of highest governance body in setting purpose, values, and strategy	12-17, 102-105			6.2 7.4.3 7.7.5
102-32	Highest governance body's role in sustainability reporting	102			
102-35	Remuneration policies	16-17, 131-132			
Stakeholder Engagement					
102-40	List of stakeholder groups	95-97			
102-41	Collective bargaining agreements	131, GRI-index	We can not report this number anymore due to GDPR new legislation.	SDG No 8.	
102-42	Identifying and selecting stakeholders	94-96			5.3
102-43	Approach to stakeholder engagement	96-97			
102-44	Key topics and concerns raised	96-97			
Reporting Practice					
102-45	Entities included in the consolidated financial statements	3, 44, 59, 73			
102-46	Defining report content and topic Boundaries	92-93			
102-47	List of material topics	93			
102-48	Restatements of information	93, GRI-index	Giroflex is now covered in the Corporate Sustainability report at same level as the other core brands. Malmstolen, Offecct and Profim, the latter acquired by Flokk in 2018, are not covered by this year's Corporate Sustainability report.		
102-49	Changes in reporting	93, GRI-index	Giroflex is now covered in the Corporate Sustainability report at same level as the other core brands. Malmstolen, Offecct and Profim, the latter acquired by Flokk in 2018, are not covered by this year's Corporate Sustainability report.		7.5.3 7.6.2
102-50	Reporting period	GRI-index	2018		
102-51	Date of previous report	GRI-index	2017		
102-52	Reporting cycle	GRI-index	Annual		
102-53	Contact point	149			
102-54	Claims of reporting in accordance with the GRI Standards	93, 142, GRI-index	This report has been prepared in accordance with the GRI Standards: Core option.		
102-55	GRI content index	142, GRI-index			

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES	UN SDGs	ISO 26000
102-56	External assurance	142, GRI-index	The report has not been independently verified. The materiality analysis, and following input to structure and content of the report is however based on an independent gap analysis performed by The Governance Group in 2018, to ensure transition from GRI G4 to GRI Standards format.		7.5.3 7.6.2
MANAGEMENT APPROACH (DMA)					
103-1	Explanation of the material topic and its Boundary	GRI-index	Answered for each disclosure in respective chapters where relevant.		
103-2	The management approach and its components	GRI-index	Answered for each disclosure in respective chapters where relevant.		
103-3	Evaluation of the management approach	GRI-index	Answered for each disclosure in respective chapters where relevant.		
MATERIAL TOPICS					
Economic Performance					
201-1	Direct economic value generated and distributed	32, 42, GRI-index	iii. Tax costs by country 2018 [MNOK] - Total: 33,5 Norway: (20,5) / Sweden: 22,9 / Denmark: 3,5 / The Netherlands: (2,0) / Belgium: 1,2 / Germany: 4,8 / UK: 2,6 / France: 1,0 / Switzerland: 6,0 / Singapore: (0,2) / China: (1,2) / USA: 2,5 / Australia: (0,3) / Poland: 13,3	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	104-105		SDG No 13.	6.5.5
Procurement Practices					
204-1	Proportion of spending on local suppliers	125		SDG No 8. SDG No 12.	6.6.6 6.8.1-6.8.2 6.8.7
Anti-corruption					
205-2	Communication and training about anti-corruption policies and procedures	PA 129		SDG No 16.	6.6.1-6.6.3 6.6.6
205-3	Confirmed incidents of corruption and actions taken	GRI-index	No incidents of corruption have been registered in 2018.		
Materials					
301-1	Materials used by weight or volume	113-114, PA 115-116, 117		SDG No 12. SDG No 15.	6.5.4
301-2	Recycled input materials used	113-115, 117			

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES	UN SDGs	ISO 26000
Energy					
302-1	Energy consumption within the organization	107, 109-110, GRI-index	o Category - Emission factor 2018 - Source of emission factor: Scope 1 o Burning oil, Natural gas - 2,5363 - DEFRA 2018 o Diesel, Diesel (B5), Petrol -2,6878 -DEFRA 2018 o Diesel (NO) - 2,4400 - DEFRA 2018 and - 'Nasjonale Standard faktorer' from Miljødirektoratet published in 2015 o Diesel (SE). Petrol ()SE - 2,1757 DEFRA 2018 and 'Faktablad Process & Teknikstod' published in 2018 by BioGas2020 Scope 2 o District heating CHP - 0,18746 - DEFRA 2018 o District heating Denmark mix - 0,1167 - Dansk Fjernvarme 2017 o District heating SE/Stockholm, Sweden mix - 0,0362 Energi - Foretagen 2017 o Electricity Australia, Belgium, China, France, Germany, Netherlands, Singapore, Switzerland, UAE, UK - NA - International Energy Agency 2018, 3-years rolling average o Electricity Nordic mix - NA - Own calculation for four Nordic countries: Sweden, Finland, Norway and Denmark based on International Energy Agency 2018, 3-years rolling average Scope 3 o Air travel Continental, Domestic, Intercontinental, Nordic - 0,0858 - DEFRA 2018 o Flights - 1000 - conversion factor o Hotel acc.(Australia), Hotel acc.(Nordic), Hotel acc.(world avg) - 24,8 - Own calculation based on: Klimaregnskap, Choice Hotels Scandinavia, ECOHZ and Østfoldforskning, 2009; DEFRA 2017; IEA 2017 o Goods Transportation diesel - 1000 - conversion factor o Truck 7.5-17t, Truck with trailer 33t+ - 0,3581 - DEFRA 2018 o Electricity Australia, China, Singapore, UAE - 0,750 - no marked-based emission factor hence, location-based used o Electricity Belgium, France, Germany, Netherlands, Nordic mix, Switzerland, UK - 0,123 - European Residual Mixes 2017, 2018 - Marked-based method	SDG No 12. SDG No 13.	6.5.4-6.5.5

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES	UN SDGs	ISO 26000
302-3	Energy intensity	37, 109		SDG No 12. SDG No 13.	6.5.5
302-4	Reduction of energy consumption	37, 109-111	See direct answer in Disclosure 302-1.		
Biodiversity					
304-2	Significant impacts of activities, products, and services on biodiversity	GRI-index	Flokk's factory at Røros is located next to the Kvitsanden protected landscape area, about 2 km west of the centre of Røros. The Kvitsanden protected landscape area consists of a special shifting sands area containing both stable and mobile sand dunes. The area is an important element of the landscape, and has a very high conservation value. At our factory we are particularly aware of our environmental obligations, and have drawn up procedures to prevent all pollution of the local environment.	SDG No 14. SDG No 15.	6.5.7
Emissions					
305-1	Direct (Scope 1) GHG emissions	107-108, GRI-index	Flokk uses operational control approach for its carbon audit See direct answer in Disclosure 302-1.	SDG No 12. SDG No 13.	6.5.5
305-2	Energy indirect (Scope 2) GHG emissions	107-108, GRI-index	Flokk uses operational control approach for its carbon audit See direct answer in Disclosure 302-1.		
305-3	Other indirect (Scope 3) GHG emissions	107-108, GRI-index	Flokk uses operational control approach for its carbon audit See direct answer in Disclosure 302-1.		
305-4	GHG emissions intensity	108			
305-5	Reduction of GHG emissions	108, GRI-index	See direct answer in Disclosure 302-1.		
Effluents and Waste					
306-1	Water discharge by quality and destination	PA 117, PA 119		SDG No 3. SDG No 12. SDG No 14.	6.5.3-6.5.4
306-2	Waste by type and disposal method	119		SDG No 12. SDG No 14. SDG No 15.	
306-3	Significant spills	GRI-index	There has been no leakages to the environment in 2018.		

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES	UN SDGs	ISO 26000
Environmental Compliance					
307-1	Non-compliance with environmental laws and regulations	GRI-index	We have not identified any deviation with environmental laws and regulations in 2018.	SDG No 16.	4.6
Supplier Environmental Assessment					
308-1	New suppliers that were screened using environmental criteria	125, 127, GRI-index	All new suppliers screened based on the relevant environmental requirements and our CoC. Suppliers as part of the Giroflex integration are ongoing to get on contract, and largest suppliers are closed or being negotiated. End of 2018 approx 40% of Giroflex APV (is under contract) (APV - Annual Purchase Value = turnover).	SDG No 12.	6.3.5 6.6.6 7.3.1
308-2	Negative environmental impacts in the supply chain and actions taken	125, 127, GRI-index	No significant actual and potential negative environmental impacts in the supply chain have been registered in 2018. a. No suppliers have been assessed for environmental impacts. b. One suppliers considered to have actual and potential negative environmental impact in 2018, related to chrome tanned leather. This is being investigated and planned as an Engineering Change (ECO). c. No significant actual and potential negative environmental impact identified in 2018. d. 0%. e. 0%.		
Occupational Health and Safety					
403-1	Occupational health and safety management system	134-135			
403-2	Hazard identification, risk assessment, and incident investigation	135-136			
403-3	Occupational health services	136			
403-4	Worker participation, consultation, and communication on occupational health and safety	135-136			
403-5	Worker training on occupational health and safety	135-136			
403-6	Promotion of worker health	134-136			
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	134-136			
403-9	Work-related injuries	136, GRI-index	No workers are excluded from this disclosure.	SDG No 3. SDG No 8.	6.4.6 6.8.8

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	DIRECT ANSWER TO ASPECTS/ NOTES	UN SDGs	ISO 26000
Supplier Social Assessment					
414-1	New suppliers that were screened using social criteria	125-127		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	GRI-index	No significant actual and potential negative Social impacts in the supply chain have been registered in 2018. a. No suppliers have been assessed for social impacts. b. No suppliers considered to have actual and potential negative social impact in 2018. c. No significant actual and potential negative social impact identified in 2018. d. 0%. e. 0%.		
Customer Health and Safety					
416-1	Assessment of the health and safety impacts of product and service categories	34-36, 138		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 2018.	SDG No 16.	4.6 6.7.1-6.7.2 6.7.6

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

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