

Audo A/S
Århusgade 130, 1.
2150 Nordhavn
CVR No. 15 21 42 36

Annual report 2023

The Annual General Meeting adopted the annual report on 3 July 2024

Chairman of the General Meeting



Name: Kristoffer Mejborn

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	5
Corporate Social Responsibility	9
Income statement for 1 January – 31 December	15
Balance sheet 31 December	16
Statement of changes in equity for 2023	18
Notes to financial statements	19
Accounting policies	28

Entity details

Entity

Audo A/S

Århusgade 130, 1.

2150 Nordhavn

Central Business Registration No (CVR): 15214236

Registered in: Copenhagen

Financial year: 01.01.2023 - 31.12.2023

Website: www.audo.com

Board of Directors

Daniel Lalonde

Alberto Michele Maria Toni

Søren Mygind Eskildsen

Executive Board

Søren Mygind Eskildsen, CEO

Entity auditors

EY Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Audo A/S for the financial year 2023.

The annual report is presented in accordance with the Danish Financial Statement Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2023 and of the results of its operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, results for the year, cash flows and financial position as well as a description of material risks and uncertainties that the Company faces.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 3 July 2024

Executive Board



Søren Mygind Eskildsen
CEO

Board of Directors



Daniel Latonde



Alberto Michele Maria Toni



Søren Mygind Eskildsen

Independent auditor's report

To the shareholders of Audo A/S

Opinion

We have audited the financial statements of Audo A/S for the financial year 1 January – 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act 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 in preparing the financial statements 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 as to 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 and additional requirements applicable in Denmark 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 the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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 in preparing the financial statements 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 contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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 Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 3 July 2024
EY Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28



Dan Mose Andersen
State Authorised
Public Accountant
mne35406

Management commentary

Financial highlights	2023 DKK'000 (12 months)	2021/22 DKK'000 (15 months)	2020/21 DKK'000 (12 months)	2020 DKK'000 (9 months)	2019 DKK'000 (12 months)
Key figures					
Revenue	320.200	500.833	265.494	123.763	232.126
Gross profit/loss	54.951	140.496	97.593	29.056	76.482
Profit/loss before financial income and expenses	-31.320	30.876	43.252	-8.448	15.258
Net financials	929	5.163	-2.313	1.216	-8.849
Profit/loss for the year	-21.913	26.449	31.632	-5.087	3.033
Total assets	253.764	287.452	161.126	167.035	142.411
Investment in property, plant and equipment	1.158	10.647	5.852	3.139	2.272
Equity	81.139	102.997	52.939	26.682	47.442
Ratios					
Gross margin (%)	17,2	28,1	36,8	23,5	32,9
Profit margin (%)	-9,8	6,2	16,3	-6,8	6,6
Return on assets (%)	-12,3	10,7	26,8	-5,1	10,7
Solvency ratio (%)	32,0	35,8	32,9	16,0	33,3
Return on equity (%)	-23,8	33,9	79,5	-13,7	6,3
Profit/loss before depreciation (EBITDA)	-12.257	48.555	51.929	-621	33.512

The financial ratios have been calculated as follows:

Ratios	Calculation formula
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin (%)	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets (%)	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio (%)	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity (%)	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Management commentary

Primary activities

Audo is a Danish design brand, based in Copenhagen, with a simple yet significant purpose: to enrich modern living through designs that connect individuals creatively, comfortably, and functionally.

Since 1978, we have harnessed the skills of top designers and craftspeople around the world to create contemporary furniture, lighting and accessories that are clean, clever, and natural, infusing a sense of calm through high-quality materials in minimalist silhouettes.

By connecting the dots between home, work and hospitality, our design redefine how we use space and, ultimately, how we connect to those around us.

Among others, the company hold all rights to a unique product portfolio created by Danish designers Mogens Lassen, Flemming Lassen and Ib Kofod-Larsen. We also hold the rights to a portfolio of products created by international designers as for example Colin King and Anderssen & Voll.

With an iconic portfolio of historic designs, along with diversified contemporary products, the company serves a broad customer base. The products are sold to the end user through retailers and wholesalers in more than 60 countries. Audo has a strong presence in Northern European and in the US market.

Development in activities and finances

During 2023 we have witnessed soft demand and a gradual normalization of the global high-end design market. Within this environment, we have utilized our integration activities in Flos B&B Italia Group to secure good cooperation in many areas such as digital transformation, go-to-market strategies, international opportunities, production and procurement just to mention some.

Overall, Audo delivered resilience in a year with unpredictable market situations which proves the continuing appeal of Audo and the strength and relevance of our brand.

We navigated through 2023 under high inflation, geopolitical tension, and rising interest rates. These macroeconomic factors alongside with the normalization of market conditions had a significant impact on the demand especially for the business to consumer segment, which has decreased for 2023.

Please note that the financial year for the comparison period 21/22 is 15 months, compared to 12 months for 2023.

Revenue decreased by 36 percent to DKK 320 million compared to DKK 501 million in 2021/22.

The gross profit margin decreased by 11 percent to 17 percent in 2023 against 28 percent in 2021/22 due to the decrease in revenue. Operating profit/(loss) (EBIT) declined 201 percent to a loss of DKK (31) million in 2023 compared to a profit of DKK 31 million in 2021/22.

The decline in revenue and profit was expected after recent years' extraordinary market conditions but landing below expectations set in the Annual Report for 2021/22. The volatility and complex market conditions as mentioned above are assessed as the main reasons for this.

Management considers the financial development to be satisfactory under given market conditions.

Management commentary

Outlook

Audo A/S expects an increase in the revenue in 2024 between 1% and 5% followed by a decrease in capacity costs by 5%. The profit before financial income and expenses (EBIT) is expected to be positive in 2024 in the range of DKK 20-30 million.

The volatility and uncertainty in the world have increased substantially in recent years. Geopolitical developments could bring renewed challenges in 2024. Overall, Audo A/S is, however, anticipating improvements in cost prices and a lower base of fixed costs.

It is in general an unpredictable market situation also for 2024, which of course leads to uncertainty for the full year expectations on turnover. We see less uncertainty related to the values in our balance sheet.

Risk management

Market risks

The group's products are primarily positioned in the high-end markets. The geopolitical and economic development in the professional and private consumer markets will affect the financial results.

Currency risks

Due to sales activities in foreign markets, cash flow and net positions are influenced by changes in exchange rates for a number of currencies.

Credit risks

The group's credit risks relate to trade receivables included in the balance sheet. The group has no vital risks related to a single customer or business partner. The company's credit risk policy involves assessing creditworthiness of all major customers and business partners, and it also involves insurance of larger receivables. This is done on a regular basis.

Intellectual capital resources

The employees are the Group's most important resource, with main emphasis on design and product development. The group has an experienced and highly competent staff working throughout the value chain. The group will continue to implement measures to attract and retain highly skilled staff with expertise in the development of Furniture, Lighting and Accessories to ensure future growth. Great demand is placed on the employees' technical and craftsman skills and their ability to engage in a logistically demanding production process. The Danish labor market has been competitive in 2023, and there is a general increase in demand for talent within most areas, which is expected to continue.

During 2023 Audo A/S has recruited competencies within the areas of design, product development, marketing, sales, sourcing, finance, IT, legal and HR.

Research and development activities

Audo continuously invests in development, updates, and improvements of its product portfolio. Costs related to development of products are expensed in the income statement or accounted for as an asset following the accounting policies.

Management commentary

Development in staff

Audo had 90 employees as of 31 December 2023, excluding 24 being employed in the sister company Audo North America Inc.

	Audo A/S	Audo North America Inc.
Development in staff:		
Number of employees beginning of 2023	116	26
Recruited during 2023	27	1
Leavers during 2023	-53	-3
Number of employees end of 2023	90	24

Events after the balance sheet date

No event has occurred after the balance sheet date to this date, which may materially affect the assessment of the Company's financial position.

Corporate Social Responsibility

Statutory report on Corporate Social Responsibility (Financial statement act. §99a)

Business model

For description of the business model, we refer to section "Primary activities" at page 6.

Environmental sustainability is extremely important for Audo Copenhagen's global business, both presently and in the future. Many of our raw materials and ingredients are sourced directly from nature and the continued success of our business is causally linked to the health of the environment.

We are therefore continuously looking for ways to reduce our impact on the environment and the communities in which we operate. Audo Copenhagen understands and acknowledges the important role that we play in understanding,

protecting and enhancing the underlying biodiversity.

We are therefore constantly striving to optimize our use of natural resources, to view our products and activities from a life cycle perspective and to develop and use environmentally friendly products, materials and technologies in a way that contributes to long-term sustainable development. Our Environmental Policy is to prevent and control potential risks to the environment and tackle the impacts of our activities throughout the value chain - from the sourcing of materials to packaging, production, distribution, sales, and marketing to recycling and reusability. In short, this concept is a life cycle philosophy that we instill throughout our entire organization.

Our commitment is based on the internationally agreed core principles for sustainable development: human rights (including labour rights), environment (including climate) and anticorruption.

These principles are listed by the UN Global Compact and made operational through the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD).

Our commitment to comply derives from this, which means that Audo Copenhagen continuously identifies, prevents, or mitigates risks of adverse impacts in relation to the core principles. We will communicate how we manage such impacts. We will seek to make a difference for sustainability where it makes most sense for us as an organization but also as part of a larger ecosystem that is bigger than our corporation.

This also affects our sourcing, design, and procurement, as all these processes incorporate a life cycle-based philosophy. This ensures that no products are manufactured with parts we are unfamiliar with, including the chemical components of products, i.e., coating, foam, wiring, pigment for paint-and that the products are manageable in terms of sustainable waste handling and recycling. Together with our craftsmanship know-how and our love and passion for utilitarian design, this translates into the brand and quality we are known and loved for today.

We expect all our business relationships to meet the globally agreed minimum standard for responsible business conduct as expressed in this policy. Business relationships shall implement the UNGPs/OECD, i.e., manage risks of causing or contributing to adverse impacts in relation to human rights, the environment and anti-corruption, address actual impacts, share their results and ask the same from their business partners. In cases where a severe risk or impact is revealed, it is mandatory that it is communicated promptly throughout Audo Copenhagen's organization and supply chain.

At the same time, Audo Copenhagen has an increased and sustained focus on the use of chemical substances in our products. We work with specialized consultants to avoid toxic chemicals and to carefully evaluate classifications and newly identified suspected risks.

We are committed to working actively in this area and set the bar higher than simply conforming to standard legislations.

Corporate Social Responsibility

Any questions and reflections by our stakeholders are welcomed as a key element in the continued responsible development of our strategy for responsible business development.

Furthermore, we have requested that all our suppliers sign chemical declarations with the intention of maximizing transparency, traceability and product compliance, and we have worked tirelessly - i.e., through our product design phase and choice of materials-to ensure the aforementioned compliance and environmentally friendly concept.

Human rights

Audo A/S believes upholding human rights is fundamental. The company draw its understanding of these rights from the Universal Declaration of Human Rights, its related treaties and declarations, and the broader ethical reasoning behind their development.

Identified risks

Violation of human rights (e.g. child labour, bonded labour or living wage) represent a risk to Audo, especially within our supply chain, as we mainly operate in developed economies with production in Europe, Mexico and Asia.

Current mitigation activities

In 2023, suppliers accounting for 75% of our purchasing spend have signed our Supplier Code of Conduct which includes expectations and requirements relating to human and labour rights.

In 2023, all new employees have been informed about the company's human rights policy and can refer to it in our employee handbook.

Environment

Identified risks

Many of our raw materials and ingredients are sourced directly from nature and the continued success of our business is causally linked to the health of the environment.

Current mitigation activities

We are therefore constantly striving to optimize our use of natural resources, to view our products and activities from a life cycle perspective and to develop and use environmentally friendly products, materials and technologies in a way that contributes to long-term sustainable development.

These impacts could lead to reputational risk if impacts not managed properly.

During the fiscal year, we produced long-lasting solutions and investing in R&D to further expand products lifecycle and progressively reduce carbon footprint by using more sustainable materials and ensuring energy efficiency in use phase.

In line with our environmental policy, we strive towards continuous improvement in our day-to-day operations where we focus on reducing waste, energy use and greenhouse gas emissions.

Corporate Social Responsibility

Corporate Social Responsibility

Current mitigation activities

- Monitoring stakeholder requirements and market trends.
- Producing long-lasting solutions and starting initiative to expand product life-cycle by retrofitting.
- Ability to manufacture products with low carbon footprint by using more sustainable materials and ensuring energy efficiency in use phase.
- New framework established to support development of sustainable products.
- Both ISO 9001 and ISO 14001 certified

Social and employee conditions

Identified risks

Audo A/S is greatly dependent on attracting competent employees, which can help our company grow. Our greatest risk is therefore a potential inability to attract the best people to our organization.

Current mitigation activities

- Strong employer brand based on employee engagement.
- Clear guidelines and rules for health and safety
- Ensuring safety culture through health and safety management system.
- Monitoring health and safety levels, through yearly Workplace Assessment

Audo A/S believes that its activities in 2023 have contributed to maintaining a good working environment. Audo expects to continue its work with ensuring a good and healthy work life for employees.

The passion and creativity of our employees are the heart of our company and we want to ensure that Audo is an engaging and safe place to work.

Anti-corruption

Audo A/S doesn't tolerate bribery or corruption.

Identified risks

Our greatest risks pertaining to corruption exist in our sales function and supply chain. We recognize that the risk of unethical behavior is always present when dealing with third parties even though we mainly operate in developed economies and have production in both Europe, Mexico and Asia.

Current mitigation activities

We translates our policy related to anti-corruption into action through our Supplier Code of Conduct. In 2023, suppliers accounting for 75% of our purchasing spend have signed our Supplier Code of Conduct which includes expectations and requirements relating to anti-corruption and anti-bribery.

Corporate Social Responsibility

In the future, we aim to strengthen our compliance measures by regularly reviewing and updating our Supplier Code of Conduct to align with evolving laws and best practices and obtain a high percentage of suppliers endorsing the Supplier Code of Conduct.

Compliance Program

As Audo A/S operates across several cultures, traditions, local laws and practices, it is important that we ensure that all employees are aware of the common set of principles, which provide guidance about what Audo A/S considers responsible business practices and ethical behavior. These principles are outlined in the Flos B&B Italia Group Code of Conduct (CoC). We have implemented measures to ensure that all employees are familiar with our CoC and that everyone reflects our policies. We consider the CoC to be a vital part of the organization to ensure that we always work within the framework of the law and facilitate successful enforcement, in case of unethical or illegal conduct. The CoC is updated and improved on a regular basis to align with business requirements and stakeholder expectations.

Diversity and equal opportunities including gender distribution in management (Financial statement act. §99b)

At Audo A/S, all employees are appreciated for their skills, experience, and unique points of view regardless of gender, age, nationality, religion, sexual orientation, language, political views, or disabilities.

We are committed to creating and maintaining a workplace in which all employees have the opportunity to participate and contribute to the success of the business and are valued for their skills, experience and unique perspectives. Our commitment to our employees, forms part of our company policy and the way we do business at Audo.

At Audo A/S, we believe that a diverse workforce helps the company perform better in the long run. We therefore encourage everyone with the right skills to apply for our vacancies. To facilitate this development, we initiated the formalization of a recruitment policy for leadership positions. The policy aims to ensure that all Audo's employees are treated equally, irrespective of gender, age, race, religion etc., thereby ensuring equal opportunities for engagement, terms of employment, training and promotion.

Corporate Social Responsibility

Gender distribution		2023
Top managerial position (Board of Directors)	Total number of members	3
	Underrepresented gender in pct.	0
	Target figure in pct.	33
	Year for fulfilment of target figure	2027
Other managerial positions (1 and 2)	Total number of members	17
	Underrepresented gender in pct.	29
	Target figure in pct.	35
	Year for fulfilment of target figure	2027

Other managerial positions comprise the Executive Board and the direct management level below (other management levels).

Top managerial position (Board of Directors)

The board of directors currently consists of 3 members of which 0% constitutes the underrepresented gender. It is Audo's target to have 33% of the underrepresented gender in the board by 2027.

In the current financial year, we made no specific efforts to hire candidates from the underrepresented gender for board positions.

Other managerial positions (1 and 2)

Audo aims at reaching a gender distribution in both management levels that reflects the gender distribution in the company as a whole. Audo aims to have a ratio of 35% women in leadership positions with staff responsibility before 2027. The share of women in leadership positions with staff responsibility represented 29% by the end of 2023. Consequently, Audo wishes to increase the share of women in leadership positions. To facilitate this development a corporate policy has been implemented in 2024, which includes several initiatives, e.g. a recruitment policy according to which at least one female applicant must be admitted to job interview assuming qualified female applicants are available.

In 2023, we continued to identify qualified candidates from the underrepresented gender to attain the goal for equal gender distribution at the management levels.

Through this policy and an ongoing focus on development of employees at all levels of the organization irrespective of age and gender, Audo wishes to contribute to the education and development of potential female managers and board members.

Corporate Social Responsibility

Data ethics

Data ethics is an important area for Audo A/S, including specific protection of personal data. Audo A/S has defined and implemented a set of rules for data protection to ensure compliance in relation to the company's collection, processing and storage of data.

Audo's set of data protection rules and related guidelines (GDPR and IT Policy), form the basis of the company's Data Ethics policy. With this basis for Data Ethics, Audo A/S respects the expectations of our partners to operate in accordance with legal and ethical standards and we establish a solid basis for a trusting cooperation with our customers.

Audo A/S is committed to ensuring that all business and services are conducted in an ethically and legally impeccable manner and aligns business activities with the relevant requirements.

Audo A/S uses the necessary data for operating the business such as customer, supplier, HR and regulatory data. The data consists of master data received from the involved stakeholders and operational data either received from the stakeholders or generated during the operational processes. The processing of personal data, such as name, address, e-mail address or telephone number, is always in accordance with the general data protection regulation (GDPR) and the specific data protection rules of the country in question. The set of rules for data protection contains information about data controller and data protection consultant, data collection and data processing, duration of data storage and rights, etc. Audo's set of data protection rules also contains information on data protection for business associates.

Audo A/S wants to ensure a fundamental development and permanent maintenance of suitable, target-oriented measures to raise the awareness of Audo's employees on data ethics.

Decisions about data use and new technology, including how the company's efforts and policies for data ethics are evaluated, are thus anchored in the organization through training and information, e.g. online tools.

Income Statement 1 January - 31 December

	<u>Notes</u>	<u>2023 DKK'000</u>	<u>2021/22 DKK'000</u>
Revenue	1	320.200	500.833
Other operating income		80	0
Cost of sales		-198.648	-275.482
Other external expenses		-66.681	-84.855
Gross profit/loss		54.951	140.496
Staff expenses	2	-67.208	-91.941
Profit/loss before depreciations		-12.257	48.555
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-16.922	-17.679
Other operating expenses		-2.141	0
Profit/loss before financial income and expenses		-31.320	30.876
Financial income	4	10.664	10.328
Financial expenses	5	-9.735	-5.165
Profit/loss before tax		-30.391	36.039
Tax on profit/loss for the year	6	8.478	-9.590
Profit/loss for the year	7	-21.913	26.449

Balance sheet 31 December

	<u>Notes</u>	<u>2023</u> <u>DKK'000</u>	<u>2022</u> <u>DKK'000</u>
Completed development projects		5.185	7.230
Acquired trademarks		771	940
Acquired other rights		16.073	19.126
Software		9.891	0
Goodwill		926	1.446
Intangible assets	8	<u>32.846</u>	<u>28.742</u>
Other fixtures and fittings, tools and equipment		4.691	18.671
Leasehold improvements		5.021	6.609
Property, plant and equipment in process		245	244
Property, Plant and equipment	9	<u>9.957</u>	<u>25.524</u>
Deposits	10	2.277	2.619
Fixed asset investment		<u>2.277</u>	<u>2.619</u>
Fixed assets		<u>45.080</u>	<u>56.885</u>
Raw materials and consumables		0	6.553
Work in progress		0	210
Finished goods and goods for resale		65.830	76.342
Inventories		<u>65.830</u>	<u>83.105</u>
Trade receivables		30.421	41.063
Receivables from group enterprises		84.411	88.266
Other receivables		8.330	2.432
Corporation tax, receiveable		5.851	0
Prepayments	11	2.637	4.447
Receivables		<u>131.650</u>	<u>136.208</u>
Cash at bank and in hand		<u>11.204</u>	<u>11.254</u>
Current assets		<u>208.684</u>	<u>230.567</u>
Assets		<u>253.764</u>	<u>287.452</u>

Balance sheet 31 December

	<u>Notes</u>	<u>2023</u> DKK'000	<u>2022</u> DKK'000
Share capital		2.504	2.504
Reserve for development costs		4.044	5.641
Retained earnings		74.591	94.852
Equity		81.139	102.997
Defered tax	12	5.848	4.414
Provisions		5.848	4.414
Payables to group enterprises		85.073	87.570
Financial lease liabilities		1.089	1.881
Other payables		0	2.601
Long-term debt	13	86.162	92.052
Credit institutions	13	8.864	79
Financial lease liabilities	13	640	470
Trade payables		41.966	43.751
Payables to group enterprises	13	12.460	18.581
Corporation tax		0	47
Payables to group enterprises relating to corporation tax		0	8.584
Other payables	13	8.968	8.345
Prepayments recieved from customers	15	7.717	8.132
Short-term debt		80.615	87.989
Debt		166.777	180.041
Equity and Liabilities		253.764	287.452
Distribution of profit	7		
Derivative financial instruments	14		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Transactions with related parties	18		
Fee to auditors appointed at the general meeting	19		
Subsequent events	20		

Statement of changes in equity for 2023

	Share capital DKK'000	Reserve for develop- ment costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.504	5.641	94.852	102.997
Exchange rate adjustments	0	0		0
Fair value adjustment of hedging instruments, beginning of year	0	0	71	71
Tax on adjustment of hedging instruments for the year	0	0	-16	-16
Transfer to reserves	0	-1.597	1.597	0
Paid dividend	0	0	0	0
Profit/loss for the year	0	0	-21.913	-21.913
Equity end of year	2.504	4.044	74.591	81.139

The Company's share capital is DKK 2.504.000 divided into shares of DKK 1.000.

Notes to financial statements

	2023	2021/22
	DKK'000	DKK'000
1. Revenue		
Geographical segments		
Americas	16.270	101.366
Asia Pacific	19.897	33.847
Europe, The Middle East and Africa	284.033	365.620
	320.200	500.833
Market segments		
B2B sales	137.748	282.158
B2C sales	178.618	215.712
E-commerce	3.834	2.963
	320.200	500.833
	2023	2021/22
	DKK'000	DKK'000
2. Staff expenses		
Wages and salaries	63.307	85.989
Pensions	3.531	5.073
Other social security costs	370	879
	67.208	91.941
Average number of employees	98	109
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	3.806	4.794
Supervisory Board	0	486
	3.806	5.280

The Executive Board and other senior managers are covered by bonus schemes that are based on yearly performance.

Notes to financial statements

	2023	2021/22
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible asstes	12.274	7.699
Depreciation on property, plant and equipment	4.648	9.980
	16.922	17.679
	2023	2021/22
	DKK'000	DKK'000
4. Financial income		
Financial income from group enterprises	4.906	7.109
Other financial income	337	116
Exchange rate adjustments, income	5.421	3.103
	10.664	10.328
	2023	2021/22
	DKK'000	DKK'000
5. Financial expenses		
Financial expenses to group enterprises	4.339	3.535
Other financial expenses	657	1.134
Exchange rate adjustments, expenses	4.739	496
	9.735	5.165
	2023	2021/22
	DKK'000	DKK'000
6. Tax on profit/loss for the year		
Current tax	-5.852	8.724
Change in deferred tax	-686	831
Adjustment of tax relating to previous year	-1.924	0
	-8.462	9.555
which breaks down as follows:		
Tax on profit/loss for the year	-8.478	9.590
Tax on changes in equity	16	-35
	-8.462	9.555

Notes to financial statements

	2023	2021/22
	DKK'000	DKK'000
7. Proposed distribution of profit		
Proposed dividend for the financial year	0	0
Retained earnings	-21.913	26.449
	-21.913	26.449

Notes to financial statements

	Completed development projects DKK'000	Acquired trademarks DKK'000	Acquired other rights DKK'000	Software DKK'000	Goodwill DKK'000
8. Intangible assets					
Cost beginning of the year	16.815	1.384	43.433	0	4.694
Transfer	0	0	0	12.242	0
Additions	620	333	0	6.662	0
Disposals	-8.711	0	0	0	0
Cost end of year	8.724	1.717	43.433	18.904	4.694
Amortisation and impairment losses beginning of year	-9.585	-444	-24.307	0	-3.248
Transfer	0	0	0	-3.479	0
Amortisation for the year	-2.665	-502	-3.053	-5.534	-520
Reversal regarding disposals	8.711	0	0	0	0
Amortisation and impairment losses end of year	-3.539	-946	-27.360	-9.013	-3.768
Carrying amount end of year	5.185	771	16.073	9.891	926

Completed development projects:

Completed development projects comprises of capitalized cost for development of new products as well as development of tools for the actual production.

The cost of development projects comprises of cost such as salaries and development of tools for production. Based on management evaluation the projects have been finalized and launched as planned and are amortized over 5 years.

The completed development projects are regularly evaluated by the management of Audo and management has found no indication of the need for write-downs in relation to the accounting value.

Notes to financial statements

	Other fixtures and fittings, tools and equipment DKK'000	Leasehold Improvements DKK'000	Property, plant and equipment in process DKK'000
9. Property, Plant and equipment			
Cost beginning of the year	51.577	10.087	244
Transfer	-12.242	0	0
Additions	564	420	174
Disposals	-8.361	-1.560	-173
Cost end of year	31.538	8.947	245
Amortisation and impairment losses beginning of year	-32.906	-3.478	0
Transfer	3.479	0	0
Amortisation for the year	-3.445	-1.203	0
Reversal regarding disposals	6.025	755	0
Amortisation and impairment losses end of year	-26.847	-3.926	0
Carrying amount end of year	4.691	5.021	245

Notes to parent financial statements

	Deposits DKK'000
10. Fixed assets investment	
Cost beginning of the year	2.619
Additions	0
Disposals	-342
Cost end of year	<u>2.277</u>
Accumulated revaluation beginning of the year	0
Exchange rate adjustment	0
Accumulated revaluation end of year	<u>0</u>
Carrying amount end of year	<u>2.277</u>

11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions etc.

Notes to financial statements

	2023	2022
	DKK'000	DKK'000
12. Deferred tax liabilities		
Provision for deferred tax at 1 January	4.414	4.889
Amounts recognised in the income statement for the year	-686	831
Amounts recognised in equity for the year	0	-1.306
Amounts recognised as adjustment of tax relating to previous year	2.120	0
Provision for deferred tax at 31 December	5.848	4.414
	2023	2022
	DKK'000	DKK'000
13. Long term debt		
Credit institutions		
Between 1 and 5 years	0	0
Long-term part	0	0
Within 1 year	0	0
Other short-term debt to credit institutions	8.864	79
Short-term part	8.864	79
Credit institutions total	8.864	79
Financial lease liabilities		
Between 1 and 5 years	1.089	1.881
Long-term part	1.089	1.881
Within 1 year	640	470
Financial lease liabilities total	1.729	2.351
Payables to group enterprises		
Between 1 and 5 years	85.073	87.570
Long-term part	85.073	87.570
Within 1 year	12.460	18.581
Payables to group enterprises total	97.533	106.151
Other Payables		
Between 1 and 5 years	0	2.601
Long-term part	0	2.601
Within 1 year	0	0
Other short-term other payables	8.968	8.345
Short-term part	8.968	8.345
Other payables total	8.968	10.946

Notes to parent financial statements

14. Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	2023	2022
	DKK'000	DKK'000
Assets	0	0
Liabilities	0	71

15. Prepayments received from customers

Prepayments received from customers comprises payments received in respect of income in subsequent years.

16. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2023	2022
	DKK'000	DKK'000
Within 1 year	368	450
Between 1 and 5 years	634	13
	1.002	463
Lease obligations, period of non-terminability for all lease obligations	29.120	33.861
Guarantee commitments	3.155	3.071

Other contingent liabilities

The Group's enterprises are jointly and severally liable for the Group's jointly taxed income etc. The total corporation tax payable for the period 1 January - 31 December 2023 is stated in the Annual Report of Luminous Designs Investments ApS, which acts as management company in the jointly taxed Group for the respective period. Moreover, the respective Groups' Danish enterprises are jointly and severally liable for Danish withholding tax such as tax on dividend, royalty and interest. Any subsequent adjustments to the corporation tax or withholding tax may result in changes to the Company's liability.

Notes to financial statements

17. Related parties

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Flos B&B Italia Group S.p.A., Via Manzoni 38 - 20121 Milan (MI), Italy

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Flos B&B Italia S.p.A., Via Manzoni 38- 20121 Milan (MI), Italy Annual Reports can be requested by contacting the company).

Related parties with controlling interest:

- Flos B&B Italia Group S.p.A., Via Manzoni 38 - 20121 Milan (MI), Italy, parent
- Designers Company A/S, Århusgade 130, 1., 2150 Nordhavn, parent

18. Transactions with related parties

	2023	2021/22
	DKK'000	DKK'000
Revenues	19.785	23.345
Administrative expenses	4.298	0
Financial income	4.906	7.109
Financial expenses	4.339	3.535
Trade receivables from group enterprises	84.411	88.266
Trade payables to group enterprises	97.533	106.151

19. Fee to auditors appointed at the general meeting

	2023	2021/22
	DKK'000	DKK'000
Audit fee	830	581
Other assurance engagements	0	606
Tax advisory services	0	402
Other services	0	180
	830	1.769

20. Subsequent events

No event has occurred after the balance sheet date to this date, which may materially affect the assessment of the Company's financial position.

Accounting policies

The Annual Report of Audo A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in 000'DKK.

The comparison figures in the Financial Statements (2021/22) are based on 15 months of operation due to change of fiscal year.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Flos B&B Italia Group S.p.A and Flos B&B Italia S.p.A, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Business combinations

Book value method

Intragroup business combinations are accounted for under the book value method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The book value method is applied at the beginning of the financial year, and comparative figures have not been restated.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Accounting policies

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income statement

Revenue

The Company has chosen IAS 18 as interpretation for revenue recognition.

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

Accounting policies

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among others factors, the nature and market position of the business, the stability of the industry and the dependence on key staff. The amortisation period runs for 10 years.

Intangible assets are amortised on a straight-line basis over the expected useful life of the individual assets.

Property, plant and equipment are depreciated on a straight-line basis to the residual value, based on the cost.

Gains or losses on the sale of fixed assets are recognised in the income statement under 'Amortisation/depreciation'.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with parent and all Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Intangible asset

Development projects, trademarks and other rights

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as

Accounting policies

expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Acquired patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Acquired patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 10 years.

Goodwill

Goodwill is amortised on a straightline over the estimated useful life of 15-20 years, determined on the basis of Management's experience with the individual business areas.

Goodwill can be referred to withdrawal of agency agreements in several countries where the company handles the sale and management of the customers.

Goodwill is amortized over a period of 15-20 years, due to customer databases and relationships which has been adopted by the Company from the agent.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-15	years
Leasehold improvements	3-15	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Accounting policies

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include expected warranty obligations. Provisions are measured and recognised based on experience with repairs and returns.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

The Company has chosen IAS 39 as interpretation for liabilities.

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts and other payables are measured at amortised cost, substantially corresponding to nominal value.

Prepayments recieved from customers

Prepayments recieved from customers comprises payments received in respect of income in subsequent years.