



Havnen 3
DK-8700 Horsens

CVR no. 26 79 99 45

Annual report 2022/23

The annual report was presented and approved at the
Company's annual general meeting on

16 November 2023

Filip Fischier
Chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of HAY ApS for the financial year 1 June 2022 – 31 May 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 May 2023 and of the results of the Company's operations for the financial year 1 June 2022 – 31 May 2023.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Horsens, 16 November 2023
Executive Board:

Jesper Brøndum Petersen

Board of Directors:

Andrea Ruth Owen
Chairman

Rolf Foged Hvidegaard Hay

Mette Hjort Hay

Bruce Benedict Watson

Debbie Frew Propst

Megan Christine Lyon

Christopher Michael
Baldwin

Independent auditor's report

To the shareholders of HAY ApS

Opinion

We have audited the financial statements of HAY ApS for the financial year 1 June 2022 – 31 May 2023 comprising 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 Company's assets, liabilities and financial position at 31 May 2023 and of the results of the Company's operations for the financial year 1 June 2022 – 31 May 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 the 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

Independent auditor's report

- identify and assess the risks of material misstatement of the company 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Fredericia, 16 November 2023

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Niklas R. Filipssen
State Authorised
Public Accountant
mne47781

HAY ApS
Annual report 2022/23
CVR no. 26 79 99 45

Management's review

Company details

HAY ApS
Havnen 3
DK-8700 Horsens

CVR no.:	26 79 99 45
Established:	20 September 2002
Registered office:	Horsens
Financial year:	1 June – 31 May

Board of Directors

Andrea Ruth Owen, Chairman
Rolf Foged Hvidegaard Hay
Mette Hjort Hay
Bruce Benedict Watson
Debbie Frew Propst
Megan Christine Lyon
Christopher Michael Baldwin

Executive Board

Jesper Brøndum Petersen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Vesterballevej 27, 2.
DK-7000 Fredericia
CVR no. 25 57 81 98

Management's review

Financial highlights

DKK'000	2022/23	2021/22	2020/21	2019/20	2018/19
Key figures					
Revenue	1,358,614	1,470,759	1,194,361	871,180	1,139,892
Gross profit	274,520	334,774	276,152	149,667	189,097
Profit before financial income and expenses	155,038	220,772	179,788	48,467	99,513
EBITDA	165,192	227,043	186,359	186,358	105,407
Profit from financial income and expenses	-3,136	-645	1,877	1,391	2,401
Profit for the year	114,655	170,665	140,991	34,248	73,502
Total assets	493,239	590,021	475,772	359,315	336,551
Equity	358,669	347,979	309,473	219,295	180,815
Investment in property, plant and equipment	1,621	9,952	839	2,763	3,291
Ratios					
Gross margin	20.2%	22.8%	23.2%	17.2%	16.6%
EBITDA margin	12.2%	15.4%	15.7%	21.4%	9.2%
Return on equity	32.5%	51.9%	53.0%	17.0%	51.0%
Solvency ratio	72.7%	59.0%	65.0%	61.0%	53.7%
Liquidity ratio	332.7%	227.9%	264.2%	240.5%	194.8%
Other key figures					
Average number of full-time employees	207	191	171	176	174

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	$\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$
Liquidity ratio	$\frac{\text{Total current assets} \times 100}{\text{Short-term liabilities other than provisions}}$

Management's review

Operating review

Principal activities

The Company's principal activities are to design and sell furniture, lighting and interior products globally.

Development in activities and financial position

The Company's income statement for 2022/23 shows a profit of DKK 114,655 thousand as against DKK 170,665 thousand in 2021/22. Equity in the Company's balance sheet at 31 May 2023 stood at DKK 358,669 thousand as against DKK 347,979 thousand at 31 May 2022.

Revenue in HAY ApS decreased from DKK 1,471 million in 2021/22 to DKK 1,359 million in 2022/23. This was DKK 41 million below the outlook given in the 2021/22 Management's review, where estimated revenue was in the range of DKK 1,400-1,500 million. HAY ApS leveraged increased market demand during the period 2020-2022 due to COVID-19-related interest in home furnishings and a higher share of wallet directed towards product/goods spend vs services. In 2023, we saw a decline in spend within our categories mainly in the Nordic region. The high interest rates and inflation in the core markets in the Nordic region, combined with consumers spending a higher share of wallet on services and travel, led to declining demand in the second part of the financial year.

HAY ApS' EBITDA for 2022/23 was down by DKK 165 million from DKK 227 million in 2021/22 driven by lower sales than in previous years and margins challenged by higher costs due to inflationary pressure on energy prices and raw materials.

Profit after tax was DKK 114.7 million for 2022/23 as against DKK 170.7 million in 2021/22 and also below the outlook (DKK 190-225 million) set out in the 2021/22 Management's review due to weaker product gross margin during the last six months of FY 2022/23 vs our forecast combined with lower sales as set out above.

Profit for the year under review (DKK 115 million) decreased compared to last year (DKK 171 million) due to both reduced revenue and higher costs. While being challenged on both revenue and costs, the Company considers the EBITDA ratio of 12.2% satisfactory.

HAY ApS' success is built on the hard work and dedication of all our colleagues, and this year has again highlighted their dedication, resilience and ability to work together in times of challenges. The Company would like to thank all our colleagues for their outstanding work during a demanding year.

Outlook

Overall our assumptions for the 2023/24 financial year are that the challenging external environment will persist and that demand will be in line with 2022/23. The financial year 2023/24 is expected to maintain the level of revenue and earnings seen in 2022/23. Revenue for the financial year 2022/23 is expected to be within the range of DKK 1,200-1,400 million., and earnings before tax are expected to reach approx. DKK 120-140 million.

EBITDA ratio is expected to account for 9-12% for the financial year 2023/24.

Uncertainty regarding recognition and measurement

There is no significant uncertainty regarding recognition and measurement.

Unusual circumstances

No unusual circumstances have occurred, affecting recognition and measurement.

Management's review

Operating review

Financial instruments

The Company's goals and policies for management of financial risks

In Europe, we are faced with the effects of ongoing war in Ukraine. The war is contributing to significant economic uncertainty in Europe, in addition to the terrible loss of life. During the financial year 2022/23, the consequences for HAY ApS as a company were challenges around raw material sourcing and price increases, logistics and supply chain disruption, and substantial increases in the prices of electricity, gas, fuel, etc., which all impact companies and consumers across Europe. Finally, inflation and interest rates impacted both suppliers and consumers.

HAY ApS has taken the necessary action to ensure that the business is sustainable and profitable, despite a demanding economic landscape.

Risks concerning climate and environment, social and employee matters, anti-corruption and bribery are not considered to have any material impact for the financial year 2022/23.

Beyond the above mentioned, and ordinary occurring risks, no particular risks are considered to affect the Company.

The Company's risk exposure

Activities abroad generate revenue, cash flows and equity which are affected by the exchange and interest rate fluctuations for several currencies. It is the Company's policy not to hedge commercial currency risks.

Research and development activities

Besides the ordinary development of furniture, lighting and accessories and development for the Company's IT platform, the Company does not engage in any research and development activities.

Intellectual capital

HAY ApS is based on knowledge and expertise within its key focus areas that are subject to further development on an ongoing basis.

Group relations

The Company is part of the MillerKnoll Inc. group, which prepares consolidated financial statements.

Corporate social responsibility

Statutory report on Corporate Social Responsibility in compliance with section 99a of the Danish Financial Statement Act (årsregnskabsloven).

HAY ApS (the "Company") was founded in 2002 as an innovative design company with the clear ambition of making modern and functional design objects accessible to a wide audience. The Company's continued vision is to create straightforward, functional, and aesthetic design in collaboration with some of the world's most talented designers.

The Company wishes to contribute to a sustainable and environmentally conscious community.

Management's review

Operating review

Locally the Company is involved in donations of surplus products to charity organisations for people without a home, to shelters for people in family crises and to public institutions such as schools and kindergartens. We also hold an annual Day of Purpose, when HAY colleagues take a paid day off work to support and give back to their local communities.

Risks concerning climate and environment, social and employee matters, anti-corruption and bribery are not considered to have any material impact for the financial year 2022/23.

Human rights

The Company policy is to support and respect human rights, to uphold a safe working environment, and support and respect the internationally recognised human rights conventions, as stipulated in the United Nation's declaration of human rights along with the conventions of the International Labor Organization (ILO).

Hay ApS ensures that all employees are provided with a safe working environment in all countries where we operate. This applies to both the physical and psychological environment. This is executed through compliance with all relevant legislation and reflected in our Company policy, which all employees must comply with.

The main risk of the Company is related to potential violation of human rights in its supply chain. The Company requires that all its suppliers comply with the HAY Code of Conduct, including internationally recognised human rights conventions, as stipulated in the United Nation's declaration of human rights, and the conventions of the International Labour Organization (ILO).

To mitigate the risk of non-compliance with the Company's Code of Conduct, the Company conducted audits during the financial year at selected suppliers. In 2022/23 the Company did not identify any violations of human rights in its supply chain. Audits for the financial year 2023/24 are expected to intensify and develop further.

Efforts to ensure social and employee matters in the financial year 2022/23 did not disclose any breaches of the Code of Conduct. The Company's expectations for the future are to continue to strengthen the general working environment by regularly engaging both suppliers and employees. The Company sends out employee satisfaction surveys every year, fostering a high degree of employee commitment.

Environmental matters

The Company policy is to continuously work to ease the impact of its operations on the environment and climate across our entire organisation.

The Company is committed to minimising its impact on the environment and climate, by increasing the use of materials coming from sustainable sources, working with suppliers complying with the Company's Code of Conduct, minimising the number of chemicals used in production, and by developing durable and long-lasting products of a consistently high quality, allowing them to be used for generations to come.

The Company is also working actively to increase its use of recycled plastic. The use of recycled plastic will reduce the CO2 footprint of our products, which is part of HAY ApS' strategy towards reducing the climate footprint. In this respect, Basket was re-developed and re-launched in 100% recycled polypropylene. The Company wishes to replace its use of virgin polypropylene and instead increase its use of recycled plastic in its products where possible within the next few years.

Management's review

Operating review

In addition, the Company is working on increasing the number of ECO-labelled products. In the finance period the Company launched candles with the Nordic Swan Ecolabel, which is the official Nordic ecolabel – among the world's toughest environmental certifications to achieve. The Nordic Swan Ecolabel works to reduce the overall environmental impact from production and consumption. The certification sets strict environmental requirements in all relevant phases of a product's life cycle, as well as laying down strict requirements for chemicals. It certifies and verifies that all requirements are met before a product is approved, continuously tightening the criteria for goods and services to create sustainable development.

The Company was OEKO-TEX® certified in august 2021 and has several products labelled with the Oeko-tex STANDARD 100 label. OEKO-TEX® is one of the world's leading health labelling schemes for textiles. The STANDARD 100 by OEKO-TEX® is an assurance for the Company and our customers that the product does not contain any harmful levels of substances recognised as being problematic to health.

When a product is marked with the STANDARD 100 label, the whole product is tested for problematic chemistry – also including parts that are not made from textiles, e.g. zippers, buttons and other accessories. The tests are conducted by independent OEKO-TEX® partner institutes.

During the financial year 2022/23, the Company launched new several OEKO-TEX® certified products, for example HAY ApS' OUTLINE pajamas and the PIVOT shower curtain.

Quality issues have a negative impact on the Company's financial results, the environment and climate. To avoid these issues, the Company strives to ensure that the products fulfill recognised industry standards and undertakes tests on a continuous basis, resulting in a low claim percentage.

Furthermore, most of the Company's seating furniture is VOC tested and certified with the SCS Indoor Advantage Gold Furniture certificate, which ensures that they fall within acceptable indoor air quality thresholds.

The Company will continue to work ambitiously towards reducing the overall impact on the environment and climate - both when designing and launching new products, but also when choosing suppliers and business partners.

Anti-corruption

The Company strongly believes that corruption in all parts of the World is unacceptable. Accordingly, the Company will not take part in partnerships for projects for which the Company has become aware of any corruption, or where the Company assesses that a high risk of corruption is present. The Company has not identified any past instances with involvement in corruption.

In 2022/23, HAY reported no case of violations against the anti-corruption policy. Our forward-looking strategy on anti-corruption will be to reinforce this message through internal and external stakeholder communication. External stakeholders include customers, investors, and suppliers among others.

All employees receive mandatory training in the anti-corruption policy through online courses and will continue to do so in the future. The policy is described in the MillerKnoll Code of Business Conduct & Ethics, which is published on the MillerKnoll website.

Data ethics

HAY ApS has a privacy policy and IT security policy, and currently the Company has not implemented a Data Ethics Policy. Our Parent Company, MillerKnoll, is developing a group data ethics policy which will be valid for all MillerKnoll Group companies, including HAY ApS. This policy will be implemented at Hay ApS when ready.

Management's review

Operating review

HAY ApS, in its capacity as a MillerKnoll group company, conducts itself in accordance with a series of values, codes and policies; with particular reference to its Code of Business Conduct and Ethics. All employees receive training in relation to the Code of Business Conduct and Ethics. HAY ApS, in its capacity as a MillerKnoll group company, takes its responsibilities very seriously, including our internal practices as well as those with our customers, advisers and extended community. We have a robust series of policies and guidelines in place to facilitate decision-making, risk management and problem-solving. Our policies include: Privacy Notice, Cookie Notice, Do Not Sell My Personal Information, Exercise Your Privacy Rights, Accessibility, Code of Business Conduct and Ethics, Supplier Code of Conduct, Insider Trading, Whistleblower and Non-Retaliation Policy, Terms of Use, Investor Relations, Related Party Transaction Policy and Procedures, Group Health Plan Disclosure MillerKnoll and Guest Wireless Network Acceptable Use Policy. We also conduct comprehensive compliance training globally.

Goals and policies for the underrepresented gender

The Company is governed by the rules on targets and policies for the gender composition of management, cf. section 99b of the Danish Financial Statement Act.

In its recruitment and staff development, The Company actively aims to be a tolerant workplace without discrimination of any kind. Employees are hired only based on their skills and experience. Gender, religious belief, age, nationality, or other such factors are not considered to be relevant for recruitment.

The target for the underrepresented gender in the Board of Directors is a minimum of 33%. That target is currently achieved with a gender mix of 57% women and 43 % men. 4 women, 3 men, 7 in total.

On the other management levels, the Company also has an equal gender distribution, with a representation of 40% women and 60% male in our leadership teams.

The Company strives to have an equal gender distribution across the Company. Special care is taken when recruiting and promoting for management positions. Current year, the Company had a distribution of 77% women and 23% male, which shows the Company has not reached its goal to deliver on an equal gender distribution, however the ambition over time is to have a more equal distribution in line with the overall goal of other management levels.

To read more about our CSR efforts and follow our latest progress please visit <https://www.millerknoll.com/environmental-social-impact/sustainability>

Events after the balance sheet date

After the end of the financial year, no events have occurred which may materially change the financial position of the entity.

Financial statements 1 June – 31 May

Income statement

DKK'000	Note	2022/23	2021/22
Revenue	2	1,358,614	1,470,759
Cost of sales		-954,234	-1,016,558
Other operating income		7,199	6,925
Other external costs		-137,059	-126,352
Gross profit		274,520	334,774
Staff costs	3	-109,328	-107,731
Depreciation and amortisation		-10,154	-6,271
Profit before financial income and expenses		155,038	220,772
Result from equity investments in group entities		-3,426	-922
Financial income	4	569	843
Financial expenses		-3,705	-1,488
Profit before tax		148,476	219,205
Tax on profit for the year	5	-33,821	-48,540
Profit for the year	6	114,655	170,665

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2023	31/5 2022
ASSETS			
Fixed assets			
Intangible assets	7		
Completed development projects		4,750	1,765
Acquired intangible assets		6,513	4,352
Development projects in progress		942	4,230
		<u>12,205</u>	<u>10,347</u>
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		<u>8,174</u>	<u>12,659</u>
Financial assets			
Equity investments in group entities	9	11,957	15,383
Other receivables	10	<u>13,901</u>	<u>0</u>
		25,858	15,383
Total fixed assets		<u>46,237</u>	<u>38,389</u>
Current assets			
Inventories			
Goods for resale		108,979	122,469
Prepayments for goods		<u>25,130</u>	<u>0</u>
		134,109	122,469
Receivables			
Trade receivables		171,961	212,092
Receivables from group entities	11	24,171	19,854
Other receivables		6,397	20,026
Deferred tax asset	12	0	896
Prepayments	13	<u>16,617</u>	<u>9,260</u>
		219,146	262,128
Cash at bank and in hand		<u>93,747</u>	<u>167,035</u>
Total current assets		<u>447,002</u>	<u>551,632</u>
TOTAL ASSETS		<u>493,239</u>	<u>590,021</u>

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2023	31/5 2022
EQUITY AND LIABILITIES			
Equity			
Contributed capital		4,500	4,500
Reserve for development costs		3,705	11,464
Retained earnings		292,464	228,050
Proposed dividends for the financial year		58,000	103,965
Total equity		358,669	347,979
Provisions			
Provisions for deferred tax	12	227	0
Total provisions		227	0
Liabilities other than provisions			
Current liabilities other than provisions			
Banks, current liabilities		463	0
Prepayments received from customers		9,071	34,870
Trade payables		30,968	111,259
Payables to group entities		18,638	9,450
Corporation tax		46,236	41,189
Other payables		28,967	45,274
		134,343	242,042
Total liabilities other than provisions		134,343	242,042
TOTAL EQUITY AND LIABILITIES		493,239	590,021
Fees to auditor appointed at the general meeting	14		
Contractual obligations, contingencies, etc.	15		
Collateral and securities	16		
Related party disclosures	17		

Financial statements 1 June – 31 May

Statement of changes in equity

DKK'000	Contributed capital	Reserve for development costs	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 June 2022	4,500	11,464	228,050	103,965	347,979
Ordinary dividends paid	0	0	0	-103,965	-103,965
Transfers, reserves	0	-7,759	7,759	0	0
Transferred over the profit appropriation	0	0	56,655	58,000	114,655
Equity at 31 May 2023	4,500	3,705	292,464	58,000	358,669

Financial statements 1 June – 31 May

Notes

1 Accounting policies

The annual report of HAY ApS for 2022/23 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Minor reclassifications in the comparative figures for 2021/22 have been incorporated to enhance presentation. The reclassifications have no effect on profit for the year. The financial ratios have been restated accordingly.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of HAY ApS and group entities are included in the consolidated financial statements of MillerKnoll Inc., 855 E Main Ave, Zeeland, MI 49464, USA.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of MillerKnoll Inc.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external costs comprise costs of distribution, sales and advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding payables and receivables transactions denominated in foreign currencies and other financial income and expenses.

Tax on profit for the year

HAY ApS is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Knoll Denmark ApS is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Completed development projects comprise direct costs such as prototypes, test of products, development equipment and other external cost related to the development of products and software that have been launched.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 3-4 years.

Acquired intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 7 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

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Notes

1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
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The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value. The cost is reduced by dividends received exceeding accumulated earnings after the acquisition date.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Manufactured goods and goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost.

Prepayments received from customers

Prepayments received from customers comprises advance invoicing regarding income in subsequent years.

Leases

All leases are considered as operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

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2 Segment information

DKK'000	2022/23
Activities - primary segment (revenue)	
Furniture	1,008,368
Accessories	237,632
Lightning	70,621
Other	41,993
	<u>1,358,614</u>
Geographical - secondary segment (revenue)	
Europe	1,041,436
Rest of world	317,178
	<u>1,358,614</u>

3 Staff costs

DKK'000	2022/23	2021/22
Wages and salaries	97,248	95,715
Pensions	10,912	10,962
Other social security costs	1,168	1,054
	<u>109,328</u>	<u>107,731</u>
Average number of full-time employees	<u>207</u>	<u>191</u>

In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors has not been disclosed.

4 Financial income

DKK'000	2022/23	2021/22
Interest income from group entities	355	789
Other financial income	214	54
	<u>569</u>	<u>843</u>

5 Tax on profit for the year

Current tax for the year	32,517	47,977
Deferred tax for the year	1,123	547
Adjustment of tax concerning previous years	181	16
	<u>33,821</u>	<u>48,540</u>

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6 Proposed profit appropriation

DKK'000	2022/23	2021/22
Proposed dividends for the financial year	58,000	103,965
Retained earnings	56,655	66,700
	<u>114,655</u>	<u>170,665</u>

7 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Development projects in progress	Total
Cost at 1 June 2022	30,297	11,995	4,230	46,522
Additions for the year	859	3,697	1,350	5,906
Transfers for the year	4,638	0	-4,638	0
Cost at 31 May 2023	<u>35,794</u>	<u>15,692</u>	<u>942</u>	<u>52,428</u>
Amortisation and impairment losses at 1 June 2022	-28,532	-7,643	0	-36,175
Amortisation for the year	-2,512	-1,536	0	-4,048
Amortisation and impairment losses at 31 May 2023	<u>-31,044</u>	<u>-9,179</u>	<u>0</u>	<u>-40,223</u>
Carrying amount at 31 May 2023	<u>4,750</u>	<u>6,513</u>	<u>942</u>	<u>12,205</u>

Completed development projects

Completed development projects relate to the development and test of products, development of equipment and other external costs related to the development of products and software that have been launched and where a commercial outcome is expected.

Development projects in progress

Development projects in progress comprise direct costs such as prototypes, test of products, development of equipment and other external costs related to the development of products and software that have not yet been launched but where a commercial outcome is expected.

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8 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 1 June 2022	22,254
Additions for the year	1,621
Cost at 31 May 2023	23,875
Depreciation and impairment losses at 1 June 2022	-9,595
Depreciation for the year	-6,106
Depreciation and impairment losses at 31 May 2023	-15,701
Carrying amount at 31 May 2023	8,174

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9 Equity investments in group entities

	Equity investments in group entities
DKK'000	
Cost at 1 June 2022	19,040
Cost at 31 May 2023	19,040
Write-down at 1 June 2021	-3,657
Revaluations for the year, net	-3,426
Write-down 31 May 2022	-7,083
Carrying amount at 31 May 2023	11,957

Name/legal form	Registered office	Voting rights and ownership interest	Equity DKK'000	Profit/loss for the year DKK'000
Subsidiaries:				
HAY Norway AS (**)	Oslo, Norway	100	3,978	1,066
HAY International UK Ltd. (**)	London, UK	100	2,737	348
Anpartsselskabet af 5.12 2018 (**)	Horsens, Denmark	100	5,452	522
HAR AS (*) (**)	Oslo, Norway	100	2,332	-592
Anpartsselskabet af 6.9 2019 (**) (**)	Horsens, Denmark	100	1,604	-173
HAY International DE GmbH (*) (**)	Munich, Germany	100	16,121	8,057
HAY International CH GmbH (*) (**)	Zurich, Switzerland	100	700	1,176
HAY International NL b.v. (*) (***)	Amsterdam, The Netherlands	100	2,556	2,316
HAY International BE b.v.b.a. (*) (**)	Zaventem, Belgium	100	4,353	3,981
HAY International Trading ES S.L. (*) (**)	Madrid, Spain	100	497	91
HAY International IT S.R.L. (*) (**)	Milan, Italy	100	211	-97

(*) Indirect ownership.

(**) Financial figures are from the Annual Report 2021/22.

(***) Financial figures are from the Annual Report 2020/21.

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10 Other receivables

DKK'000	31/5 2023	31/5 2022
Other receivables 1 June 2022	0	0
Adjustment for the year	13,901	0
	<u>13,901</u>	<u>0</u>

11 Receivables from group entities

Receivables from group entities amounts to DKK 24,171 thousand (31 May 2022: DKK 19,854 thousand), of which DKK 7,694 thousand (31 May 2022: DKK 7,468 thousand) are due 12 months after the balance sheet date.

12 Deferred tax

DKK'000	31/5 2023	31/5 2022
Deferred tax, beginning of the year	896	1,443
Adjustment for the year	-1,123	-547
	<u>-227</u>	<u>896</u>

13 Prepayments

Prepayments comprise the accrual of costs incurred relating to subsequent financial years, including insurance, IT licences, etc.

Prepayments amounts to DKK 16,617 thousand (31 May 2022: DKK 9,260 thousand), of which DKK 5,557 thousand (31 May 2022: DKK 0 thousand) are due 12 months after the balance sheet date.

14 Fees to auditor appointed at the general meeting

DKK'000	2022/23	2021/22
Statutory audit	391	355
Other services	38	35
	<u>429</u>	<u>390</u>

15 Contractual obligations, contingencies, etc.

Operating lease obligations

The Company has entered into operating leases with a total lease obligation of DKK 9,916 thousand at 31 May 2023 (31 May 2022: DKK 9,235 thousand). The operating leases falls due within 1 year.

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Notes

Danish joint taxation scheme

The Company is jointly taxed with other Danish companies in the MillerKnoll Group, in which Knoll Denmark ApS is the administrative company. HAY ApS is a wholly-owned subsidiary, and together with the other companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends. Any subsequent correction of the taxable jointly taxed income or withholding taxes could result in an adjustment of the Company's liability.

16 Collateral and securities

As collateral for the lease of premises by the Company, bank guarantees of DKK 945 thousand have been issued as of 31 May 2023 (31 May 2022: DKK 3,725 thousand).

As collateral for lease agreements entered into by the subsidiaries, the Company has issued guarantees of DKK 8,486 thousand as of 31 May 2023.

17 Related party disclosures

HAY ApS' related parties comprise the following:

Control

Herman Miller Holdings Limited, 1 Portal Road Melksham SN12 6GN, United Kingdom.

Herman Miller Holdings Limited holds the majority of the contributed capital in the Company.

HAY ApS is part of the consolidated financial statements of MillerKnoll Inc., 855 E Main Ave, Zeeland, MI 49464, USA, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of MillerKnoll Inc. can be obtained by contacting the company at the address above.

Related party transactions

DKK'000	2022/23
Sale of goods to group entities	20,661
Purchase of goods from group entities	15,054
Sale of services to group entities	26,491
Purchase of services from group entities	86,060
Dividends paid to shareholders	103,965

In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors has not been disclosed.

Receivables and payables from and to group entities are disclosed in the balance sheet, and interest income from group entities is disclosed in note 4.