

HAY ApS

Havnen 1
DK-8700 Horsens

CVR no. 26 79 99 45

Annual report 2021/22

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

1 December 2022

Filip Fischier
Chairman of the annual general meeting

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 June – 31 May	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes	15

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 2021 – 31 May 2022.

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 2022 and of the results of the Company's operations for the financial year 1 June 2021 – 31 May 2022.

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, 1 December 2022
Executive Board:

Thomas Henry Jones

Board of Directors:

Andrea Ruth Owen
Chairman

Rolf Foged Hvidegaard Hay

Mette Hjort Hay

Bruce Benedict Watson

Debbie Frew Propst

Megan Christine Lyon

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 2021 – 31 May 2022 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 2022 and of the results of the Company's operations for the financial year 1 June 2021 – 31 May 2022 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 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

- 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.

Independent auditor's report

- 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, 1 December 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Niklas R. Filipsen
State Authorised
Public Accountant
mne47781

HAY ApS
Annual report 2021/22
CVR no. 26 79 99 45

Management's review

Company details

HAY ApS
Havnen 1
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

Executive Board

Thomas Henry Jones

Auditor

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

Management's review

Financial highlights

DKK'000	2021/22	2020/21	2019/20	2018/19	2017/18
Key figures					
Revenue	1,477,684	1,194,361	871,180	1,139,892	1,047,866
Gross profit	338,994	276,152	149,667	189,097	210,660
Profit before financial income and expenses	220,772	179,788	48,467	99,513	132,898
EBITDA	227,043	186,359	186,358	105,407	136,804
Profit from financial income and expenses	-645	1,877	1,391	2,401	1,063
Profit for the year	170,665	140,991	34,248	73,502	103,430
Total assets	590,021	475,772	359,315	336,551	281,572
Equity	347,979	309,473	219,295	180,815	106,132
Investment in property, plant and equipment	9,952	839	2,763	3,291	3,167
Ratios					
Gross margin	22.9%	23.2%	17.2%	16.6%	20.1%
EBITDA margin	15.4%	15.7%	21.4%	9.2%	13.1%
Return on equity	51.9%	53.0%	17.0%	51.0%	69.0%
Solvency ratio	59.0%	65.0%	61.0%	53.7%	37.7%
Liquidity ratio	224.3%	264.2%	240.5%	194.8%	145.3%
Other key figures					
Average number of full-time employees	191	171	176	174	155

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 the design and sale of furniture, lighting and interior products globally.

Development in activities and financial position

The Company's Income statement for the financial year 1 June 2021 – 31 May 2022 shows a profit of DKK 170,665 thousand, the balance sheet at 31 May 2022 a total of DKK 590,021 thousand and equity of DKK 347,979 thousand.

Revenue in HAY ApS increased from DKK 1,194 million in 2020/21 to DKK 1,478 million in 2021/22. During the financial year, HAY experienced significant challenges relating to supply chain issues, shortages of raw materials and general supplier price increases – despite these challenges HAY ApS managed to deliver strong growth in all channels and segments.

HAY ApS' EBITDA improved from DKK 186 million in 2020/21 to DKK 227 million in 2021/22, driven by the substantial increase in revenue outlined above.

The development is considered very satisfactory with a 23.6% improvement in revenue, 21.0% in profit for the year and 21.8% improvement in EBITDA. As a result, HAY ApS outperformed the outlook expectations set in the Management's review for the financial year 2020/21, for both revenue, profit for the year and EBITDA %.

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 crisis. The Company would like to thank all colleagues for their outstanding work during a demanding year.

Outlook

The financial year 2022/23 is expected to maintain the current level of revenue and profit for the financial year 2021/22. Revenue for the financial year 2022/23 is expected to be within the range of DKK 1,400-1,500 million and profit for the year to reach around DKK 190-225 million. EBITDA margin is expected to be between 12% and 14% for the financial year 2022/23.

Uncertainty regarding recognition and measurement

There is no significant uncertainty relating to recognition and measurement.

Unusual circumstances

There have been no unusual circumstances affecting recognition or 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 the ongoing war in Ukraine. The war is contributing to significant economic uncertainty in Europe in addition to the terrible loss of life. The consequences for HAY as a company have during the financial year 2021/22 been 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 are all impacting companies and consumers across Europe. Finally, rising inflation and interest rates impact both suppliers and consumers.

HAY has, as a company, taken the necessary actions to ensure the business is sustainable and profitable despite a demanding economic landscape.

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

Activities abroad generate revenue, cash flows and equity which are affected by the exchange and interest rate fluctuations for a number of 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 have any other 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

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.

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 2021/22.

Management's review

Operating review

Human rights

The Company policy is to support and respects human rights and a safe working environment and to 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).

Ensuring 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 to all relevant legislation and reflected in our Company policy.

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 Organisation (ILO).

To mitigate the risk of non-compliance with the Company's Code of Conduct, the Company conducted audits during the financial year of selected suppliers. In 2021/22 the Company did not identify any violations of human rights in its supply chain. Audits for the financial year 2022/23 are expected to intensify and further develop.

Efforts made to assure social and employee matters during the financial year 2021/22 have not shown any breaches of the Code of Conduct. The Company's expectations for the future are to continue to strengthen its general working environment by regularly engaging both suppliers and employees.

Environmental matters

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

The Company is committed to minimising its impact on the environment, 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 the generations to come.

The Company is also working actively to increase its use of recycled plastic. In this respect, the Color Crate product 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.

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® provides assurance to the Company and our customers that the product does not contain any harmful levels of substances recognised as posing a health hazard.

When a product is marked with the STANDARD 100 label, the whole product is tested for hazardous chemicals – 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.

Management's review

Operating review

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.

Anti-corruption

The Company strongly believes that corruption in all parts of the World is unacceptable. Thus, the Company will not take part in partnerships for projects about 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 situations in which the Company has been involved in corruption.

In 2021/22, HAY reported no case of violations against its anti-corruption policy. Our forward-looking strategy on anti-corruption will be to reinforce this message through internal and external stakeholder communication.

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. This policy will be implemented during the financial year 2022/23.

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 Statements Act.

The Company in its recruitment and staff development 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 67% women and 33% men. 4 women, 2 men, 6 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. In previous years, the Company had a distribution of 57% females and 43% males, which shows the Company over time delivers on the ambition of an equal gender distribution.

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 change the financial position of the entity substantially.

Financial statements 1 June – 31 May

Income statement

DKK'000	Note	2021/22	2020/21
Revenue	2	1,477,684	1,194,361
Costs of raw materials and consumables		-1,016,558	-828,338
Other external costs		-122,132	-89,871
Gross profit		338,994	276,152
Staff costs	3	-111,951	-89,792
Depreciation and amortisation		-6,271	-6,572
Profit before financial income and expenses		220,772	179,788
Result from equity investments in group entities		-922	-922
Financial income	4	843	2,064
Financial expenses		-1,488	-187
Profit before tax		219,205	180,743
Tax on profit for the year	5	-48,540	-39,752
Profit for the year	6	170,665	140,991

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2022	31/5 2021
ASSETS			
Fixed assets			
Intangible assets	7		
Completed development projects		1,765	3,263
Acquired intangible assets		4,352	5,661
Development projects in progress		<u>12,933</u>	<u>9,634</u>
		<u>19,050</u>	<u>18,558</u>
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		<u>12,659</u>	<u>5,299</u>
Investments	9		
Equity investments in group entities		<u>15,383</u>	<u>12,604</u>
Total fixed assets		<u>47,092</u>	<u>36,461</u>
Current assets			
Inventories			
Manufactured goods and goods for resale		<u>122,469</u>	<u>73,360</u>
Receivables			
Trade receivables		212,092	139,652
Receivables from group entities	10	19,854	37,392
Other receivables		20,026	7,772
Deferred tax asset	11	896	1,443
Prepayments	12	<u>557</u>	<u>981</u>
		<u>253,425</u>	<u>187,240</u>
Cash at bank and in hand		<u>167,035</u>	<u>178,711</u>
Total current assets		<u>542,929</u>	<u>439,311</u>
TOTAL ASSETS		<u><u>590,021</u></u>	<u><u>475,772</u></u>

Financial statements 1 June – 31 May

Balance sheet

DKK'000	Note	31/5 2022	31/5 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital		4,500	4,500
Reserve for development costs		11,464	12,898
Retained earnings		228,050	292,075
Proposed dividends for the financial year		103,965	0
Total equity		347,979	309,473
Liabilities			
Current liabilities			
Prepayments received from customers		34,870	16,494
Trade payables		111,259	79,778
Payables to group entities		9,450	7
Corporation tax		41,189	37,253
Other payables		45,274	32,767
		242,042	166,299
Total liabilities		242,042	166,299
TOTAL EQUITY AND LIABILITIES		590,021	475,772
Fees to auditor appointed at the general meeting			
	13		
Contractual obligations, contingencies, etc.			
	14		
Collateral and securities			
	15		
Related party disclosures			
	16		

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 2021	4,500	12,898	292,075	0	309,473
Extraordinary dividends paid	0	0	-132,159	0	-132,159
Transfers, reserves	0	-1,434	1,434	0	0
Transferred over the profit appropriation	0	0	66,700	103,965	170,665
Equity at 31 May 2022	4,500	11,464	228,050	103,965	347,979

Financial statements 1 June – 31 May

Notes

1 Accounting policies

The annual report of HAY ApS for 2021/22 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 2020/21 have been incorporated to enhance presentation. The reclassifications have no effect on profit for the year. The financial ratios have been updated 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 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.

Financial statements 1 June – 31 May

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.

Financial statements 1 June – 31 May

Notes

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.

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.

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.

Prepayments

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

Financial statements 1 June – 31 May

Notes

1 Accounting policies (continued)

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.

Dividends

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

Liabilities

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.

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.

Assets in the segment comprise assets used directly in revenue-generating activities.

Segment liabilities comprise liabilities derived from the operations of the segment, including trade payables and other payables.

Financial statements 1 June – 31 May

Notes

2 Segment information

DKK'000	2021/22
Activities - primary segment (revenue)	
Furniture	1,114,081
Accessories	234,361
Lightning	64,833
Other	64,409
	<u>1,477,684</u>
Geographical - secondary segment (revenue)	
Rest of Europe	1,160,136
Rest of world	317,548
	<u>1,477,684</u>

3 Staff costs

DKK'000	2021/22	2020/21
Wages and salaries	95,715	78,389
Pensions	10,962	9,076
Other social security costs	1,054	551
Other staff costs	4,220	1,776
	<u>111,951</u>	<u>89,792</u>
Average number of full-time employees	<u>191</u>	<u>171</u>

For 2021/22, 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.

In 2020/21, staff costs include remuneration of the Company's Board of Directors and Executive Board of a total DKK 1,680 thousand, incl. DKK 0 thousand related to pension.

4 Financial income

DKK'000	2021/22	2020/21
Interest income from group entities	789	1,276
Other financial income	54	788
	<u>843</u>	<u>2,064</u>

Financial statements 1 June – 31 May

Notes

DKK'000	2021/22	2020/21		
5 Tax on profit for the year				
Current tax for the year	47,977	39,747		
Deferred tax for the year	547	-1,141		
Adjustment of tax concerning previous years	16	1,146		
	<u>48,540</u>	<u>39,752</u>		
6 Proposed profit appropriation				
Proposed dividends for the year	103,965	0		
Retained earnings	<u>66,700</u>	<u>140,991</u>		
	<u>170,665</u>	<u>140,991</u>		
7 Intangible assets				
DKK'000	Completed development projects	Acquired patents	Development projects in progress	Total
Cost at 1 June 2021	29,613	11,807	9,634	51,054
Additions for the year	146	188	3,837	4,171
Transfers for the year	<u>538</u>	<u>0</u>	<u>-538</u>	<u>0</u>
Cost at 31 May 2022	<u>30,297</u>	<u>11,995</u>	<u>12,933</u>	<u>55,225</u>
Amortisation and impairment losses at 1 June 2021	-26,350	-6,146	0	-32,496
Amortisation for the year	<u>-2,182</u>	<u>-1,497</u>	<u>0</u>	<u>-3,679</u>
Amortisation and impairment losses at 31 May 2022	<u>-28,532</u>	<u>-7,643</u>	<u>0</u>	<u>-36,175</u>
Carrying amount at 31 May 2022	<u>1,765</u>	<u>4,352</u>	<u>12,933</u>	<u>19,050</u>

Completed development projects

Completed development projects relate to development and test of products, development 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 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.

Financial statements 1 June – 31 May

Notes

8 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 1 June 2021	12,368
Additions for the year	9,952
Disposals for the year	-66
Cost at 31 May 2022	22,254
Depreciation and impairment losses at 1 June 2021	-7,069
Depreciation for the year	-2,592
Reversal of depreciation and impairment losses on assets sold	66
Depreciation and impairment losses at 31 May 2022	-9,595
Carrying amount at 31 May 2022	12,659

Financial statements 1 June – 31 May

Notes

9 Investments

	Equity investments in group entities
DKK'000	
Cost at 1 June 2021	15,340
Additions for the year	3,700
Cost at 31 May 2022	19,040
Write-down at 1 June 2021	-2,736
Revaluations for the year, net	-921
Write-down 31 May 2022	-3,657
Carrying amount at 31 May 2022	15,383

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	3,416	1,492
HAY International UK Ltd. (**)	London, UK	100	3,094	3,200
Anpartsselskabet af 5.12 2018 (**)	Horsens, Denmark	100	4,930	-43
HAR AS (*) (**)	Oslo, Norway	100	3,431	1,360
Anpartsselskabet af 6.9 2019 (**)	Horsens, Denmark	100	1,777	-348
HAY International DE GmbH (*) (**)	München, Germany	100	8,051	7,924
HAY International CH GmbH (*) (**)	Zürich, Switzerland	100	-421	-759
HAY International NL b.v. (*) (**)	Amsterdam, The Netherlands	100	2,552	2,313
HAY International BE b.v.b.a. (*) (**)	Zaventem, Belgium	100	2,926	2,554
HAY International Trading ES S.L. (*)	Madrid, Spain	100	496	91
HAY International IT S.R.L. (*)	Milano, Italy	100	211	-97
			30,463	17,687

(*) Indirect ownership.

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

Financial statements 1 June – 31 May

Notes

10 Receivables from group entities

Receivables from group entities comprise DKK 19,854 thousand of which DKK 7,468 thousand are due 12 months after the balance sheet date.

11 Deferred tax asset

DKK'000	31/5 2022	31/5 2021
Deferred tax assets, beginning of the year	1,443	302
Adjustment for the year	-547	1,141
	<u>896</u>	<u>1,443</u>

Deferred tax includes temporary differences that will be settled within a relatively limited number of years.

12 Prepayments

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

13 Fees to auditor appointed at the general meeting

DKK'000	2021/22	2020/21
Statutory audit	325	380
Other services	35	6
	<u>360</u>	<u>386</u>

14 Contractual obligations, contingencies, etc.

Operating lease obligations

The Company has entered into operating leases with a total lease obligation of DKK 9,235 thousand at 31 May 2022 (31 May 2021: DKK 15,564 thousand).

Danish joint-taxation scheme

The Company is jointly taxed with other Danish companies in the MillerKnoll Group, in which Knoll Denmark ApS is the administration company. HAY ApS is a wholly-owned subsidiary, 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.

Financial statements 1 June – 31 May

Notes

15 Collateral and securities

As collateral for the lease of premises by the Company, bank guarantees of DKK 3,725 thousand have been issued as of 31 May 2022 (31 May 2021: DKK 873 thousand).

As collateral for lease agreements entered in subsidiaries, the Company has issued guarantees of DKK 8,175 thousand as of 31 May 2022.

16 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

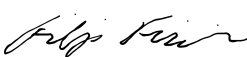


DKK'000	2021/22
Sale of goods to group entities	23,261
Purchase of goods from group entities	15,843
Sale of services to group entities	20,940
Purchase of services from group entities	74,114
Extraordinary dividends paid to shareholders	132,159

Remuneration to the Company's Executive Board and Board of Directors is disclosed in note 3.

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.

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