MUUTO A/S
Østergade 36 - 38, 4.
1100 København K
Business Registration No
28683944

Annual report 2018

The Annual General Meeting adopted the annual report on 08.05.2019

Chairman of the General Meeting

Name: Michael Adam Pollner

Contents

Entity details

Entity
MUUTO A/S
Østergade 36 - 38, 4.
1100 København K

Central Business Registration No (CVR): 28683944
Registered in: København
Financial year: 01.01.2018 - 31.12.2018

Board of Directors
Charles Wesley Rayfield
Antonella Serrao
Michael Adam Pollner

Executive Board
Anders Cleemann, CEO

Entity auditors
Ernst & Young Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
P.O. Box 250
2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of MUUTO A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Copenhagen, 08.05.2019

Executive Board

Anders Cleemann
CEO

Board of Directors

Charles Wesley Rayfield	Antonella Serrao	Michael Adam Pollner

Independent auditor's report

To the shareholder of MUUTO A/S

Opinion

We have audited the financial statements of MUUTO A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with

Independent auditor's report

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 08.05.2019

Ernst & Young

Godkendt Revisionspartnerselskab
Central Business Registration No (CVR) 30700228

Lars Hansen
State Authorised Public Accountant
mne24828

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	569.672	467.303	0	0	0
Gross profit/loss	225.325	197.896	132.271	0	0
EBITDA	121.028	128.030	77.738	53.226	42.447
Operating profit/loss	101.262	123.595	74.328	50.949	42.136
Net financials	6.017	(3.854)	(603)	(435)	(4.032)
Profit/loss for the year	77.902	92.890	57.128	38.678	28.620
Total assets	545.088	173.762	141.369	106.697	80.593
Investments in property, plant and equipment	7.513	3.427	3.416	3.811	3.444
Equity	248.846	83.866	72.977	50.521	45.143
Ratios					
Return on equity (%)	46,8	118,4	92,5	80,9	70,5
Equity ratio (%)	45,7	48,3	51,6	47,3	56,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities
The primary activities of the Company comprise production, trade, and services as well as related activities.

Description of material changes in activities and finances
The Company has merged as of 25 May 2018 with the parent companies Muuto Holding ApS and MIE4 Holding5 ApS with Muuto A/S as continuing entity. Comparatives have not been restated in accordance with pooling of interests method and book value method. The merger has been incorporated in the annual report with accounting effect from 1 January 2018

There are no other material changes in Company activities in 2018.

Development in activities and finances
In previous years, MUUTO A/S has gained a strong market position which provides the opportunity for a further expansion on many key focus areas such as accessories, lamps and furniture. Management thus expects a further expansion for these key focus areas.

Profit/loss for the year in relation to expected developments
EBITDA has decreased from DKK 128.0m in 2017 to DKK 121.0m in 2018 corresponding to an decrease in EBITDA of DKK 7.0m.

EBITDA for 2018 is affected by one-off transaction related expenses of 21,1m DKK. Adjusted for this one-off expense the EBITDA% for 2018 is 25,0%. In addition, 2018 was affected by incremental expenses to improve the infrastructure in order to prepare the Company for expected growth in North America due to the new ownership.

Profit after tax for 2018 of DKK 77.9m constitutes a decrease of DKK 15.0m compared to 2017.

According to Management the results are satisfactory.

Uncertainty relating to recognition and measurement
There is no significant uncertainty to recognition and measurement.

Unusual circumstances affecting recognition and measurement
In the financial statements for 2017, a transaction related bonus was expensed. Management has changed the assessment of the main assumptions for recognizing this expense and concluded it should be expensed over the retention period instead.

The Company has corrected the comparison figures for Staff costs for 2017 and retained earnings as of 1 January 2018 by an amount of DKK 22,675 thousand and recognizes the bonus over the retention period. The effect on Staff cost for 2018 is an increase of DKK 21,122 thousand.

There is no other occurrence of unusual circumstances, affecting recognition and measurement.

Management commentary

Outlook
A cautious assessment has been made of market conditions for 2019, and double digit growth in revenue and results is expected.

Particular risks
Risks related to receivables, creditors, supply and currency are considered normal. The Company works on a current basis to reduce such risks.

Intellectual capital resources
MUUTO A/S is based on knowledge and expertise within its key focus areas that are subject to further development on an ongoing basis.

Staff
MUUTO A/S has established internal guidelines for development and staff retention.

Environmental performance
MUUTO A/S constantly seeks to reduce its cost of goods sold as well as packaging for the benefit of the environment.

Research and development activities
The Company has no research activities as the products are developed and designed in collaboration with external partners.

Group relations
The Company is wholly owned by Knoll Inc. which prepares the consolidated financial statements.

Statutory report on corporate social responsibility
MUUTO A/S complies with all legal requirements in terms of social responsibility, environmental and climate considerations, human rights and combat against corruption. Due to the size and limited resources of the organisation, the Company has not prepared separate CSR policies and thus, involvement in corporate social responsibilities is not reported separately in the management commentary.

Statutory report on the underrepresented gender
It is the policy of the Group to secure the best professional competence possible at all levels of the Group. The share of women at the Board of Directors of MUUTO A/S constitutes 33.3%, corresponding to one out of three board members. Based on the specific assessment of the Company's situation, including the competences to be present at the Board of Directors, the target is to keep the minimum share of women at the Board of Directors at 33.3% in 2020. This is considered an achievable and ambitious target figure.

The gender composition objective for other categories of employees is considered fulfilled when at least 25-50% of each staff group are represented.

Management commentary

The members of Management are solely appointed based on their qualifications and not based on their gender. By doing so, equal opportunities for both genders are secured provided that the candidates applying for the management positions possess the professional skills required. Through its recruiting activities, Muuto will ensure that both genders are represented in the selection of candidates. All employments will still be made based on an overall assessment of who is best suited for the job.

Gender distribution for 2018 has been as follows:

Total employees, 76 men, 81 woman (2017: 61 men, 61 woman)

Management group, 83% men / 17% women (2017: 71% men / 29% women)

Board of directors, 66,6% men / 33,3% women (2017: 66,6% men / 33,3% women)

The objective has been fulfilled in most areas.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	Notes	2018 DKK	2017 DKK
Revenue	2	569.671.779	467.303.290
Cost of sales		(261.512.660)	(204.749.660)
Other external expenses	3	(82.834.132)	(64.657.621)
Gross profit/loss		**225.324.987**	**197.896.009**
Staff costs	4	(104.297.265)	(69.866.367)
Depreciation, amortisation and impairment losses		(19.765.344)	(4.434.504)
Operating profit/loss		**101.262.378**	**123.595.138**
Income from investments in group enterprises		5.142.605	2.708.570
Other financial income		4.895.176	193.378
Other financial expenses		(4.020.411)	(6.755.759)
Profit/loss before tax		**107.279.748**	**119.741.327**
Tax on profit/loss for the year	5	(29.377.438)	(26.851.788)
Profit/loss for the year	6	**77.902.310**	**92.889.539**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Completed development projects		243.598	261.799
Acquired intangible assets		6.323.851	4.910.497
Goodwill		221.742.426	0
Intangible assets	7	**228.309.875**	**5.172.296**
Other fixtures and fittings, tools and equipment		10.968.197	6.685.741
Leasehold improvements		509.667	1.158.744
Property, plant and equipment	8	**11.477.864**	**7.844.485**
Investments in group enterprises		8.064.594	2.921.989
Deposits		2.210.135	1.796.881
Fixed asset investments	9	**10.274.729**	**4.718.870**
Fixed assets		**250.062.468**	**17.735.651**
Manufactured goods and goods for resale		70.037.881	50.735.442
Prepayments for goods		1.136.567	1.558.517
Inventories		**71.174.448**	**52.293.959**
Trade receivables		74.724.175	66.227.536
Receivables from group enterprises		137.067.532	5.575.884
Deferred tax	10	328.027	287.000
Other receivables		1.941.156	1.937.062
Prepayments	11	3.208.303	2.714.977
Receivables		**217.269.193**	**76.742.459**
Cash	12	**6.582.350**	**26.989.683**
Current assets		**295.025.991**	**156.026.101**
Assets		**545.088.459**	**173.761.752**

Balance sheet at 31.12.2018

	Notes	2018 DKK	2017 DKK
Contributed capital	13	525.762	525.762
Reserve for net revaluation according to the equity method		8.056.567	2.913.962
Reserve for development expenditure		190.007	204.203
Retained earnings		240.073.573	80.222.433
Equity		**248.845.909**	**83.866.360**
Other provisions	14	4.500.000	3.708.582
Provisions		**4.500.000**	**3.708.582**
Bank loans		121.972.332	0
Non-current liabilities other than provisions	15	**121.972.332**	**0**
Current portion of long-term liabilities other than provisions	15	30.516.018	0
Prepayments received from customers		1.155.565	1.695.255
Trade payables		64.917.111	40.850.610
Payables to group enterprises		7.946.050	0
Income tax payable		28.056.655	23.839.129
Other payables		33.788.819	14.074.219
Deferred income	16	3.390.000	5.727.597
Current liabilities other than provisions		**169.770.218**	**86.186.810**
Liabilities other than provisions		**291.742.550**	**86.186.810**
Equity and liabilities		**545.088.459**	**173.761.752**

Events after the balance sheet date	1
Unrecognised rental and lease commitments	18
Contingent liabilities	19
Related parties with controlling interest	20
Transactions with related parties	21
Group relations	22

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK
Equity beginning of year	525.762	2.913.962	204.203
Change of bonus recognition	0	0	0
Adjusted equity, beginning of year	**525.762**	**2.913.962**	**204.203**
Effect of mergers and business combinations	0	0	0
Extraordinary dividend paid	0	0	0
Other entries on equity	0	0	0
Transfer to reserves	0	0	(14.196)
Profit/loss for the year	0	5.142.605	0
Equity end of year	**525.762**	**8.056.567**	**190.007**

	Retained earnings DKK	Total DKK
Equity beginning of year	57.547.433	61.191.360
Change of bonus recognition	22.675.000	22.675.000
Adjusted equity, beginning of year	**80.222.433**	**83.866.360**
Effect of mergers and business combinations	240.891.671	240.891.671
Extraordinary dividend paid	(160.000.000)	(160.000.000)
Other entries on equity	6.185.568	6.185.568
Transfer to reserves	14.196	0
Profit/loss for the year	72.759.705	77.902.310
Equity end of year	**240.073.573**	**248.845.909**

Cash flow statement for 2018

	Notes	2018 DKK	2017 DKK
Operating profit/loss		101.262.378	123.595.138
Amortisation, depreciation and impairment losses		19.765.344	4.434.504
Other provisions		791.418	(330.660)
Working capital changes	17	(110.169.687)	(17.273.557)
Cash flow from ordinary operating activities		**11.649.453**	**110.425.425**
Financial income received		4.895.176	193.378
Financial income paid		(4.419.124)	(6.755.759)
Income taxes refunded/(paid)		(25.926.607)	(17.829.834)
Cash flows from operating activities		**(13.801.102)**	**86.033.210**
Acquisition etc of intangible assets		(3.095.414)	(3.117.652)
Acquisition etc of property, plant and equipment		(7.513.777)	(3.427.018)
Sale of property, plant and equipment		0	58.147
Acquisition of fixed asset investments		(413.345)	(304.825)
Sale of fixed asset investments		0	9.509
Cash flows from investing activities		**(11.022.536)**	**(6.781.839)**
Loans raised		152.488.349	0
Dividend paid		(160.000.000)	(82.000.000)
Proceed from warrants		6.185.568	0
Cash from merger		5.742.388	0
Cash flows from financing activities		**4.416.305**	**(82.000.000)**
Increase/decrease in cash and cash equivalents		**(20.407.333)**	**(2.748.629)**
Cash and cash equivalents beginning of year		26.989.683	29.738.312
Cash and cash equivalents end of year		**6.582.350**	**26.989.683**

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2018 DKK	2017 DKK
2. Revenue		
Revenue by geographical market		
Denmark	35.482.217	35.038.809
Other EU countries	288.301.769	248.022.711
Other european countries	45.152.242	43.266.366
North America	154.319.152	103.313.719
Other countries	46.416.399	37.661.685
	569.671.779	**467.303.290**
Revenue by activity		
Furnitures, lighting, accessories	569.671.779	467.303.290
	569.671.779	**467.303.290**

	2018 DKK	2017 DKK
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	650.000	568.750
Other assurance engagements	0	131.250
Tax services	0	33.997
Other services	0	193.555
	650.000	**927.552**

	2018 DKK	2017 DKK
4. Staff costs		
Wages and salaries	93.450.920	60.936.291
Pension costs	3.471.338	3.168.047
Other social security costs	4.001.289	3.249.122
Other staff costs	3.373.718	2.512.907
	104.297.265	**69.866.367**
Average number of employees	**139**	**115**

Notes

Special incentive programmes

In accordance with section 98 (b) subsection 3.1 of the Danish Financial Statements Act the total amount for management categories is stated in 2017. For 2018 remuneration to the Executive Board has not been disclosed.

Management participated in a warrant program which has been settled in 2018 in connection with the sale of Muuto Holding ApS.

	2018 DKK	2017 DKK
5. Tax on profit/loss for the year		
Current tax	30.351.970	26.912.358
Change in deferred tax	(41.027)	(153.125)
Adjustment concerning previous years	(933.505)	92.555
	29.377.438	**26.851.788**

	2018 DKK	2017 DKK
6. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	160.000.000	0
Retained earnings	(82.097.690)	92.889.539
	77.902.310	**92.889.539**

Notes

	Completed develop-ment projects DKK	Acquired intangible assets DKK	Goodwill DKK
7. Intangible assets			
Cost beginning of year	280.000	7.126.654	0
Addition through business combinations etc	0	0	235.934.000
Additions	0	3.095.414	0
Disposals	0	(5.889)	0
Cost end of year	**280.000**	**10.216.179**	**235.934.000**
Amortisation and impairment losses beginning of year	(18.201)	(2.216.157)	0
Amortisation for the year	(18.201)	(1.676.171)	(14.191.574)
Amortisation and impairment losses end of year	**(36.402)**	**(3.892.328)**	**(14.191.574)**
Carrying amount end of year	**243.598**	**6.323.851**	**221.742.426**

Development projects comprise projects with the purpose of supporting Muuto's business. The capitalised project, which is completed and in use in this financial year, is an interior design concept to be presented in shops.

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
8. Property, plant and equipment		
Cost beginning of year	15.242.939	3.019.231
Additions	7.483.797	28.980
Disposals	(347.305)	0
Cost end of year	**22.379.431**	**3.048.211**
Depreciation and impairment losses beginning of year	(8.557.198)	(1.860.487)
Depreciation for the year	(2.854.036)	(678.057)
Depreciation and impairment losses end of year	**(11.411.234)**	**(2.538.544)**
Carrying amount end of year	**10.968.197**	**509.667**

Notes

	Investments in group enterprises DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	8.027	1.796.781
Additions	0	413.354
Cost end of year	**8.027**	**2.210.135**
Revaluations beginning of year	2.913.962	0
Share of profit/loss for the year	5.142.605	0
Revaluations end of year	**8.056.567**	**0**
Carrying amount end of year	**8.064.594**	**2.210.135**

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
Muuto Inc.	New York, US	Inc.	100,0

	2018 DKK
10. Deferred tax	
Changes during the year	
Beginning of year	287.000
Recognised in the income statement	41.027
End of year	**328.027**

Deferred tax relates to time differences on fixed assets and receivables.

11. Prepayments

Prepayments comprise expenses held related to subsequent financial year.

12. Cash

Cash comprises a group cash pool arrangement between the Group’s main bank connections and Knoll Inc. The cash is available for daily operations according to the Group’s instructions.

Notes

	Number	Nominal value DKK
13. Contributed capital		
A shares	367.292	367.292
B shares	158.470	158.470
	525.762	**525.762**

14. Other provisions

Other provisions contains warranty commitments for goods sold.

	Due within 12 months 2018 DKK	Due after more than 12 months 2018 DKK
15. Liabilities other than provisions		
Bank loans	30.516.018	121.972.332
	30.516.018	**121.972.332**

16. Deferred income

Deferred income comprises of income received for recognition in subsequent financial years.

	2018 DKK	2017 DKK
17. Change in working capital		
Increase/decrease in inventories	(18.880.489)	(4.353.908)
Increase/decrease in receivables	(140.139.063)	(23.549.800)
Increase/decrease in trade payables etc	48.849.865	11.397.499
Other changes	0	(767.348)
	(110.169.687)	**(17.273.557)**

	2018 DKK	2017 DKK
18. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**19.006.387**	**12.252.870**

Notes

	2018 DKK	2017 DKK
19. Contingent liabilities		
Recourse and non-recourse guarantee commitments	0	15.000.000
Contingent liabilities in total	**0**	**15.000.000**

The Entity participates in a Danish joint taxation arrangements, from 25.01.2018 in which Knoll Denmark ApS has served as the administration company.
In the former joint taxation with Muuto Holding ApS as administration company, according to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2014 for income taxes etc for the jointly taxed entities, and from 1 July 2014 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

20. Related parties with controlling interest
Knoll Denmark ApS, Denmark, owns all the shares in the Company and thus has controlling interest.

	Parent DKK
21. Transactions with related parties	
Sales of goods	280.408
Purchase of goods	0
Receivables	59.173.198
Liabilities other than provisions	434.400

No related party transactions have been made on a non-arm's length basis.

22. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Knoll Inc., Pennsylvania, USA

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these financial statements are consistent with those applied last year, except for below comment of non-comparability.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Non-comparability

The Company has merged as of 25 May 2018 with the parent companies Muuto Holding ApS and MIE4 Holding5 ApS with Muuto A/S as continuing entity. Comparatives have not been restated in accordance with pooling of interests method and book value method. The merger has been incorporated in the annual report with accounting effect from 1 January 2018.

In the financial statements for 2017, a transaction related bonus was expensed. Management has changed the assessment of the main assumptions for recognizing this expense and concluded it should be expensed over the retention period instead.

The Company has corrected the comparison figures for Staff costs for 2017 and retained earnings as of 1 January 2018 by an amount of DKK 22,675 thousand and recognizes the bonus over the retention period. The effect on Staff cost for 2018 is an increase of DKK 21,122 thousand.

In the Key figures section, revenue for the period 2014-2016 are not included, as revenue in prior years has been shown aggregated under Gross Profit.

Certain prior period figures have been reclassified for presentation purposes.

Changes in accounting policies

Business combinations

At mergers, the restructuring is treated as a pooling of interest in accordance with the pooling-of-interests method, as the entities are governed by the same Parent after the merger. As a consequence of the reverse vertical merger, the value added (Goodwill) of the discontinuing entity is passed on to the continuing entity. Comparative figures are not restated in accordance with the book value method

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Accounting policies

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Accounting policies

Income statement

Revenue

The company uses IAS 11/IAS 18 as interpretation for the recognition of revenue.

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income including interest income on receivables from trade receivables, net capital gains on transactions in foreign currencies and other financial income.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on payables and transactions in foreign currencies.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Danish parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation period used is 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise software and related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are five years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Rights are amortised on a straight-line basis using the estimated useful lives of the asset. The amortisation period is five years, but no more than the remaining life for the rights in question.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

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

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	3 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0, and any receivables from these enterprises are written down by the Parent's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprises.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories
Inventories are measured at average acquisition cost. If the net realisable value is lower than cost, inventories are written down to the lower value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Accounting policies

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, and returns etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.