Muuto A/S

Østergade 36-38, 4.
1100 Copenhagen K
CVR No. 28683944

Annual report 2019

The Annual General Meeting adopted the annual report on 30.06.2020

Michael Adam Pollner
Chairman of the General Meeting

Contents

Entity details

Entity

Muuto A/S

Østergade 36-38, 4.

1100 Copenhagen K

CVR No.: 28683944

Registered office: Copenhagen

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Charles Wesley Rayfield

Antonella Serrao

Michael Adam Pollner

Executive Board

Anders Cleemann, CEO

Auditors

Ernst & Young Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg
CVR No.: 30700228

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Muuto A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 30.06.2020

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 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Indepencence
We are indepent of the Company in accordance with the International Ethics Standards Board for Accountants´Code of Ethics for Professional Accountants (IESBA Code) and additional 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 have obtained is sufficient and appropriate to provide a basis for our opnion

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.

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.

- 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 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, 30.06.2020

Ernst & Young
CVR No. 30700228

Christian Schwenn Johansen
State Authorised Public Accountant
Identification No (MNE) mne33234

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Revenue	713,413	569,672	467,303	0	0
Gross profit/loss	283,635	225,325	197,896	132,271	0
EBITDA	169,579	121,028	128,030	77,738	53,226
Operating profit/loss	147,284	101,262	123,595	74,328	50,949
Net financials	(3,183)	6,017	(3,854)	(603)	(435)
Profit/loss for the year	116,765	77,902	92,890	57,128	38,678
Total assets	667,133	546,561	173,751	141,179	106,697
Investments in property, plant and equipment	28,977	7,513	3,427	3,416	3,811
Equity	286,481	248,846	83,866	72,977	50,521
Ratios					
Return on equity (%)	43.62	46.83	118.45	92.52	80.9
Equity ratio (%)	42.94	45.53	48.27	51.69	47.35

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark. The comparatives figures for 2015-2018 have not been restated following the adoption of IFRS 16 Leases and IFRS 15 Revenue from contracts with customers on January 1, 2019 by use of the modified restrospective approach and are as such not directly comparable.

Return on equity (%):
<u>Profit/loss for the year * 100</u>
Average equity

Equity ratio (%):
<u>Equity * 100</u>
Total assets

Primary activities
The primary activities of the Company compries production, trade and service as well as related activities.

Description of material changes in activities and finances
There are no material changes in Company activities in 2019 besides the implementation of IFRS 16 and 15, referred hereto in the accounting policies.

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, lighting 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 changed from DKK 121.0m in 2018 to DKK 170.0m in 2019 corresponding to a change in EBITDA of DKK 49.0m, which is a growth of 40,4 %.

Profit after tax for 2019 of DKK 116.7m constitutes a change of DKK 38.8m compared to 2018.

The consolidated revenue for Muuto Group is DKK 736,7m in 2019 and DKK 550,7m in 2018, which is a growth of 33,8% compared to last year.

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

Outlook
Due to the world-wide development of the Covid-19 situation, we are not able to provide financial expectations to our financial performance for 2020.

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.

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

Human Rights

Policy: Muuto A/S acknowledges its social responsibility, not only in relation to its own employees but also in relation to the employees of its suppliers. Muuto A/S supports and respect the internationally recognized human rights conventions, as stipulated in the United Nation's declaration of human rights along with the conventions of the International Labor Organization (ILO).

Risks, actions and results: Muuto A/S' main risk in relation to potential violation of human rights is found in its supply chain, where the company demands from all of its external suppliers that they abide by the internationally recognized human rights conventions, as stipulated in the United Nation's declaration of human rights along with the conventions of the International Labor Organization (ILO).

To minimize the risks, Muuto A/S regularly performs supplier visits. In 2019, Muuto has not identified any violations of human rights in its supply chain.

Environmental and climate-related matters

Policy: Muuto A/S continuously works to ease the impact of our operations on the environment and climate across our entire organization. Muuto A/S is currently updating a CSR strategy that is expected to be finalized during 2020. The strategy will act as foundational layer and point of origin for our CSR ambitions throughout the coming years. Being a design brand, part of this emphasis is to create products with a long lifespan in their quality and aesthetic, allowing for them to be used for many years into the future rather than ending in a landfill after a few years. Adding to that, our Scandinavian heritage prompts us to use innovative materials to the utmost degree, meaning that we are continuously looking for environmentally friendly materials to implement into our existing and future products.

Risks, actions and results: Muuto A/S see the issues with quality as its greatest risk, since quality issues will have negative impact on financial results, the environment and climate. To avoid that risk, products are tested to the highest of industry standards and these tests are performed on a continuous basis resulting in a low claim percentage which has positive impacts on both the environment and climate. Adding to that, most of our furniture has also undergone VOC testing, ensuring that the level of volatile organic compounds within each product falls within acceptable thresholds to promote healthy indoor environments.

Social & Labor Conditions

Policy: Muuto A/S strives to create healthy work conditions and continuously develop the employees within the company. Muuto A/S' goal is to attract and maintain skillful and talented employees who are result-oriented with the right mindset and possess an understanding of the organization's values. Muuto strives to ensure gender equality across its operations and currently has 51% female and 49% male employees.

Risks, actions and results: Muuto's development and growth is dependent on well-educated and skillful employees. For this reason, Muuto A/S perceives a potential shortfall of skilled labor as a risk. For this reason, the continuous growth of employees is a priority within the company. Adding to that, Muuto A/S always strives to recruit from within when working to fill an open position.
In its ambition to prepare for, and facilitate, the future growth of the company, Muuto A/S have increased its total workforce with 28 employees across its departments of Sales, Supply Chain, Design & Product Development, Marketing & PR, Customer Care, Warehouse and IT & Finance.

Anti-corruption

Policy: Under no circumstances does Muuto A/S tolerate any type of corruption and/or bribery.

Risks, actions and results: Muuto A/S has employees in a broad variety of countries across various continents and cultures, posing a risk that some employees as well as the employees of Muuto A/S' suppliers can find themselves in situations related to corruption and/or bribery. Muuto A/S strongly encourages anyone who have suspicions of unethical business methods to report the concern to their nearest manager immediately. This is communicated continuously to our employees. Furthermore, Muuto A/S is part of a corporate group that has a whistleblower hotline. In 2019, no cases were reported to the whistleblower hotline.

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.

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 2019 has been as follows:

Total employees, 49 % men, 51 % woman (2018: 48 % men, 52 % woman)

Management group, 83% men / 17% women (2018: 83% men / 17% women)

Board of directors, 66,6% men / 33,3% women (2018: 66,6% men / 33,3% women)

The objective has been fulfilled in most areas.

Events after the balance sheet date

The Global outbreak for COVID-19 has had a negative impact on the macro-economic outlook. The scale and duration of COVID-19 remains uncertain but could negatively impact the results going forward. Management has concluded that COVID-19 is a non-adjusting event.

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

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Revenue	2	713,412,793	569,671,779
Cost of sales		(338,817,004)	(261,512,660)
Other external expenses	3	(90,960,609)	(82,834,132)
Gross profit/loss		**283,635,180**	**225,324,987**
Staff costs	4	(114,056,544)	(104,297,265)
Depreciation, amortisation and impairment losses		(22,294,436)	(19,765,344)
Operating profit/loss		**147,284,200**	**101,262,378**
Income from investments in group enterprises		11,363,124	5,142,605
Other financial income		22,816,560	4,895,176
Other financial expenses		(30,997,127)	(4,020,411)
Profit/loss before tax		**150,466,757**	**107,279,748**
Tax on profit/loss for the year	5	(33,701,859)	(29,377,438)
Profit/loss for the year	6	**116,764,898**	**77,902,310**

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Completed development projects	8	225,397	243,598
Acquired intangible assets		19,017,964	6,323,851
Goodwill		207,550,852	221,742,426
Intangible assets	7	**226,794,213**	**228,309,875**
Other fixtures and fittings, tools and equipment		29,630,581	10,968,197
Leasehold improvements		5,194,514	509,667
Property, plant and equipment	9	**34,825,095**	**11,477,864**
Investments in group enterprises		19,427,718	8,064,594
Deposits		3,347,783	2,210,135
Other financial assets	10	**22,775,501**	**10,274,729**
Fixed assets		**284,394,809**	**250,062,468**
Manufactured goods and goods for resale		84,487,199	70,037,881
Prepayments for goods		222,612	1,136,567
Inventories		**84,709,811**	**71,174,448**
Trade receivables		67,156,462	74,724,175
Receivables from group enterprises		209,862,665	137,067,532
Deferred tax	11	2,619,136	328,027
Other receivables		3,380,531	3,413,342
Prepayments	12	5,188,749	3,208,303
Receivables		**288,207,543**	**218,741,379**
Cash	13	**9,821,173**	**6,582,350**
Current assets		**382,738,527**	**296,498,177**
Assets		**667,133,336**	**546,560,645**

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	14	525,762	525,762
Reserve for net revaluation according to the equity method		19,419,691	8,056,567
Reserve for development expenditure		175,811	190,007
Retained earnings		133,642,572	240,073,573
Proposed dividend		132,716,800	0
Equity		**286,480,636**	**248,845,909**
Other provisions	15	4,500,000	4,500,000
Provisions		**4,500,000**	**4,500,000**
Bank loans		171,812,892	121,972,332
Finance lease liabilities		8,712,071	0
Payables to group enterprises		15,805,588	0
Other payables		2,184,885	0
Non-current liabilities other than provisions	16	**198,515,436**	**121,972,332**
Current portion of non-current liabilities other than provisions	16	35,900,545	30,516,018
Prepayments received from customers		1,014,409	1,155,565
Trade payables		81,364,947	64,917,111
Payables to group enterprises		5,774,160	7,946,050
Income tax payable		36,923,799	28,056,655
Other payables		14,687,783	35,261,005
Deferred income	17	1,971,621	3,390,000
Current liabilities other than provisions		**177,637,264**	**171,242,404**
Liabilities other than provisions		**376,152,700**	**293,214,736**
Equity and liabilities		**667,133,336**	**546,560,645**
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 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	525,762	8,056,567	190,007	240,073,573	0
Extraordinary dividend paid	0	0	0	(79,539,600)	0
Transfer to reserves	0	0	(14,196)	423,625	0
Profit/loss for the year	0	11,363,124	0	(27,315,026)	132,716,800
Equity end of year	**525,762**	**19,419,691**	**175,811**	**133,642,572**	**132,716,800**

	Total DKK
Equity beginning of year	248,845,909
Extraordinary dividend paid	(79,539,600)
Transfer to reserves	409,429
Profit/loss for the year	116,764,898
Equity end of year	**286,480,636**

Notes

1 Events after the balance sheet date

The Global outbreak for COVID-19 has had a negative impact on the macro-economic outlook. The scale and duration of COVID-19 remains uncertain but could negatively impact the results going forward. Management has concluded that COVID-19 is a non-adjusting event.

2 Revenue

	2019 DKK	2018 DKK
Scandinavia	142,227,633	132,885,475
Rest of Europe	300,383,956	236,050,753
Rest of the World	270,801,204	200,735,551
Total revenue by geographical market	**713,412,793**	**569,671,779**
Furnitures, lighting, accessories	713,412,793	569,671,779
Total revenue by activity	**713,412,793**	**569,671,779**

3 Fees to the auditor appointed by the Annual General Meeting

	2019 DKK	2018 DKK
Statutory audit services	1,000,000	650,000
Other services	40,000	0
	1,040,000	**650,000**

4 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	86,370,873	93,450,920
Pension costs	4,548,917	3,471,338
Other social security costs	4,538,498	4,001,289
Other staff costs	18,598,256	3,373,718
	114,056,544	**104,297,265**

Average number of full-time employees	**149**	**139**

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 2018. For 2019 remuneration to the Executive Board has not been disclosed.

Staff costs include expenses for a Stock Based Compensation Program issued by the ultimate parent company, Knoll Inc. The value of the program is based on the fair value of the underlying awards on the granted date and total cost assigned for Muuto A/S in 2019 amounts to DKK 16,061 thousand (in 2018: DKK 0)

5 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	35,992,968	30,351,970
Change in deferred tax	(2,291,109)	(41,027)
Adjustment concerning previous years	0	(933,505)
	33,701,859	**29,377,438**

6 Proposed distribution of profit and loss

	2019 DKK	2018 DKK
Ordinary dividend for the financial year	132,716,800	0
Extraordinary dividend distributed in the financial year	(79,539,600)	(160,000,000)
Retained earnings	63,587,698	237,902,310
	116,764,898	**77,902,310**

7 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Goodwill DKK
Cost beginning of year	280,000	10,216,179	235,934,000
Additions	0	16,161,866	0
Disposals	0	(330,706)	0
Cost end of year	**280,000**	**26,047,339**	**235,934,000**
Amortisation and impairment losses beginning of year	(36,402)	(3,892,328)	(14,191,574)
Amortisation for the year	(18,201)	(3,137,047)	(14,191,574)
Amortisation and impairment losses end of year	**(54,603)**	**(7,029,375)**	**(28,383,148)**
Carrying amount end of year	**225,397**	**19,017,964**	**207,550,852**

8 Development projects

Development projects compries 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.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	22,379,431	3,048,211
Additions	23,076,258	5,900,646
Disposals	(828,837)	(18,443)
Cost end of year	**44,626,852**	**8,930,414**
Depreciation and impairment losses beginning of year	(11,411,234)	(2,538,544)
Depreciation for the year	(3,829,247)	(1,197,356)
Reversal regarding disposals	244,210	0
Depreciation and impairment losses end of year	**(14,996,271)**	**(3,735,900)**
Carrying amount end of year	**29,630,581**	**5,194,514**

In 2019, total carrying amount of property, plant and equipment includes right-of-use assets of DKK 14,2m.

10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	8,027	2,210,135
Additions	0	1,137,648
Cost end of year	**8,027**	**3,347,783**
Revaluations beginning of year	8,056,567	0
Share of profit/loss for the year	11,363,124	0
Revaluations end of year	**19,419,691**	**0**
Carrying amount end of year	**19,427,718**	**3,347,783**

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Muuto Inc.	New York, US	Inc.	100
Muuto Norge	Oslo, NO	NUF	100
Muuto UK Limited	London, UK	Ltd.	100

11 Deferred tax

Changes during the year	2019 DKK
Beginning of year	328,027
Recognised in the income statement	2,291,109
End of year	**2,619,136**

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

Management expects the tax assets to be utilized in the coming years.

12 Prepayments

Prepayments comprise expenses held related to subsequent financial year.

13 Cash

Cash comprises a group cash pool arrangement between the Group´s main bank connections and Knoll Inc. currently presented as receivables from group enterprises.
The cash is available for daily operations according to the Group´s instructions.

14 Share capital

	Number	Nominal value DKK
A shares	367,292	367,292
B shares	158,470	158,470
	525,762	**525,762**

The share capital has remained unchanged for the last 5 years.

15 Other provisions

Other provisions contains warranty commitments for goods sold.

16 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK
Bank loans	30,551,165	30,516,018	171,812,892
Finance lease liabilities	5,349,380	0	8,712,071
Payables to group enterprises	0	0	15,805,588
Other payables	0	0	2,184,885
	35,900,545	**30,516,018**	**198,515,436**

17 Deferred income

Deferred income comprises of income recevied for recognition in subsequent financial year.

18 Unrecognised rental and lease commitments

	2019 DKK	2018 DKK
Liabilities under rental or lease agreements until maturity in total	**0**	**19,006,387**

19 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement 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 Coporation Tax Act, the Entity is therefore liable form the financial year 2014 for income taxes etc for the jointly 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 statement.

20 Related parties with controlling interest

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

Ultimate Parent:
Knoll, Inc
1235 Water Street
East Greenville, PA 18041
USA

21 Transactions with related parties

	Parent DKK
Sales of goods	2,279,869
Receivables	173,344,376
Liabilities other than provisions	(17,082,475)

No related party trasactions 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 largest 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.

Consolidated financial statements

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

The company is included in the consolidated financial statements of Knoll Inc., Pennsylvania, USA, which can be found at the following link: https://knoll.gcs-web.com/annual-reports

Non-comparability

In the Key figures section, revenue for the period 2015-2016 are not included, as revenue in prior years has been shown aggregated under Gross Profit.

No cash flow statement is prepared for the Company, as its cash flows are included in the consolidated cash flow statement of Knoll Inc.

A number of balance sheet figures have been reclassified for presentation purposes.

Changes in accounting policies

The accounting policies adopted in the preparation of the annual report are consistent with those followed in the preparation of Muuto A/S' annual report for the year ended 31 December 2019, except for the adoption of IFRS 16 'Leases' and IFRS 15 'Revenue from Contracts with Customers' as interpretation for recognition and measurement of leases and revenue under the Danish Financial Statements Act. The effect of these changes is disclosed below.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Adoption of IFRS 15 as interpretation for revenue recognition

Consistent with the Group Accounting Policies, Muuto A/S has chosen to apply IFRS 15 'Revenue from contracts with customers' as interpretation for the recognition and measurement of revenue.

The Company will apply the five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Muuto A/S has adopted IFRS 15 as interpretation for revenue recognition at 1 January, 2019, using the modified retrospective method.

Under IFRS 15, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that Muuto A/S determines are within the scope of IFRS 15, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Muuto A/S only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, Muuto A/S assesses the goods or services promised within each contract and identify, as a performance obligation, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

There is no significant effect from the implementation of IFRS 15 as interpretation for the recognition and measurement of revenue under the Danish Financial Statements Act.

Adoption of IFRS 16 as interpretation for recognition and measurement of leases
Consistent with the Group Accounting Policies, Muuto A/S has chosen to apply IFRS 16 'Leases' as interpretation for the recognition and me asurement of leases, using the modified retrospective method. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group. On 1 January, 2019, Muuto A/S adopted IFRS 16 using the modified retrospective method. Under this method, the Company recorded right-of-use assets with an offsetting increase to the lease liabilities based on the present value of the remaining lease payments in the amount of DKK 4,427 thousand, for all leases with an initial term of greater than twelve months regardless of their classification as of 1 January, 2019. As at 31 December 2019, Muuto A/S has recognized right-of-use assets and lease liabilities based on the present value of the remaining lease payments in the amount of DKK 14,150 thousand previously classified as an operating lease using a weighted average incremental borrowing rate of 1.46%. Since the application of IFRS 16, Muuto A/S has recognized finance expense on the lease liability and depreciation expense on the right-of-use asset. The Company has elected to adopt the package of transition practical expedients allowed under IFRS 16 at the first time implementation and adopted utilizing the optional transition method defined within IFRS 16 on 1 January 2019 and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized.The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

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.

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.

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.

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.

Income statement

Revenue

The Company uses IFRS 15 as interpreation 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 control 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 goods consumed in 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, and 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 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,

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 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 fair value of assets and liabilities arising from acquisitions. 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 has been 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 less deferred tax 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 sepcific 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 amor-tised 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.

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.

From 1 January 2019, the Company accounts for leases in accordance with IFRS 16 Leases. The Company determines if an arrangement is a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (1) there is an identified asset in the contract that is land or a depreciable asset (i.e., property, plant, and equipment), and (2) the customer has the right to control the use of the identified asset. The Company determines whether the contracts are considered an operating or finance lease. The Company does not currently have finance leases.

Operating leases are included in right-of-use (“ROU”) lease assets, current portion lease liability, and lease liabilities on the Balance Sheet when the lease term exceeds one year. The lease liabilities are initially measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how the Company determined (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

(1) IFRS 16 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. As the majority of the Company's leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The Company uses the implicit rate when readily determinable.

(2) The lease term for all of the Company's leases includes the non-cancellable period of the lease plus any additional periods covered by a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise.

(3) Lease payments included in the measurement of the lease liability comprise the following: fixed payments (including in-substance fixed payments), less any lease incentives paid or payable to the lessee, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price of the Company option to purchase the underlying asset if the Company is reasonably certain to exercise.

The ROU asset is initially measured at cost, which comprises the initial measurement of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term and any unamortized initial direct costs. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease payments associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expenses in the Company's Consolidated Statement of Operations and Comprehensive Income in the same line item as expense arising from fixed lease payments for operating leases.
ROU assets for operating leases are subject to the long-lived assets impairment guidance under IAS 36 Impairment of Assets.

The Company monitors for events or changes in circumstances that require a reassessment of a lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

The Company has lease agreements which include lease and non-lease components, which are accounted for separately using a relative stand-alone price basis.

On 1 January 2019 the Company adopted IFRS 16 Leases using a modified retrospective transition method and elected the optional transition method. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (i.e. 1 January 2019). The Company has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

The Company has elected not to recognize ROU assets and lease liabilities for all short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other Company leases.
Additionally, the Company applies the incremental borrowing rate generally based on the transactional currency of the lease and the lease term.

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 unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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 purhase prices plus delivery costs. Costs of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs as well as indirect production costs.

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.

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

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other provisions
Other provisions comprise anticipated costs of returns and warranties.

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

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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 receivable or payable 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
With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the Company, as its cash flows are reflected in the consolidated cash flow statement of the ultimate parent. The consolidated cash flow satement can be found at the following link: https://knoll.gcs-web.com/annual-reports.