

FRITZ HANSEN A/S

ALLERØDVEJ 8 3450 ALLERØD

CENTRAL BUSINESS REGISTRATION NO. 1412 0211

ANNUAL REPORT

FOR 1 JANUARY - 31 DECEMBER 2015

ADOPTED AT THE ANNUAL GENERAL MEETING: 29. APRIL 2016

CHAIRMAN: ANN YOO PORSILD LYNARD



ANNUAL REPORT 2015

REPUBLIC OF **Fritz Hansen**[®]

EST. 1872

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COMPANY DETAILS

Company

Fritz Hansen A/S
Allerødvej 8, 3450 Allerød
Municipality of reg. office: Allerød
Founded: 30/3/1955
Central Business Registration no. 14 12 02 11
Telephone +45 48 17 23 00
Internet: www.fritzhansen.com

Shareholder

Skandinavisk Holding A/S
Sydmarken 42, DK-2860 Søborg

Board of Directors

Jørgen Tandrup, Chairman
Henning Kruse Petersen, Deputy Chairman
Anders Knutsen
Anders Obel
Per-Olav Larsen *
Annette Overgaard *

*) Employee board member

Executive Board

Jacob Holm, Chief Executive Officer
Lars Torp Madsen, Chief Financial Officer
Sofie Lindahl-Jessen, Executive Vice President, Sales & Brand

Company Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Subsidiaries

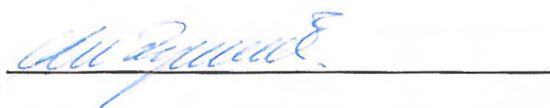
Fritz Hansen Inc., USA
Fritz Hansen Production Sp. z.o.o, Poland
Fritz Hansen Singapore Pte Ltd., Singapore
Fritz Hansen Via Tessa S.r.l., Italy

Branches

Fritz Hansen, Japan

Adopted at the Company's Annual General Meeting on 29 April 2016

Chairman



STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Fritz Hansen A/S for the financial year 1 January - 31 December 2015. The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the Company's and the Group's financial position at 31 December 2015 and of their financial performance and cash flows for 2015.

In our opinion the Management's Review includes a true and fair account of the matters addressed as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Allerød, 29 April 2016.

Executive Board



Jacob Holm
(Chief Executive Officer)

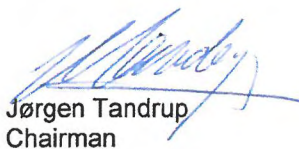


Lars Torp Madsen



Sofie Lindahl-Jessen

Board of Directors



Jørgen Tandrup
Chairman



Henning Kruse Petersen
Deputy Chairman



Anders Obel



Anders Knutsen



Per-Olav Larsen



Annette Overgaard

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Fritz Hansen A/S

Report on Consolidated Financial Statements and Parent Company Financial Statements

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Fritz Hansen A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as consolidated cash flow statement. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Consolidated Financial Statements and the Parent Company Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting es-

timates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Company at 31 December 2015 and of the results of the Group and Company operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

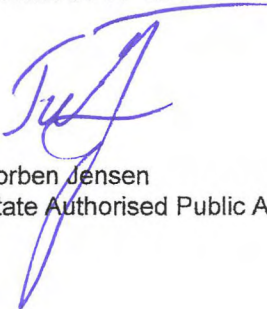
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 29 April 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Cvr.no. 33 77 12 31



Torben Jensen
State Authorised Public Accountant



Annette Skou Thomsen
State Authorised Public Accountant

MANAGEMENT'S REVIEW

Group financial highlights

	2011	2012	2013	2014	2015
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
	_____	_____	_____	_____	_____
Income Statement:					
Revenue	432,861	460,834	467,535	479,828	559,957
EBITDA	55,742	72,577	72,661	70,100	129,391
EBIT	41,427	60,168	62,740	60,008	105,990
Net Financials	-2,737	1,283	-4,919	-4,538	2,148
Profit for the year	28,718	44,087	41,125	42,002	79,452
Balance Sheet:					
Inventories	29,782	25,734	27,488	31,683	42,244
Trade Receivables	36,688	38,272	44,263	46,356	53,147
Equity	199,026	226,577	236,520	220,454	270,691
Balance Sheet Total	316,401	419,548	411,314	381,242	431,433
Investments	5,313	5,382	16,489	30,393	94,490
Average Operating Assets	222,981	211,898	255,765	266,401	237,164
Ratios in %					
Profit Margin	9.6	13.1	13.4	12.5	18.9
Return on Capital Employed	18.6	28.4	24.5	22.5	44.7
Return on Equity	15.3	20.7	17.8	18.4	32.4
Equity Ratio (%)	62.9	54.0	57.5	57.8	62.7
Employees:					
Average number of full-time employees	175	160	167	187	185

Primary Activity

The Company manufactures timeless high-quality designer furniture and lighting that has been developed in co-operation with reputable Danish and international architects and designers.

Development in activities and financial position

Financial development

Profit before tax is DKK 108 million, and exceeded the expectations for the financial year.

The year's cash flows from operating activities are DKK 120 million.

MANAGEMENT'S REVIEW (CONTINUED)

Investments

The Group have besides the normal and ongoing replacement of plant equipment, acquired the Danish lighting company Lightyears A/S which has been merged with Fritz Hansen with effect from the acquisition date.

Capital resources

The Group is self-supporting and a part of the Skandinavisk Holding Group. It is recommended to the Annual General Meeting that dividend of DKK 55 million be distributed.

New products, research and development activities

The Group's development costs in the period totalled DKK 8 million.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would significantly influence the assessment of this Annual Report.

Outlook & Expectations

Growth in revenue and improved financial performance are expected for the coming year.

§99 b statement

In 2013 a policy was adopted to increase the diversity in the Company, including the share of the underrepresented gender, in the Company's general management on all levels. While the target is met on management-level, it's the ambition that 25% of the board of directors shall be women in 2017.

Specific risks

General risks

The Group's primary operating risks relate to the general economic developments as its sale of furniture depends on the financial development of our customers, who are primarily located in Western Europe, Japan and the USA.

MANAGEMENT'S REVIEW (CONTINUED)

Financial risks

As a consequence of its operations, investments and financing, the Group is exposed to changes in the level of interest and exchange rates. The Group pursues a policy under which currency exposure, interest rate exposure and credit risks only arise from commercial affairs and conditions. The Group's application of derivative financial instruments is governed by a written policy adopted by the Board of Directors and by internal business procedures which determine the maximum amounts allowed and what types of derivative financial instruments may be applied.

Currency exposure

The Group's activities are affected by exchange rate fluctuations since revenue is primarily invoiced in foreign currencies whereas costs, including wages and salaries, are primarily incurred in Danish kroner.

The Group's currency exposure is primarily hedged by matching payments received and made in the same currency and by taking up loans in the relevant currencies. It is the Group's exchange rate policy to hedge 80% of estimated currency risks at the beginning of every calendar year.

Interest rate exposure

The Group's positive net interest-bearing debt, which has been calculated as holdings of negotiable securities and cash funds less mortgage debt and bank debt, has decreased from an asset of DKK 17 million to a liability of DKK 11 million in the year. The gross interest bearing debt is raised in GBP, USD and YEN.

Based on the net debt at the end of the financial year, an increase of one percentage point in the general interest level would cause the Group's annual interest expenses before tax to increase by max. DKK 0.1 million. The Group does not hedge the interest rate exposure as it is considered insignificant and, accordingly, not profitable.

Credit risks

Credit risks related to financial assets correspond to the values recognised in the balance sheet. The Group is not exposed to major risk from a single customer or business partner. As a consequence of the Group's credit risk policy, all major customers and other business partners are rated on a current basis.

MANAGEMENT'S REVIEW (CONTINUED)

Intellectual capital resources

It is material for Fritz Hansen A/S' continued growth to attract and retain competent and highly skilled employees holding expertise within furniture design and quality.

Environmental performance

Fritz Hansen A/S is conscious of the environment and makes an ongoing effort to reduce the environmental impact of its operating activities.

CSR mission & ambition

"To show the world how sustainability, quality and exclusive design are all part of the same solution".

We believe that sustainability, quality and design are all equally important. We will strive to make our activities as environmentally and socially sustainable as possible, while maintaining quality and design at the highest level. That's what we call "Sustainable Quality".

Our four Focus Areas:

Long-lasting products:

We want our products to last and be used for the longest time and offer up to 20 years of guarantee.

Reducing toxic chemicals:

We want to reduce gas emission and exposure to toxic chemicals.

Responsible sourcing:

We will prioritise materials that provide a reduced environmental impact from responsible suppliers who care about their employees and surroundings as much as we do.

Reducing CO₂ emissions:

We will focus on the areas where we can achieve the right balance between our efforts and the impact on the environment.

Read more about CSR and the statutory statement of Corporate Social Responsibility: <http://www.fritzhansen.com/en/fritz-hansen/the-republic/Environment.aspx> (§99a statement under the Danish Financial Statements Act.)

ACCOUNTING POLICIES

The Annual Report of Fritz Hansen A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The Annual Report of Fritz Hansen A/S and its subsidiaries are included in the consolidated financial statements of Skandinavisk Holding A/S, Søborg and the Augustinus Fonden, Copenhagen.

The accounting policies applied for this Annual Report are consistent with those applied last year.

The company have merged with the fully owned subsidiary Lightyears A/S with effect from the acquisition date in 2015.

Change in Danish tax rate

Any changes in deferred future tax due to changes to tax rates are recognised in the income statement.

Generally about Recognition and Measurement

Income is recognised in the income statement when earned. Costs incurred to earn revenues for the year, including amortisation, depreciation, impairment and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement, are also recognised.

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 Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Group 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 Group, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Gains, losses and risks 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.

Consolidated Financial Statements

The Consolidated Financial Statements comprise Fritz Hansen A/S (Parent Company), and subsidiaries, cf. overview on page 1.

Control is achieved by the Parent Company, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

ACCOUNTING POLICIES (CONTINUED)

Consolidation Policies

The Consolidated Financial Statements are prepared on the basis of the Financial Statements of Fritz Hansen A/S and its subsidiaries. The Consolidated Financial Statements are prepared by combining uniform items.

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange differences that arise between the rate at the transaction date and that in effect at the payment date as well as exchange adjustments of accounts denominated in foreign currencies using the balance sheet date exchange rate are recognised as financial income or expenses.

The foreign subsidiaries' income statements are translated into Danish kroner at average exchange rates. Balance sheet items are translated using the exchange rates at the balance sheet date.

Exchange differences arising on the translation of the subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and on the exchange adjustment of the income statement from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Derivative financial instruments

Forward exchange contracts, which primarily consist of raising loans in foreign currencies, entered into to hedge future revenues and expenses are measured at fair value at the balance sheet date, and value adjustments are recognised directly in equity. Income and expenses regarding such hedging transactions are transferred from equity upon realisation and recognised under the same financial statements item as the hedged amount.

Revenue

Revenue from invoiced sales is recognised in the income statement if delivery to the buyer has taken place before the end of the financial year and if revenue can be stated reliably and expected received. Revenue is recognised net of VAT and duties.

Income taxes and deferred tax

The Parent Company is jointly taxed with Chr. Augustinus Fabrikkers Aktieselskab and a number of other group enterprises.

Calculated tax on the profit for the year, which comprises current tax and change in deferred tax, is recognised in the income statement calculated under the liability method.

Deferred tax is provided for at 22% on the difference between carrying amount and tax base.

ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets are measured at cost net of accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the assets' estimated useful life, which is five years for rights. The period of amortisation for rights is determined based on Management's experience in the Company's business areas, and Management considers it to reflect the best estimate of the useful life of rights.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and recoverable amounts. Land is not depreciated.

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

The basis of depreciation is cost with addition of any revaluation and 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, however, no more than the following:

Goodwill	10 years
Rights	5 years
Land and buildings:	
Buildings	33 years
Installations	10 years
Plant and machinery:	
Manufacturing machinery	10 years
Tools	5 years
Other fixtures and fittings, tools and equipment:	
Factory and warehouse equipment	10 years
Office furniture and machinery	5 years
IT equipment and software	3-5 years
Leasehold improvements	5-7 years

Gains and losses on current replacement of property, plant and equipment are recognised in the income statement.

Intangible assets and property, plant and equipment are depreciated to the lower of recoverable amount and carrying amount. Recoverable amount is calculated as the higher of net selling price and capital value.

ACCOUNTING POLICIES (CONTINUED)

Fixed Asset Investments

Investments in the subsidiaries are measured in the Parent Company under the equity method, i.e. the proportionate share of the companies' equity less unrealised intra-group profits.

The proportionate share of the companies' profit/loss after elimination of intra-group profits is recognised in the income statement.

Inventories

Raw materials, consumables and goods for resale are measured at the lower of cost calculated under the FIFO method and net realisable value.

Finished goods and work in progress are measured at the cost of direct materials and labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the expected sales sum less completion costs and expenses necessary to execute the sale and is determined allowing for marketability and obsolescence.

Receivables

Receivables are measured at their estimated realisable value based on an individual assessment. Write-down is made for bad and doubtful debts.

Equity - Dividends

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting. Dividends expected to be distributed for the year are disclosed as a separate equity item.

Financial liabilities other than provisions

Fixed-interest loans, such as mortgage loans and loans at credit institutions, intended to be held to maturity are recognised at the time of contracting the debt at the proceeds received net of transaction expenses. Subsequently, the loans are measured at amortised cost equal to the capitalised value using the effective interest method; the difference between the proceeds and the nominal value (capital loss) is recognised in the income statement over the loan period.

Cash flow statement

The cash flow statement is presented using the indirect method and shows the year's consolidated cash flows from operating, investing and financial activities, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and the end of the financial year.

ACCOUNTING POLICIES (CONTINUED)

Cash flows from operating activities

Cash flows from operating activities are calculated on the basis of earnings before depreciation and amortisation adjusted for changes in working capital, payments relating to financial items as well as income tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with the purchase and sale of property, plant and equipment as well as fixed asset investments. Upon the acquisition and sale of enterprises, cash flows are adjusted for additions to and disposals of assets and liabilities. Cost is stated at acquisition price adjusted for cash and cash equivalents received.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of share capital and related expenses, borrowing, instalments on interest-bearing debt as well as payment of dividends.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term bank debt.

Segment information

Segment information is provided for geographical markets (primary segment). Since the Company has only one business area, no segment information has been provided for the secondary segment. Segment disclosures are stated based on the Company's financial reporting and comply with the applied accounting policies.

Ratios

The ratios have been compiled in accordance with "Recommendation & Ratios" issued by the Danish Society of Financial Analysts.

$$\text{Profit Margin} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Return on Capital Employed (ROCE)} = \frac{\text{Profit from primary activities} \times 100}{\text{Average operating assets}}$$

$$\text{Average Operating Assets} = \text{Operating assets are balance sheet total less cash at bank and in hand and non-interest bearing debt.}$$

$$\text{Equity Ratio} = \frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$

$$\text{Return on Equity} = \frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Parent Company			Group	
2014	2015		2015	2014
DKK'000	DKK'000	Note	DKK'000	DKK'000
438,130	508,340	Revenue	559,957	479,828
146,375	137,926	Raw materials, consumables and purchased goods	179,635	176,157
139,093	158,290	Other external expenses	155,295	140,924
84,486	88,514	Staff costs	95,636	92,682
35	-	Other operating income	-	35
68,211	123,610	Profit before depreciation, amortisation & impairment losses (EBITDA)	129,391	70,100
8,798	18,893	Amortisation, depreciation & impairment losses	23,401	10,092
59,413	104,717	Operating profit/loss (EBIT)	105,990	60,008
-301	-424	Income from investments in subsidiaries after tax	-	-
59,112	104,293	Profit before financial income & expenses	105,990	60,008
684	4,934	Financial income	4,184	402
4,563	1,814	Financial expenses	2,036	4,940
55,233	107,413	Profit before tax	108,138	55,470
13,231	27,961	Tax on profit for the year	28,686	13,468
42,002	79,452	PROFIT FOR THE YEAR	79,452	42,002
Proposed distribution of profit/loss				
30,000	55,000	Proposed dividends		
-980	290	Reserve for net revaluation under the equity method		
12,982	24,162	Retained earnings		
42,002	79,452			

BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
-	76,654	Goodwill	76,654	-
1,197	643	Rights	643	1,197
1,197	77,297	Intangible Assets	77,297	1,197
			9	
78,002	68,811	Land and buildings	96,305	102,925
3,833	6,800	Plant and machinery	34,163	32,694
3,665	4,671	Other fixtures and fittings, tools and equipment	4,703	3,717
4,202	1,763	Property, plant and equipment in progress	4,548	7,980
89,702	82,045	Property, plant and equipment	139,719	147,316
			10	
15,114	14,828	Deferred tax assets	17,582	17,878
1,200	2,468	Deposits	2,929	1,360
2,051	-	Receivables	-	2,051
13,264	13,146	Investments in subsidiaries	-	-
31,629	30,442	Financial Asset Investments	20,511	21,289
122,528	189,784	FIXED ASSETS	237,527	169,802
29,917	39,921	Inventories	42,244	31,683
			12	
46,269	51,027	Trade receivables	53,147	46,356
152,043	108,636	Receivables from group enterprises	53,886	96,139
6,332	16,286	Other receivables	16,472	6,748
2,795	1,513	Prepayments	2,119	2,939
207,439	177,462	Receivables	125,624	152,182
23,002	22,076	Cash at bank and in hand	26,038	27,575
			14	
260,358	239,459	CURRENT ASSETS	193,906	211,440
382,886	429,243	ASSETS	431,433	381,242

BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
22,000	22,000	Share Capital	22,000	22,000
-	290	Revaluation by the equity method	-	-
168,454	193,401	Retained Earnings	193,691	168,454
30,000	55,000	Proposed dividends for the financial year	55,000	30,000
220,454	270,691	EQUITY	270,691	220,454
19,026	15,276	Mortgage debt	15,276	19,026
19,026	15,276	Long-term Liabilities other than Provisions	15,276	19,026
3,769	3,781	Current portion of long-term debt	3,781	3,769
80,931	72,220	Bank debt	72,224	80,957
22,334	20,604	Trade payables	21,048	18,524
-	-	Income tax	-	-
36,372	46,671	Other payables	48,413	38,512
143,406	143,276	Current Liabilities other than Provisions	145,466	141,762
162,432	158,552	LIABILITIES OTHER THAN PROVISIONS	160,742	160,788
382,886	429,243	EQUITY AND LIABILITIES	431,433	381,242
		Currency, interest and credit exposure	15	
		Contingent Liabilities, etc.	16	
		Related Parties	17	

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER

<u>Parent Company</u>	Share capital DKK'000	Revaluation by the equity method DKK'000	Retained earnings DKK'000	Proposed dividends DKK'000	Total DKK'000
Equity at 1 January	22,000	-	168,454	30,000	220,454
Dividends paid	-	-	-	-30,000	-30,000
Profit for the year	-	290	24,162	55,000	79,452
Exchange adjustments, subsidiaries	-	-	655	-	655
Net adjustments, hedging instruments	-	-	130	-	130
Equity at 31 December	22,000	290	193,401	55,000	270,691

<u>Group</u>	Share capital DKK'000	Retained earnings DKK'000	Proposed dividends DKK'000	Total DKK'000
Equity at 1 January	22,000	168,454	30,000	220,454
Dividends paid	-	-	-30,000	-30,000
Profit for the year	-	24,452	55,000	79,452
Exchange adjustments, subsidiaries	-	655	-	655
Net adjustments, hedging instruments	-	130	-	130
Equity at 31 December	22,000	193,691	55,000	270,691

Share capital consists of:

4 shares at DKK'000 2,500	10,000
1 share at DKK'000 12,000	12,000
Total	22,000

There have been no capital increases or reductions in the last five years.

CASH FLOW STATEMENT FOR THE PERIOD 1 JANUARY - 31 DECEMBER

Group

	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>
Profit for the year before amortisation, depreciation and impairment	129,391	70,100
Change in inventories	-10,561	-4,195
Change in receivables	-13,664	-3,003
Change in trade payables & other payables from operating activities	14,765	-6,911
Cash flow from operating activities before net financials and tax	<u>119,951</u>	<u>55,991</u>
Interest income, etc.	4,184	402
Interest expenses, etc.	-2,036	-4,940
Corporation tax paid	-25,251	-24,088
Cash flow from ordinary activities	<u>96,848</u>	<u>27,365</u>
Acquisition of property, plant and equipment	-11,628	-29,493
Acquisition of intangible asset investments	-81,402	-900
Sale of property, plant and equipment	108	-
Acquisition/sale of financial assets investments	-1,568	273
Cash flow from investing activities	<u>-94,490</u>	<u>-30,120</u>
Instalments on long-term liabilities other than provisions	-3,738	-3,758
Dividends paid to shareholders in the Parent Company	-30,000	-55,000
Cash flow from financing activities	<u>-33,738</u>	<u>-58,758</u>
Cash flows for the year	-31,380	-61,513
Cash and cash equivalents at 1 January	40,238	101,751
Cash and cash equivalents at 31 December	<u><u>8,858</u></u>	<u><u>40,238</u></u>
Cash at bank and in hand	26,038	27,575
Short-term bank debt	-72,224	-80,957
Cash (Cash pool arrangement via Parent Company) included in:		
- Receivables from group enterprises	55,044	93,620
Cash and cash equivalents at 31 December	<u><u>8,858</u></u>	<u><u>40,238</u></u>

NOTES

Parent Company			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
1. Segment information				
Revenue				
Geographical primary segment				
361,923	410,718	Europe	410,718	361,923
76,207	97,622	Rest of the world	149,239	117,905
<u>438,130</u>	<u>508,340</u>		<u>559,957</u>	<u>479,828</u>
2. Other external expenses				
This item includes the following fee to the auditors appointed at the General Meeting				
330	410	Statutory audit	410	330
10	145	Other services	145	10
<u>340</u>	<u>555</u>		<u>555</u>	<u>340</u>
3. Staff costs				
Total salaries and remuneration, etc., are distributed as follows:				
76,474	80,841	Wages and salaries	86,960	83,678
4,287	4,140	Pension costs	4,141	4,210
3,725	3,533	Other social security costs	4,535	4,794
<u>84,486</u>	<u>88,514</u>		<u>95,636</u>	<u>92,682</u>
1,094	1,094	Board of Directors	1,094	1,094
11,182	13,990	Executive Board	13,990	11,182
140	126	Average number of employees	185	187

NOTES (CONTINUED)

Parent Company			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
		4. Amortisation, depreciation and impairment losses		
768	5,302	Goodwill & Rights	5,302	768
4,249	9,403	Land and buildings	10,764	4,590
1,584	1,810	Plant and machinery	4,936	2,532
2,197	2,378	Other fixtures & fittings, tools & equipment	2,399	2,202
8,798	18,893		23,401	10,092
		5. Profit from investment in subsidiaries after tax		
468	201	Fritz Hansen Inc. USA	-	-
-443	319	Fritz Hansen Production Sp. z.o.o, Poland	-	-
-	24	Fritz Hansen Singapore Pte Ltd, Singapore	-	-
-	-205	Fritz Hansen Via Tessa S.r.l., Italy	-	-
-326	-763	Adjustment of internal profit	-	-
-301	-424		-	-
		6. Financial income		
329	608	Interest income, intra-group	38	54
355	159	Interest income, other	130	348
-	4,167	Exchange gains	4,016	-
684	4,934		4,184	402
		7. Financial expenses		
774	1,108	Interest expenses, intra-group	1,108	796
638	706	Interest expenses, other	928	839
3,151	-	Exchange losses	-	3,305
4,563	1,814		2,036	4,940
		8. Tax on profit for the year		
10,995	26,426	Current tax of profit for the year	27,141	11,232
2,236	1,535	Adjustment of deferred tax re. profit for the year and adjustments relating to tax rate changes	1,545	2,236
13,231	27,961		28,686	13,468

NOTES (CONTINUED)

9. Intangible Asset

	Parent Company		Group	
	Goodwill DKK'000	Rights DKK'000	Goodwill DKK'000	Rights DKK'000
Cost at 1 January	-	5,909	-	5,909
Additions	81,402	-	81,402	-
Cost at 31 December	81,402	5,909	81,402	5,909
Depreciation & impairment at 1 Jan.	-	4,712	-	4,712
Depreciation	4,748	554	4,748	554
Depreciation & impair. at 31 Dec.	4,478	5,266	4,748	5,266
Carrying amount at 31 Dec. 2015	76,654	643	76,654	643
Carrying amount at 31 Dec. 2014	-	1,197	-	1,197

10. Property, plant and equipment – Parent Company

	Land & buildings DKK'000	Plant & machi- nery DKK'000	Other fix- tures and fittings, tools and equipment DKK'000	Property, plant and equipment and assets in progress DKK'000	Total DKK'000
Cost at 1 January	207,766	47,847	30,620	4,202	290,435
Additions	212	4,777	1,686	-2,439	4,236
Additions merger	-	-	2,867	-	2,867
Disposals	-	-	-229	-	-229
Cost at 31 December	207,978	52,624	34,944	1,763	297,309
Depreciation & impairment at 1 Jan.	129,764	44,014	26,955	-	200,733
Depreciation	9,403	1,810	2,378	-	13,591
Depreciation merger	-	-	1,061	-	1,061
Depreciation re. disposals for the year	-	-	-121	-	-121
Depreciation & impair. at 31 Dec.	139,167	45,824	30,273	-	215,264
Carrying amount at 31 Dec. 2015	68,811	6,800	4,671	1,763	82,045
Carrying amount at 31 Dec. 2014	78,002	3,833	3,665	4,202	89,702

The value of land and buildings according to the latest public assessment is DKK 113 million.

NOTES (CONTINUED)

10. Property, plant and equipment – Group

	Land & buildings DKK'000	Plant & machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment and assets in progress DKK'000	Total DKK'000
Cost at 1 January	233,020	77,629	30,679	7,980	349,308
Currency adjustment	484	570	1	72	1,127
Additions	3,649	5,812	1,686	-3,504	7,643
Additions merger	-	-	2,867	-	2,867
Disposals	-	-	-229	-	-229
Cost at 31 December	237,153	84,011	35,004	4,548	360,716
Depreciation & impairment at 1 Jan.	130,095	44,935	26,962	-	201,992
Currency adjustment	-11	-22	-	-	-33
Depreciation	10,764	4,935	2,399	-	18,098
Depreciation merger	-	-	1,061	-	1,061
Depreciation re. disposals for the year	-	-	-121	-	-121
Depreciation & impair. at 31 Dec.	140,848	49,848	30,301	-	220,997
Carrying amount at 31 Dec. 2015	96,305	34,163	4,703	4,548	139,719
Carrying amount at 31 Dec. 2014	102,925	32,694	3,717	7,980	147,316

NOTES (CONTINUED)

	Parent Company	
	2015 DKK'000	2014 DKK'000
11. Investments in subsidiaries		
Cost at 1 January	21,876	21,876
Additions	121	0
Cost at 31 December	<u>21,997</u>	<u>21,876</u>
Value adjustment at 1 January	2,583	2,929
Exchange adjustments, beginning of year	616	-413
Profit for the year	339	25
Exchange adjustment of profit for the year	37	42
Value adjustment at 31 December	<u>3,575</u>	<u>2,583</u>
Internal profit	<u>-12,426</u>	<u>-11,195</u>
Carrying amount at 31 December	<u>13,146</u>	<u>13,264</u>

<u>Name</u>	<u>Reg. address</u>	<u>Voting/ownership share</u>
Fritz Hansen Inc.	New York City, USA	100%
Fritz Hansen Production Sp. z.o.o.	Rawicz, Poland	100%
Fritz Hansen Singapore Pte Ltd.	Singapore	100%
Fritz Hansen Via Tessa S.r.l.	Milan, Italy	100%

12. Inventories

Parent Company			Group	
2014 DKK'000	2015 DKK'000		2015 DKK'000	2014 DKK'000
19,412	16,398	Raw materials and consumables	16,398	19,412
4,072	8,695	Work in progress	8,695	4,072
5,633	14,328	Finished goods	16,651	7,399
800	500	Overhead charges	500	800
<u>29,917</u>	<u>39,921</u>		<u>42,244</u>	<u>31,683</u>

NOTES (CONTINUED)

13. Prepayments

Parent Company			Group	
2014	2015		2015	2014
DKK'000	DKK'000		DKK'000	DKK'000
2,440	1,479	Other prepayments	2,085	2,584
355	34	Prepaid rent	34	355
2,795	1,513		2,119	2,939

14. Cash at bank and in hand

At 31 December 2015 amounts are included in the cash pool arrangement with the Parent Company, Skandinavisk Holding A/S. The net amount is recognised in "Receivables from group enterprises".

15. Currency, Interest and Credit Exposure

Trade Receivables

The credit period for trade receivables varies by market from 30 days to 60 days. The credit period for trade receivables is free of interest.

Mortgage Debt

The Group's mortgage debt has an average term of 5 years with one year average interest of 0.5%. Non of the long-term debt falls due for payment after five years.

Bank debt

The bank debt consists of ordinary credits. The average term is one year. The rate of interest averaged 1.2% at 31 December 2015.

Derivative financial instruments:

There are no forward exchange contracts at 31 December 2015. Foreign currency loans of DKK 72 million have been raised to ensure expected future sales in foreign currency.

16. Contingent Liabilities

Rental and lease commitments

The Group has assumed rental and lease commitments with payments of DKK 44 million in the period of notice (parent DKK 35 million). In the financial year 2016, group payments amounts to DKK 9 million (parent DKK 7 million). The balance of DKK 35 million (parent DKK 29 million) due for payment in the financial years 2017 to 2026 (group and parent). The commitments relate primarily to leases of showrooms and motor vehicles.

Assets charged and provision of security

Mortgage deeds registered to the mortgager of DKK 55,703k have been recorded on the Company's properties with the Land Registry; of this, DKK 21,699k remains with the Company, whereas DKK 55,703k has been provided as security for long-term debt. Furthermore a security against the Company's goodwill in the Danish Person Registry of DKK 5.000k have been proved as security for Bank Debt.

The Company has guaranteed payments of DKK 831k relating to rental agreements and performance guarantees.

17. Related Parties

Related parties of Fritz Hansen A/S comprise the following:

The Company's shareholder Skandinavisk Holding A/S (Sydmarken 42, 2860 Søborg), intermediate holding company Chr. Augustinus Fabrikker Aktieselskab (Amaliegade 47, 1256 Copenhagen K), intermediate holding company C.W. Obel A/S (Vestergade 2, 1456 Copenhagen K), ultimate 65% shareholder Augustinus Fonden (Amaliegade 47, 1256 Copenhagen K) and ultimate 35% shareholder Det Obelske Familiefond (Kastetvej 2, st., 9000 Aalborg).

Controlling influence

Skandinavisk Holding A/S, which holds 100% of the Company's share capital.

Transactions with related parties

There have only been limited trade transactions with related parties.

No transactions have been carried out with the members of Executive Board and the Board of Directors in financial year, apart from remuneration and staff purchase to these members.