FRITZ HANSEN A/S

ALLERØDVEJ 8, 3450 ALLERØD

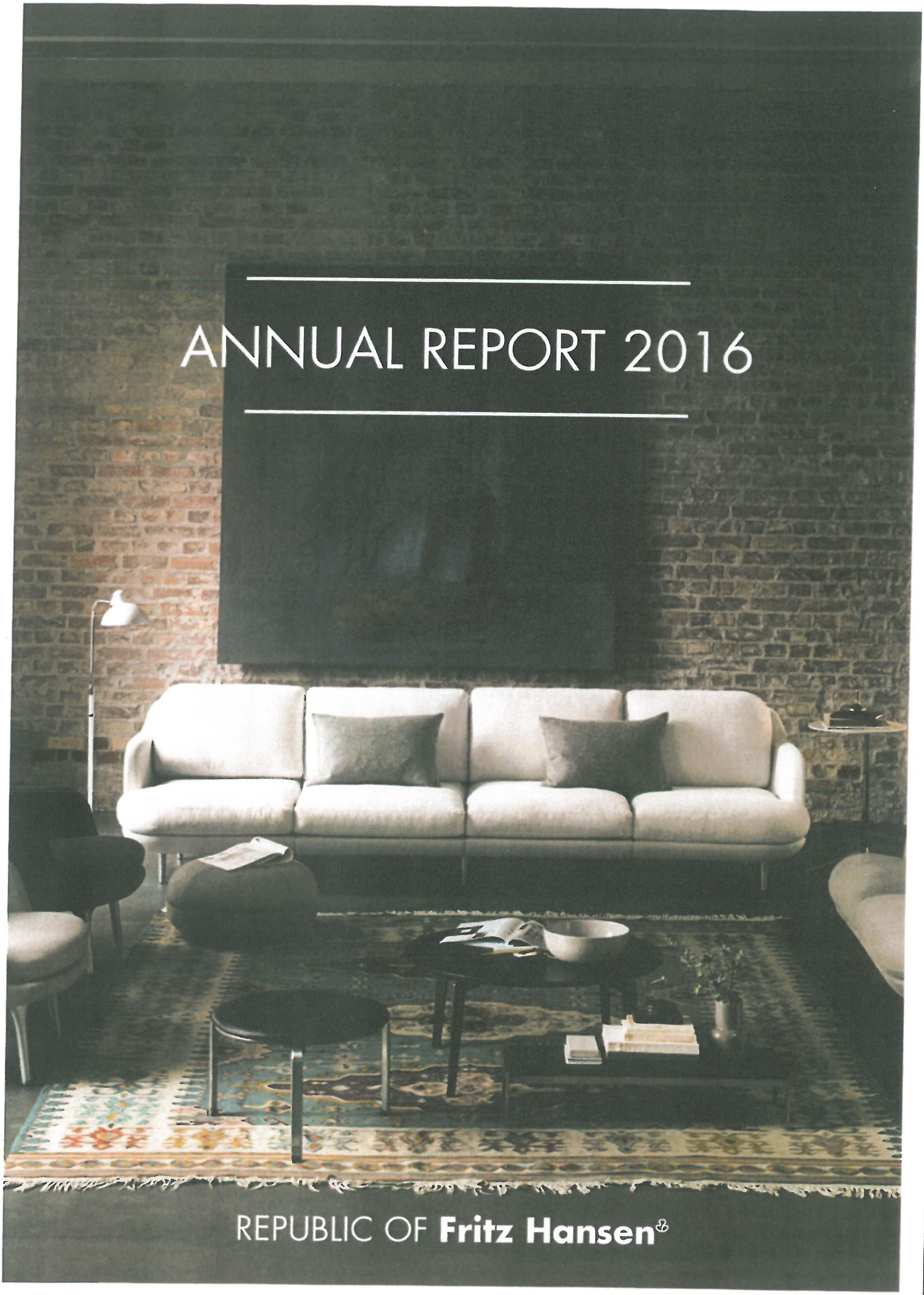
CENTRAL BUSINESS REGISTRATION NO. 1412 0211

ANNUAL REPORT

FOR 1 JANUARY - 31 DECEMBER 2016

30 MARCH 2017

CHAIRMAN:



ANNUAL REPORT 2016

REPUBLIC OF **Fritz Hansen**

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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
Anne Katrine Friis-Holm Ottosen *
Pia Lund *

*) 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 30 March 2017

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 2016. 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 2016 and of their financial performance and cash flows for 2016.

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, 30 March 2017.

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	Anne Katrine Friis-Holm Ottosen	Pia Lund

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Fritz Hansen A/S

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 Parent Company at 31 December 2016, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Fritz Hansen A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.
Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 judgment and maintain professional skepticism 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, 30 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Cvr.no. 33 77 12 31

Torben Jensen
State Authorised Public Accountant

MANAGEMENT'S REVIEW

Group financial highlights

	2012	2013	2014	2015	2016
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Income Statement:					
Revenue	460,834	467,535	479,828	559,957	601,982
EBITDA	72,577	72,661	70,100	129,391	153,164
EBIT	60,168	62,740	60,008	105,990	130,064
Net Financials	1,283	-4,919	-4,538	2,148	-4,894
Profit for the year	44,087	41,125	42,002	79,452	96,130
Balance Sheet:					
Inventories	25,734	27,488	31,683	42,244	54,283
Trade Receivables	38,272	44,263	46,356	53,147	45,940
Equity	226,577	236,520	220,454	270,691	309,760
Balance Sheet Total	419,548	411,314	381,242	431,433	497,318
Investments	5,382	16,489	30.393	94,490	20,635
Average Operating Assets	211,898	255,765	266,401	237,164	278,092
Ratios in %					
Profit Margin	13.1	13.4	12.5	18.9	21.6
Return on Capital Employed	28.4	24.5	22.5	44.7	46.8
Return on Equity	20.7	17.8	18.4	32.4	33.1
Equity Ratio (%)	54.0	57.5	57.8	62.7	62.3
Employees:					
Average number of full-time employees	160	167	187	185	202

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 125 million, and exceeded the expectations for the financial year.

The year's cash flows from operating activities are DKK 164 million.

MANAGEMENT'S REVIEW (CONTINUED)

Investments

The Group have made investment in an expansion of the production facility, besides the normal and ongoing replacement of plant equipment.

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 95 million be distributed.

New products, research and development activities

The Group's development costs in the period totalled DKK 9 million.

Significant 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, the ambition was 25% of the board of directors should be women in 2017. With the planned change of the board on the general assembly 2017, the most suitable candidate was not a woman, and hence the target was not met. It is the new ambition to have 25% of women in the board of directors at latest in 2021.

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 increased from a liability of DKK 11 million to an asset of DKK 40 million in the year. The gross interest bearing debt is raised in GBP, SEK, 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.

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 CO_2 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.

Change in the classification of certain items in the comparative figures in the income statement for the Parent Company

Some of the comparative figures for 2015 for the Parent Company have been restated as a result of reclassification of certain items in the income statement. The reclassifications have no effect on the operating profit (EBIT).

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.

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

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

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

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

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

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

Parent Company				Group	
2015	**2016**			**2016**	**2015**
DKK'000	**DKK'000**		**Note**	**DKK'000**	**DKK'000**
547,397	581,701	Revenue	1	601,982	559,957
193,421	196,965	Raw materials, consumables and purchased goods		184,281	179,520
141,890	147,788	Other external expenses	2	164,463	155,457
88,514	91,264	Staff costs	3	100,074	95,636
123,572	**145,684**	**Profit before amortisation, depreciation, impairment losses & other income (EBITDA)**		**153,164**	**129,344**
18,855	18,228	Amortisation, depreciation, impairment losses & other income	4	23,100	23,354
104,717	**127,456**	**Operating profit/loss (EBIT)**		**130,064**	**105,990**
-424	1,702	Income from investments in subsidiaries after tax	5	-	-
104,293	**129,158**	**Profit before financial income & expenses**		**130,064**	**105,990**
4,934	893	Financial income	6	400	4,184
1,814	4,923	Financial expenses	7	5,294	2,036
107,413	**125,128**	**Profit before tax**		**125,170**	**108,138**
27,961	28,998	Tax on profit for the year	8	29,040	28,686
79,452	**96,130**	**PROFIT FOR THE YEAR**	**9**	**96,130**	**79,452**

BALANCE SHEET AT 31 DECEMBER

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Note	Group 2016 DKK'000	Group 2015 DKK'000
76,654	68,514	Goodwill		68,514	76,654
643	514	Rights		514	643
77,297	**69,028**	**Intangible Assets**	**10**	**69,028**	**77,297**
68,811	58,093	Land and buildings		83,802	96,305
6,800	4,876	Plant and machinery		28,702	34,163
4,671	6,886	Other fixtures and fittings, tools and equipment		8,621	4,703
1,763	6,284	Property, plant and equipment in progress		15,057	4,548
82,045	**76,139**	**Property, plant and equipment**	**11**	**136,182**	**139,719**
14,828	17,012	Deferred tax assets	8	19,361	17,582
2,468	3,207	Deposits		3,666	2,929
13,146	14,275	Investments in subsidiaries	12	-	-
30,442	**34,494**	**Financial Asset Investments**		**23,027**	**20,511**
189,784	179,661	FIXED ASSETS		228,237	237,527
39,921	**52,723**	**Inventories**	**13**	**54,283**	**42,244**
51,027	38,790	Trade receivables		45,940	53,147
108,636	183,360	Receivables from group enterprises		130,575	53,886
16,286	7,485	Other receivables		7,830	16,472
1,513	2,648	Prepayments	14	2,994	2,119
177,462	**232,283**	**Receivables**		**187,339**	**125,624**
22,076	22,735	Cash at bank and in hand	15	27,459	26,038
239,459	307,741	CURRENT ASSETS		269,081	193,906
429,243	487,402	ASSETS		497,318	431,433

BALANCE SHEET AT 31 DECEMBER

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Note	Group 2016 DKK'000	Group 2015 DKK'000
22,000	22,000	Share Capital		22,000	22,000
290	1,925	Revaluation by the equity method		-	-
193,401	190,835	Retained Earnings		192,760	193,691
55,000	95,000	Proposed dividends for the financial year		95,000	55,000
270,691	**309,760**	**EQUITY**		**309,760**	**270,691**
15,276	10,590	Mortgage debt		10,590	15,276
15,276	**10,590**	**Long-term Liabilities other than Provisions**		**10,590**	**15,276**
3,781	4,694	Current portion of long-term debt		4,694	3,781
72,220	101,257	Bank debt		101,257	72,224
20,604	24,839	Trade payables		32,896	21,048
46,671	36,262	Other payables		38,121	48,413
143,276	**167,052**	**Current Liabilities other than Provisions**		**176,968**	**145,466**
158,552	**177,642**	**LIABILITIES OTHER THAN PROVISIONS**		**187,558**	**160,742**
429,243	**487,402**	**EQUITY AND LIABILITIES**		**497,318**	**431,433**

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

Parent Company	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**	**290**	**193,401**	**55,000**	**270,691**
Dividends paid	-	-	-	-55,000	-55,000
Profit for the year	-	1,635	-505	95,000	96,130
Exchange adjustments, subsidiaries	-	-	-204	-	-204
Net adjustments, hedging instruments	-	-	-1,857	-	-1,857
Equity at 31 December	**22,000**	**1,925**	**190,835**	**95,000**	**309,760**

Group	Share capital DKK'000	Retained earnings DKK'000	Proposed dividends DKK'000	Total DKK'000
Equity at 1 January	**22,000**	**193,691**	**55,000**	**270,691**
Dividends paid	-	-	-55,000	-55,000
Profit for the year	-	1,130	95,000	96,130
Exchange adjustments, subsidiaries	-	-204	-	-204
Net adjustments, hedging instruments	-	-1,857	-	- 1,857
Equity at 31 December	**22,000**	**192,760**	**95,000**	**309,760**

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

	2016	2015
	DKK'000	DKK'000
Profit for the year before amortisation, depreciation and impairment	153,164	129,391
Change in inventories	-12,039	-10,561
Change in receivables	14,974	-13,664
Change in trade payables & other payables from operating activities	7,855	14,765
Cash flow from operating activities before net financials and tax	**163,954**	**119,951**
Interest income, etc.	400	4,184
Interest expenses, etc.	-5,050	-2,036
Corporation tax paid	-33,891	-25,251
Cash flow from ordinary activities	**125,413**	**96,848**
Acquisition of property, plant and equipment	-19,898	-11,628
Acquisition of intangible asset investments	0	-81,402
Sale of property, plant and equipment	0	108
Acquisition/sale of financial assets investments	-737	-1,568
Cash flow from investing activities	**-20,635**	**-94,490**
Instalments on long-term liabilities other than provisions	-3,773	-3,738
Dividends paid to shareholders in the Parent Company	-55,000	-30,000
Cash flow from financing activities	**-58,773**	**-33,738**
Cash flows for the year	46,005	-31,380
Cash and cash equivalents at 1 January	8,858	40,238
Cash and cash equivalents at 31 December	**54,863**	**8,858**
Cash at bank and in hand	27,459	26,038
Short-term bank debt	-101,257	-72,224
Cash (Cash pool arrangement via Parent Company) included in:		
- Receivables from group enterprises	128,661	55,044
Cash and cash equivalents at 31 December	**54,863**	**8,858**

NOTES

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Group 2016 DKK'000	Group 2015 DKK'000
		1. Segment information		
		Revenue		
		Geographical primary segment		
410,718	425,730	Europe	425,730	410,718
136,679	155,971	Rest of the world	176,252	149,239
547,397	**581,701**		**601,982**	**559,957**
		2. Other external expenses		
		This item includes the following fee to the auditors appointed at the General Meeting		
410	390	Statutory audit	390	410
145	0	Other services	0	145
555	**390**		**390**	**555**
		3. Staff costs		
		Total salaries and remuneration, etc., are distributed as follows:		
80,841	82,595	Wages and salaries	90,028	86,960
4,140	4,863	Pension costs	4,863	4,141
3,533	3,806	Other social security costs	5,183	4,535
88,514	91,264		100,074	95,636
1,094	1,225	Board of Directors	1,225	1,094
13,990	11,589	Executive Board	11,589	13,990
126	137	Average number of employees	202	185

NOTES (CONTINUED)

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Group 2016 DKK'000	Group 2015 DKK'000
		4. Amortisation, depreciation, impairment losses and other income		
5,302	8,269	Goodwill & Rights	8,269	5,302
9,403	10,718	Land and buildings	12,106	10,764
1,810	2,254	Plant and machinery	5,555	4,936
2,378	3,287	Other fixtures & fittings, tools & equipment	3,470	2,399
18,893	**24,528**	Amortisation, depreciations and impairment losses	**29,400**	**23,401**
-38	-6,300	Other income, gain on sale of assets	-6,300	-47
18,855	**18,228**		**23,100**	**23,354**
		5. Profit from investment in subsidiaries after tax		
201	947	Fritz Hansen Inc. USA	-	-
319	377	Fritz Hansen Production Sp. z.o.o, Poland	-	-
24	33	Fritz Hansen Singapore Pte Ltd, Singapore	-	-
-205	14	Fritz Hansen Via Tessa S.r.l., Italy	-	-
-763	331	Adjustment of internal profit	-	-
-424	**1,702**		-	-
		6. Financial income		
608	548	Interest income, intra-group	48	38
159	345	Interest income, other	352	130
4,167	0	Exchange gains	0	4,016
4,934	**893**		**400**	**4,184**
		7. Financial expenses		
1,108	786	Interest expenses, intra-group	786	1,108
706	832	Interest expenses, other	1,121	928
-	3,305	Exchange losses	3,387	-
1,814	**4,923**		**5,294**	**2,036**

NOTES (CONTINUED)

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Group 2016 DKK'000	Group 2015 DKK'000
		8. Tax on profit for the year		
26,426	31,182	Current tax of profit for the year	30,819	27,141
1,535	-2,184	Adjustment of deferred tax re. profit for the year and adjustments relating to tax rate changes	-1,779	1,545
27,961	**28,998**		**29,040**	**28,686**
		9. Proposed distribution of profit/loss		
55,000	95,000	Proposed dividends		
290	1,635	Reserve for net revaluation under the equity method		
24,162	-505	Retained earnings		
79,452	**96,130**			

10. Intangible Asset	Parent Company Goodwill DKK'000	Parent Company Rights DKK'000	Group Goodwill DKK'000	Group Rights DKK'000
Cost at 1 January	81,402	5,909	81,402	5,909
Additions	-	-	-	-
Cost at 31 December	81,402	5,909	81,402	5,909
Depreciation & impairment at 1 Jan.	4,748	5,266	4,748	5,266
Depreciation	8,140	129	8,140	129
Depreciation & impair. at 31 Dec.	12,888	5,395	12,888	5,395
Carrying amount at 31 Dec. 2016	**68,514**	**514**	**68,514**	**514**
Carrying amount at 31 Dec. 2015	76,654	643	76,654	643

NOTES (CONTINUED)

11. Property, plant and equipment – Parent Company

	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	207,978	52,624	34,944	1,763	297,309
Additions	-	330	5,503	4,521	10,354
Cost at 31 December	207,978	52,954	40,446	6,284	307,662
Depreciation & impairment at 1 Jan.	139,167	45,824	30,273	-	215,264
Depreciation	10,718	2,254	3,287	-	16,259
Depreciation & impair. at 31 Dec.	149,885	48,078	33,560	-	231,523
Carrying amount at 31 Dec. 2016	**58,093**	**4,876**	**6,886**	**6,284**	**76,139**
Carrying amount at 31 Dec. 2015	68,811	6,800	4,671	1,763	82,045

11. 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	237,153	84,011	35,004	4,548	360,716
Currency adjustment	-1,232	-1,325	-3	-45	-2,605
Additions	747	1,207	7,391	10,553	19,898
Cost at 31 December	236,668	83,893	42,391	15,056	378,008
Depreciation & impairment at 1 Jan.	140,848	49,848	30,301	-	220,997
Currency adjustment	-88	-212	-	-	-300
Depreciation	12,106	5,555	3,470	-	21,131
Depreciation & impair. at 31 Dec.	152,866	55,191	33,770	-	241,827
Carrying amount at 31 Dec. 2016	**83,802**	**28,702**	**8,621**	**15,057**	**136,182**
Carrying amount at 31 Dec. 2015	96,305	34,163	4,703	4,548	139,719

NOTES (CONTINUED)

12. Investments in subsidiaries

	Parent Company 2016 DKK'000	Parent Company 2015 DKK'000
Cost at 1 January	21,997	21,876
Additions	-	121
Cost at 31 December	21,997	21,997
Value adjustment at 1 January	3,575	2,583
Exchange adjustments, beginning of year	-244	616
Profit for the year	1,371	339
Exchange adjustment of profit for the year	41	37
Value adjustment at 31 December	4,743	3,575
Internal profit	-12,465	-12,426
Carrying amount at 31 December	**14,275**	**13,146**

Name	Reg. address	Voting/ownership share
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%

13. Inventories

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Group 2016 DKK'000	Group 2015 DKK'000
16,398	17,348	Raw materials and consumables	17,348	16,398
8,695	10,838	Work in progress	10,838	8,695
14,828	24,537	Finished goods	26,097	17,151
39,921	**52,723**		**54,283**	**42,244**

NOTES (CONTINUED)

14. Prepayments

Parent Company 2015 DKK'000	Parent Company 2016 DKK'000		Group 2016 DKK'000	Group 2015 DKK'000
1,479	1,686	Other prepayments	2,032	2,085
34	962	Prepaid rent	962	34
1,513	**2,648**		**2,994**	**2,119**

15. Cash at bank and in hand

At 31 December 2016 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".

16. 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 3 years with one year average interest of 0.2%. 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 1.1% at 31 December 2016.

Derivative financial instruments:

There are no forward exchange contracts at 31 December 2016. Foreign currency loans of DKK 101 million have been raised to ensure expected future sales in foreign currency.

NOTES (CONTINUED)

17. Contingent Liabilities

Rental and lease commitments

The Group has assumed rental and lease commitments with payments of DKK 43 million in the period of notice (parent DKK 33 million). In the financial year 2017, group payments amounts to DKK 11 million (parent DKK 8 million). The balance of DKK 32 million (parent DKK 25 million) is due for payment in the financial years 2018 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.

The Company has guaranteed payments of DKK 637k relating to rental agreements and performance guarantees.

18. 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.