

FRITZ HANSEN A/S

ALLERØDVEJ 8, 3450 ALLERØD

CENTRAL BUSINESS REGISTRATION NO. 1412 0211

ANNUAL REPORT

FOR 1 JANUARY - 31 DECEMBER 2017

8 MARCH 2018

CHAIRMAN:

A handwritten signature in blue ink, appearing to be 'M. J. Hansen', written over the printed name 'CHAIRMAN:'.

ANNUAL REPORT 2017

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
Sankt Annæ Plads 15, st. th., DK-1250 Copenhagen K

Board of Directors

Jørgen Tandrup, Chairman
Henning Kruse Petersen, Deputy Chairman
Henrik Brandt
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
Lars Hardboe Galsgaard, 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

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 2017.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Allerød, 8 March 2018.

Executive Board



Jacob Holm
(Chief Executive Officer)



Lars Torp Madsen
(Chief Financial Officer)



Lars Hardboe Galsgaard
(Executive Vice President,
Sales & Brand)

Board of Directors



Jørgen Tandrup
Chairman



Henning Kruse Petersen
Deputy Chairman



Henrik Brandt



Anders Obel



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 2017, 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 2017 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 2017, 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, 8 March 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Cvr.no. 33 77 12 31



Torben Jensen
State Authorised Public Accountant
mne18651



Allan Wøhlk Høgh
State Authorised Public Accountant
mne34528

MANAGEMENT'S REVIEW

Group financial highlights

	2013	2014	2015	2016	2017
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Income Statement:					
Revenue	467,535	479,828	559,957	601,982	631,974
EBITDA	72,661	70,100	129,391	153,164	149,013
EBIT	62,740	60,008	105,990	130,064	126,128
Net Financials	-4,919	-4,538	2,148	-4,894	-978
Profit for the year	41,125	42,002	79,452	96,130	94,224
Balance Sheet:					
Inventories	27,488	31,683	42,244	54,283	70,437
Trade Receivables	44,263	46,356	53,147	45,940	60,526
Equity	236,520	220,454	270,691	309,760	312,220
Balance Sheet Total	411,314	381,242	431,433	497,318	511,324
Investments	16,489	30,393	94,490	20,635	7,237
Average Operating Assets	255,765	266,401	237,164	278,092	287,312
Ratios in %					
Profit Margin	13.4	12.5	18.9	21.6	20.0
Return on Capital Employed	24.5	22.5	44.7	46.8	43.9
Return on Equity	17.8	18.4	32.4	33.1	30.3
Equity Ratio (%)	57.5	57.8	62.7	62.3	61.0
Employees:					
Average number of full-time employees	167	187	185	202	237

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 104 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 65 million be distributed.

New products, research and development activities

The Group's development costs in the period totalled DKK 8 million (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 2017 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. The ambition was 25% of the management and board of directors should be women in 2021.

Currently the board and management is represented by men.

When changes in board of directors or management should occur, specific attention will be given to female candidates.

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 40 million to an asset of DKK 29 million in the year. The gross interest bearing debt is raised in GBP, SEK, USD and YEN.

Based on the net asset 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: <https://fritzhansen.com/dk/about-us/sustainability> (§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.

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	
2016	2017			2017	2016
DKK'000	DKK'000		Note	DKK'000	DKK'000
581,701	617,910	Revenue	1	631,974	601,982
196,965	225,085	Raw materials, consumables and purchased goods		205,900	184,281
147,788	157,586	Other external expenses	2	175,399	164,463
91,264	92,454	Staff costs	3	101,662	100,074
145,684	142,785	Profit before amortisation, depreciation, impairment losses & other income (EBITDA)		149,013	153,164
18,228	17,181	Amortisation, depreciation, impairment losses & other income	4	22,885	23,100
127,456	125,604	Operating profit/loss (EBIT)		126,128	130,064
1,702	-633	Income/(loss) from investments in subsidiaries after tax	5	-	-
129,158	124,971	Profit before financial income & expenses		126,128	130,064
893	2,136	Financial income	6	1,528	400
4,923	2,209	Financial expenses	7	2,506	5,294
125,128	124,898	Profit before tax		125,150	125,170
28,998	30,674	Tax on profit for the year	8	30,926	29,040
96,130	94,224	PROFIT FOR THE YEAR	9	94,224	96,130

BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2016	2017		2017	2016
DKK'000	DKK'000		DKK'000	DKK'000
68,514	60,374	Goodwill	60,374	68,514
514	385	Rights	385	514
69,028	60,759	Intangible Assets	60,759	69,028
		10		
58,093	35,108	Land and buildings	70,157	83,802
4,876	7,700	Plant and machinery	30,053	28,702
6,886	7,026	Other fixtures and fittings, tools and equipment	9,400	8,621
6,284	1,658	Property, plant and equipment in progress	2,076	15,057
76,139	51,492	Property, plant and equipment	111,686	136,182
		11		
17,012	10,228	Deferred tax assets	12,944	19,361
3,207	3,401	Deposits	3,671	3,666
14,275	13,836	Investments in subsidiaries	-	-
34,494	27,465	Financial Asset Investments	16,615	23,027
		12		
179,661	139,716	FIXED ASSETS	189,060	228,237
52,723	68,452	Inventories	70,437	54,283
		13		
38,790	55,788	Trade receivables	60,526	45,940
183,360	62,979	Receivables from group enterprises	8,426	130,575
7,485	6,510	Other receivables	6,371	7,830
2,648	2,964	Prepayments	3,112	2,994
232,283	128,241	Receivables	78,435	187,339
		14		
22,735	169,315	Cash at bank and in hand	173,392	27,459
		15		
307,741	366,008	CURRENT ASSETS	322,264	269,081
487,402	505,724	ASSETS	511,324	497,318

BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2016	2017		2017	2016
DKK'000	DKK'000	Note	DKK'000	DKK'000
22,000	22,000		22,000	22,000
1,925	561		-	-
190,835	224,659		225,220	192,760
95,000	65,000		65,000	95,000
309,760	312,220		312,220	309,760
		EQUITY		
10,590	0		0	10,590
10,590	0		0	10,590
		Long-term Liabilities other than Provisions		
4,694	0		0	4,694
101,257	144,315		144,315	101,257
24,839	20,692		21,883	32,896
36,262	28,497		32,906	38,121
167,052	193,504		199,104	176,968
		Current Liabilities other than Provisions		
177,642	193,504		199,104	187,558
		LIABILITIES OTHER THAN PROVISIONS		
487,402	505,724		511,324	497,318
		EQUITY AND LIABILITIES		

Currency, interest and credit exposure	16
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Related Parties	18

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

<u>Parent Company</u>	<u>Share capital DKK'000</u>	<u>Revaluation by the equity method DKK'000</u>	<u>Retained earnings DKK'000</u>	<u>Proposed dividends DKK'000</u>	<u>Total DKK'000</u>
Equity at 1 January	22,000	1,925	190,835	95,000	309,760
Dividends paid	-	-	-	-95,000	-95,000
Profit for the year	-	-1,364	30,588	65,000	94,224
Exchange adjustments, subsidiaries	-	-	-203	-	-203
Net adjustments, hedging instruments	-	-	3,439	-	3,439
Equity at 31 December	22,000	561	224,659	65,000	312,220

<u>Group</u>	<u>Share capital DKK'000</u>	<u>Retained earnings DKK'000</u>	<u>Proposed dividends DKK'000</u>	<u>Total DKK'000</u>
Equity at 1 January	22,000	192,760	95,000	309,760
Dividends paid	-	-	-95,000	-95,000
Profit for the year	-	29,224	65,000	94,224
Exchange adjustments, subsidiaries	-	-203	-	-203
Net adjustments, hedging instruments	-	3,439	-	3,439
Equity at 31 December	22,000	225,220	65,000	312,220

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

	2017	2016
	DKK'000	DKK'000
Profit for the year before amortisation, depreciation and impairment	149,006	153,164
Change in inventories	-16,154	-12,039
Change in receivables	-13,245	14,974
Change in trade payables & other payables from operating activities	-15,179	7,855
Cash flow from operating activities before net financials and tax	104,428	163,954
Interest income, etc.	297	400
Interest expenses, etc.	-2,499	-5,050
Corporation tax paid	-30,972	-33,891
Cash flow from ordinary activities	71,254	125,413
Acquisition of property, plant and equipment	-7,232	-19,898
Sale of property, plant and equipment	20,841	0
Acquisition/sale of financial assets investments	-5	-737
Cash flow from investing activities	13,244	-20,635
Instalments on long-term liabilities other than provisions	-15,284	-3,773
Dividends paid to shareholders in the Parent Company	-95,000	-55,000
Cash flow from financing activities	-110,284	-58,773
Cash flows for the year	-25,786	46,005
Cash and cash equivalents at 1 January	54,863	8,858
Cash and cash equivalents at 31 December	29,077	54,863
Cash at bank and in hand	173,392	27,459
Short-term bank debt	-144,315	-101,257
Cash (Cash pool arrangement via Parent Company) included in:		
- Receivables from group enterprises	0	128,661
Cash and cash equivalents at 31 December	29,077	54,863

NOTES

Parent Company			Group	
2016	2017		2017	2016
DKK'000	DKK'000		DKK'000	DKK'000
1. Segment information				
Revenue				
Geographical primary segment				
425,730	464,862	Europe	464,862	425,730
155,971	153,048	Rest of the world	167,112	176,252
581,701	617,910		631,974	601,982
2. Other external expenses				
This item includes the following fee to the auditors appointed at the General Meeting				
390	390	Statutory audit	455	390
0	0	Other services	0	0
390	390		455	390
3. Staff costs				
Total salaries and remuneration, etc., are distributed as follows:				
82,595	83,675	Wages and salaries	91,444	90,028
4,863	5,465	Pension costs	5,520	4,863
3,806	3,314	Other social security costs	4,698	5,183
91,264	92,454		101,662	100,074
1,225	1,225	Board of Directors	1,225	1,225
11,589	10,412	Executive Board	10,412	11,589
137	144	Average number of employees	237	202

NOTES (CONTINUED)

Parent Company			Group	
2016	2017		2017	2016
DKK'000	DKK'000		DKK'000	DKK'000
		4. Amortisation, depreciation, impairment losses and other income		
8,269	8,269	Goodwill & Rights	8,269	8,269
10,718	3,292	Land and buildings	5,039	12,106
2,254	2,361	Plant and machinery	5,960	5,555
3,287	3,313	Other fixtures & fittings, tools & equipment	3,671	3,470
24,528	17,235	Amortisation, depreciations and impairment losses	22,939	29,400
-6,300	-54	Other income, gain on sale of assets	-54	-6,300
18,228	17,181		22,885	23,100
		5. Profit from investment in subsidiaries after tax		
947	910	Fritz Hansen Inc. USA	-	-
-878	-313	Fritz Hansen Production Sp. z.o.o, Poland	-	-
33	28	Fritz Hansen Singapore Pte Ltd, Singapore	-	-
14	-184	Fritz Hansen Via Tessa S.r.l., Italy	-	-
1,586	-1,074	Adjustment of internal profit	-	-
1,702	-633		-	-
		6. Financial income		
548	603	Interest income, intra-group	0	48
345	297	Interest income, other	297	352
0	1,236	Exchange gains	1,231	0
893	2,136		1,528	400
		7. Financial expenses		
980	0	Interest expenses, intra-group	0	980
0	1,562	Interest expenses, banks	1,537	0
638	647	Interest expenses, other	969	927
3,305	0	Exchange losses	0	3,387
4,923	2,209		2,506	5,294

NOTES (CONTINUED)

Parent Company			Group	
2016	2017		2017	2016
DKK'000	DKK'000		DKK'000	DKK'000
8. Tax on profit for the year				
31,182	23,885	Current tax of profit for the year	24,509	30,819
-2,184	6,789	Adjustment of deferred tax re. profit for the year and adjustments relating to tax rate changes	6,417	-1,779
28,998	30,674		30,926	29,040
9. Proposed distribution of profit/loss				
95,000	65,000	Proposed dividends		
1,635	-1,364	Reserve for net revaluation under the equity method		
-505	30,588	Retained earnings		
96,130	94,224			

10. Intangible Asset

	Parent Company		Group	
	Goodwill DKK'000	Rights DKK'000	Goodwill DKK'000	Rights DKK'000
Cost at 1 January	81,402	5,909	81,402	5,909
Additions	0	0	0	0
Cost at 31 December	81,402	5,909	81,402	5,909
Depreciation & impairment at 1 Jan.	12,888	5,395	12,888	5,395
Depreciation	8,140	129	8,140	129
Depreciation & impair. at 31 Dec.	21,028	5,524	21,028	5,524
Carrying amount at 31 Dec. 2017	60,374	385	60,374	385
Carrying amount at 31 Dec. 2016	68,514	514	68,514	514

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	52,954	40,446	6,284	307,662
Currency adjustment	0	0	326	0	326
Additions	726	5,193	3,175	-4,626	4,468
Retirements	<u>-65,652</u>	<u>-989</u>	<u>-189</u>	<u>0</u>	<u>-66,830</u>
Cost at 31 December	<u>143,052</u>	<u>57,158</u>	<u>43,758</u>	<u>1,658</u>	<u>245,626</u>
Depreciation & impairment at 1 Jan.	149,885	48,078	33,560	0	231,523
Currency adjustment	0	0	48	0	48
Depreciation	3,292	2,361	3,313	0	8,966
Retirements	<u>-45,233</u>	<u>-981</u>	<u>-189</u>	<u>0</u>	<u>-46,403</u>
Depreciation & impair. at 31 Dec.	<u>107,944</u>	<u>49,458</u>	<u>36,732</u>	<u>0</u>	<u>194,134</u>
Carrying amount at 31 Dec. 2017	35,108	7,700	7,026	1,658	51,492
Carrying amount at 31 Dec. 2016	58,093	4,876	6,886	6,284	76,139

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	236,668	83,893	42,391	15,056	378,008
Currency adjustment	1,646	1,775	332	341	4,094
Additions	10,372	6,025	4,156	-13,321	7,232
Retirements	<u>-65,652</u>	<u>-989</u>	<u>-189</u>	<u>0</u>	<u>-66,830</u>
Cost at 31 December	<u>183,034</u>	<u>90,704</u>	<u>46,690</u>	<u>2,076</u>	<u>322,504</u>
Depreciation & impairment at 1 Jan.	152,866	55,191	33,770	0	241,827
Currency adjustment	205	481	37	0	723
Depreciation	5,039	5,960	3,672	0	14,671
Retirements	<u>-45,233</u>	<u>-981</u>	<u>-189</u>	<u>0</u>	<u>-46,403</u>
Depreciation & impair. at 31 Dec.	<u>112,877</u>	<u>60,651</u>	<u>37,290</u>	<u>0</u>	<u>210,818</u>
Carrying amount at 31 Dec. 2017	70,157	30,053	9,400	2,076	111,686
Carrying amount at 31 Dec. 2016	83,802	28,702	8,621	15,057	136,182

NOTES (CONTINUED)

12. Investments in subsidiaries	Parent Company	
	2017 DKK'000	2016 DKK'000
Cost at 1 January	21,997	21,997
Additions	-	-
Cost at 31 December	21,997	21,997
Value adjustment at 1 January	1,832	1,919
Exchange adjustments, beginning of year	375	-244
Profit for the year	441	116
Exchange adjustment of profit for the year	-60	41
Value adjustment at 31 December	2,588	1,832
Internal profit	-10,749	-9,554
Carrying amount at 31 December	13,836	14,275

<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%

13. Inventories

Parent Company			Group	
2016 DKK'000	2017 DKK'000		2017 DKK'000	2016 DKK'000
17,348	24,291	Raw materials and consumables	24,291	17,348
10,838	10,865	Work in progress	10,865	10,838
24,537	33,296	Finished goods	35,281	26,097
52,723	68,452		70,437	54,283

NOTES (CONTINUED)

14. Prepayments

Parent Company			Group	
2016	2017		2017	2016
DKK'000	DKK'000		DKK'000	DKK'000
1,686	1,780	Other prepayments	1,928	2,032
962	1,184	Prepaid rent	1,184	962
2,648	2,964		3,112	2,994

15. Cash at bank and in hand

At 31 December 2016 amounts were included in the cash pool arrangement with the Parent Company, Skandinavisk Holding A/S. The net amount is recognised in "Receivables from group enterprises". During 2017 the cash pool was closed and transferred to "cash at bank and in hand".

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.

Bank debt

The bank debt consists of ordinary credits. The average term is one year. The rate of interest averaged 1.3% at 31 December 2017.

Derivative financial instruments:

There are no forward exchange contracts at 31 December 2017. Foreign currency loans of DKK 144 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 34 million in the period of notice (parent DKK 27 million). In the financial year 2018, group payments amounts to DKK 11 million (parent DKK 8 million). The balance of DKK 23 million (parent DKK 19 million) is due for payment in the financial years 2019 to 2026 (group and parent). The commitments relate primarily to leases of showrooms and motor vehicles.

The Company has guaranteed payments of DKK 488k relating to performance guarantees.

18. Related Parties

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

The Company's shareholder Skandinavisk Holding A/S (Sankt Annæ Plads 15, st. th., 1250 Copenhagen K), intermediate holding company Chr. Augustinus Fabrikker Aktieselskab (Sankt Annæ Plads 15, st. th., 1250 Copenhagen K), intermediate holding company C.W. Obel A/S (Vestergade 2, 1456 Copenhagen K), ultimate 65% shareholder Augustinus Fonden (Sankt Annæ Plads 15, st. th., 1250 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.