

FRITZ HANSEN A/S

ALLERØDVEJ 8, 3450 ALLERØD

CENTRAL BUSINESS REGISTRATION NO. 1412 0211

ANNUAL REPORT

FOR 1 JANUARY - 31 DECEMBER 2023

20 MARCH 2024

CHAIRMAN:

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned to the right of the word 'CHAIRMAN:'.

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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 13, st. th., DK-1250 Copenhagen K

Board of Directors

Henrik Brandt, Chairman
Anders Obel, Deputy Chairman
Christian Madsbjerg
Claus Gregersen
Jennifer Galimberti
Viggo Haremst
Anne Katrine Friis-Holm Ottosen *
Pia Lorenzen Landmark *
Ulrik Gammelmark West *

*) Employee board member

Executive Board

Henrik Steensgaard, 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 Trading Co, Ltd, China

Branches

Fritz Hansen, Japan
Fritz Hansen, Korea

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 2023.

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 2023 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 2023.

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, 20 March 2024.


Executive Board



Henrik Steenegaard
(Chief Executive Officer)
(appointed 1 March 2024)



Lars Torp Madsen
(Chief Financial Officer)



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

Board of Directors



Henrik Brandt
Chairman



Anders Obel
Deputy Chairman



Claus Gregersen



Christian Madsbjerg

Jennifer Galimberti



Viggo Haremsf



Anne Katrine Friis-Holm Ottesen



Pia Lorenzen Landmark



Ulrik Gammelmark West

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 2023, 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 2023 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 2023, 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Hellerup, 20 March 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Cvr.no. 33 77 12 31



Michael Groth Hansen
State Authorised Public Accountant
mne 33228



Daniel Sitch
State Authorised Public Accountant
mne 47889

MANAGEMENT'S REVIEW

Group financial highlights

DKK'000	2019	2020	2021	2022	2023
Income Statement:					
Revenue	573,128	620,862	777,777	860,510	645,975
EBITDA	91,315	132,908	140,206	43,991	70,774
EBIT	67,142	111,187	118,697	1,927	27,199
Net Financials	-2,073	-3,954	-6,511	-8,929	-12,202
Profit for the year	48,221	80,689	80,394	-10,820	13,066
Balance Sheet:					
Inventories	67,239	68,734	98,545	242,458	222,773
Trade Receivables	50,144	64,369	67,211	94,890	66,379
Trade Payables	27,089	34,822	52,352	58,316	32,667
Equity	314,828	359,335	383,751	315,824	328,145
Balance Sheet Total	490,809	547,986	587,028	694,926	605,986
Investments property, plant & equipment	15,037	3,480	4,129	2,274	7,024
Average Operating Assets	237,879	226,595	236,154	559,687	500,449
Net Working Capital	63,485	71,307	83,639	264,923	239,007
Net interest-bearing debt	-88,477	-129,636	-139,896	247,636	179,190
Cash Flow:					
Free Cash Flow	53,589	76,160	65,260	-332,532	68,446
Ratios in %					
Profit Margin	11.7	17.9	15.3	0.2	4.2
Return on Capital Employed	28.2	49.1	52.3	0.5	5.1
Return on Equity	15.1	23.9	21.6	-3.1	4.1
Equity Ratio (%)	64.1	65.6	65.4	45.4	54.2
Employees:					
Average number of full-time employees	252	268	316	394	305

Primary activity

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

MANAGEMENT'S REVIEW (CONTINUED)

Development in activities and financial position

Financial development

Revenue and Profit before tax did not live up to the expectations for the financial year. The general market condition in the residential markets challenged the sales performance for 2023. Profitability was partly restored during the year, building a good foundation for 2024. The net result includes one-off cost of DKK 13 million, relating to restructuring cost and adjustment of the organisation.

Capital resources

The Group has reduced the debt by DKK 68 million and hold sufficient credit lines.

It is recommended to the Annual General Meeting that dividend is not distributed for the financial year to reduce the debt gearing further during 2024.

New products, research and development activities

The Group's development costs in the period totalled DKK 14 million (2022: DKK 18 million).

Outlook & Expectations

Growth is expected for 2024 with by a single digit. Profit before tax is expected to increase to a single digit of net sales.

§99 b statement – Gender diversity goals

Goals were in 2022 set to increase the diversity in the company, including the share of the underrepresented gender, in the Company's general management on all levels. The aspiration is to have 2 women in the board of directors by 2026 (currently 1 woman is represented out of 6 members).

Other management levels (Tier 1 & 2) are currently represented by 26% women and 74% men. It is the aspiration for 2025 to have an equal gender representation represented by a minimum of 40% women and 60% men.

When changes in board of directors or management should occur, specific attention will be given to female candidates. It was not considered possible to change the board composition in 2023 and the equality deteriorated by 4%-point in the management composition during 2023.

MANAGEMENT'S REVIEW (CONTINUED)

The ambition is to increase the number of female managers by the following policies:

- All job postings should be attractive towards both male and female candidates.
- External talent bureaus must present both male and female candidates.
- Female talent is given specific attention when promoting internally.

	2019	2020	2021	2022	2023
<u>Board of Directors</u>					
Number of members	-	-	-	7	6
Underrepresented gender %	-	-	-	14%	17%
Target in %	-	-	-	33%	33%
Year for reaching target	-	-	-	2026	2026
<u>Management tier 1 & 2</u>					
Number of members	-	-	-	21	19
Underrepresented gender %	-	-	-	29%	26%
Target in %	-	-	-	40%	40%
Year for reaching target	-	-	-	2025	2025

§99 d statement – Data Ethics Policy

The Group Data Ethics policy describes how data ethics is considered and included in the use of data and design and implementation of technologies used for processing of data at the Fritz Hansen Group. We have during the year re-evaluated all use of data, to ensure compliance with the new policy that applies in all aspects of processing of data whether the data enables identification of a natural person ("personal data") or not.

The full policy is available on our website: www.fritzhansen.com/en/Sales-Support/Terms-and-Conditions/data-ethics-policy

Specific risks

Market 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, Asia and the USA.

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

MANAGEMENT'S REVIEW (CONTINUED)

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 DKK.

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 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 a debt of DKK 248 million to a debt of DKK 179 million in the year. The gross interest-bearing debt is raised in DKK, SEK, USD, GBP, NOK 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 DKK 2,1 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, through a focused employee development program and diligent efforts into employee motivational schemes and relevant training programs.

MANAGEMENT'S REVIEW (CONTINUED)

Environmental performance

Fritz Hansen A/S is conscious of the environment and makes an ongoing effort to reduce the negative impact of its operating activities and eventually eliminate all negative environmental impact to be a positive contributor to society.

Sustainability mission & ambition

Fritz Hansen has developed a ESG strategy based on the core DNA and values of our company, with the ambition to show how extraordinary Design, long-lasting Quality and Sustainability are all part of the same solution.

Fritz Hansen A/S strives to reduce their environmental impact through a reduction in the number of reprocessing in the production, reduced use of volatile organic compounds, reduced CO2 load as well as sustainable sourcing of recycled/reusable raw materials. In addition, emphasis is on environmental considerations when choosing new suppliers as well as development of new products. Furthermore, the company is looking into development of future-proofed circular business models.

Our three Environmental Focus Areas:

Climate commitment:

Follow the Paris agreement and reduce our CO2e emissions according to the Net-Zero standard by SBTi

Long-Lasting beauty:

Moving from a linear to a circular business model. Extending the lifetime indefinitely

Sustainable materials:

Only use safe, healthy and recyclable/recycled materials

Read more about CSR and the statutory statement of Corporate Social Responsibility:

<https://downloads.fritzhansen.com/asset-bank/action/browseItems?categoryId=536&categoryTypeId=1&cachedCriteria=1>

(§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 Chr. Augustinus Fabrikker Aktieselskab.

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.

Business acquisitions

Acquired entities are recognised from the date of obtaining control. Upon acquisition of the entities, the acquisition method is applied. Cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued.

Expenses related to the acquisitions are recognised in the income statement in the period in which they are incurred.

Identifiable assets, liabilities and contingent liabilities (net assets) relating to the entities acquired are recognised at the fair value at the date of acquisition calculated in accordance with Fritz Hansen's accounting policies.

Goodwill relating to the entities acquired comprises a positive difference, if any, between the total fair value of the entities acquired and the fair value of the total net assets for accounting purposes. Goodwill is recognised in intangible assets and amortised on a straight-line basis over the assets' estimated useful life.

ACCOUNTING POLICIES (CONTINUED)

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.

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

Derivative financial instruments, typically comprising forward exchange contracts are initially recognised at cost and measured at fair value at the balance sheet date. Positive and negative fair values on the derivatives are classified as "other receivables" or "other payables" and changes in the fair value on both loans and forward contracts are recognised in the profit and loss statement, unless they fulfill the criteria for hedge accounting cf. below. The fair value of the derivative financial instruments is based on the fair values as obtained from the external financial institution's counterparties and adjusted with own estimates when deemed applicable.

Hedge accounting

Value adjustments on financial instruments that fulfill the criteria for hedge accounting are recognised directly in equity. These financial instruments comprise forward exchange contracts and loans in foreign currencies that are entered into to hedge future revenues and expenses. 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.

ACCOUNTING POLICIES (CONTINUED)

Revenue

Revenue from invoiced sales (net of discounts) is recognised in the income statement at risk transfer to the buyer and if revenue can be stated reliably and expected received. Revenue is recognised net of VAT and duties.

Change in inventories and expenses for raw materials, consumables and purchased goods

Raw materials, consumables and purchased goods comprise direct and indirect costs for raw materials and consumables, direct wages and salaries and indirect production cost, goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, operational leasing, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions and pension contributions. Staff costs directly related to production of goods is transferred to inventories and subsequently recognised in "Change in inventories and expenses for raw materials, consumables and purchased goods".

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Other income

Other income comprises of income of a secondary nature as viewed in relation to the primary activities.

Income/(loss) from investments in subsidiaries after tax

Income/(loss) from investments in subsidiaries after tax comprises the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Financial income

Financial income comprises interest income, including interest income on receivables from group enterprises, exchange gains on receivables, payables and transactions in foreign currencies etc.

ACCOUNTING POLICIES (CONTINUED)

Financial expenses

Financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, exchange losses on receivables, payables and transactions in foreign currencies etc.

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 on the difference between carrying amount and tax base.

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. The period of amortisation for rights, goodwill and development projects 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 the assets.

Goodwill	10 years
Rights	5 years
Software	3-10 years

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:

Land and buildings:	
Buildings	33 years
Installations	10 years
Plant and machinery:	
Manufacturing machinery	10 years
Tools	5 years

ACCOUNTING POLICIES (CONTINUED)

Other fixtures and fittings, tools and equipment:

Factory and warehouse equipment	10 years
Office furniture and machinery	5 years
IT equipment	3 years
Leasehold improvements	5-7 years

Gains and losses on current replacement of property, plant and equipment are recognised in "Amortisation, depreciation, impairment losses".

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

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 amortised cost or estimated net realisable value if this is lower. The estimated realisable value is based on an individual assessment.

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.

ACCOUNTING POLICIES (CONTINUED)

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.

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.

ACCOUNTING POLICIES (CONTINUED)

Ratios

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

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

Average Operating Assets = 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	
2022	2023			2023	2022
DKK'000	DKK'000		Note	DKK'000	DKK'000
830,540	616,719	Revenue	1	645,975	860,510
359,461	252,318	Change in inventories and expenses for raw materials, consumables and purchased goods		228,195	336,178
275,524	174,834	Other external expenses	2	198,704	304,987
158,778	132,324	Staff costs	3	148,302	175,354
36,777	57,243	Profit before amortisation, depreciation, impairment losses & other income (EBITDA)		70,774	43,991
37,295	38,558	Amortisation, depreciation, impairment losses	4	43,575	42,064
-518	18,685	Operating profit/loss (EBIT)		27,199	1,927
1,278	6,095	Income/(loss) from investments in subsidiaries after tax		-	-
760	24,780	Profit/loss before financial income & expenses		27,199	1,927
825	1,121	Financial income	5	916	617
9,140	12,624	Financial expenses	6	13,118	9,546
-7,555	13,277	Profit/loss before tax		14,997	-7,002
3,265	211	Tax on profit for the year	7	1,931	3,818
-10,820	13,066	PROFIT/LOSS FOR THE YEAR	8	13,066	-10,820

BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000		DKK'000	DKK'000
156,057	132,763	Goodwill	132,763	156,057
35,889	31,202	Software	31,202	35,889
1,261	3,494	Software in progress	3,494	1,261
193,207	167,459	Intangible Assets	167,459	193,207
		9		
38,741	37,114	Land and buildings	65,847	67,020
7,164	6,168	Plant and machinery	10,264	12,975
11,743	9,186	Other fixtures and fittings, tools and equipment	9,249	11,850
2,705	4,671	Property, plant and equipment in progress	5,957	2,935
60,353	57,139	Property, plant and equipment	91,317	94,780
		10		
7,043	6,780	Deposits	6,964	7,232
20,417	27,439	Investments in subsidiaries	-	-
27,460	34,219	Financial Asset Investments	6,964	7,232
281,020	258,817	FIXED ASSETS	265,740	295,219
234,971	216,643	Inventories	222,773	242,458
		12		
81,019	58,832	Trade receivables	66,379	94,890
34,962	33,887	Receivables from group enterprises	-	-
8,345	9,386	Other receivables	9,384	8,347
5,399	5,208	Prepayments	5,604	5,900
3,443	2,588	Deferred tax assets	5,322	7,271
133,168	109,901	Receivables	86,689	116,408
39,917	27,566	Cash at bank and in hand	30,784	40,841
408,056	354,110	CURRENT ASSETS	340,246	399,707
689,076	612,927	ASSETS	605,986	694,926

BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000	Note	DKK'000	DKK'000
22,000	22,000	Share Capital	22,000	22,000
-3,213	-4,722	Hedging Reserve	-4,722	-3,213
-	2,534	Revaluation by the equity method	-	-
297,037	308,333	Retained Earnings	310,867	297,037
-	-	Proposed dividends for the financial year	-	-
315,824	328,145	EQUITY	328,145	315,824
2,500	2,500	Warranty provision	2,500	2,500
288,477	209,974	Bank debt	209,974	288,477
56,946	41,676	Trade payables	32,667	58,316
1,000	134	Tax payable	232	1,453
-	-	Payable to group enterprises	-	-
24,329	30,498	Other payables	32,468	28,356
370,752	282,282	Current Liabilities other than Provisions	275,341	376,602
370,752	282,282	LIABILITIES OTHER THAN PROVISIONS	275,341	376,602
689,076	612,927	EQUITY AND LIABILITIES	605,986	694,926

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

<u>DKK*000</u>						
<u>Parent Company</u>	<u>Share capital</u>	<u>Hedging Reserve</u>	<u>Revaluation by the equity method</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
Equity at 1 January 2023	22,000	-3,213	-	297,037	-	315,824
Profit for the year	-	-	2,534	10,532	-	13,066
Exchange adjustments, subsidiaries	-	-	-	764	-	764
Adjustments, hedging instruments	-	-787	-	-	-	-787
Tax related to Hedging Instruments	-	-722	-	-	-	-722
Equity at 31 December 2023	22,000	-4,722	2,534	308,333	-	328,145

<u>Group</u>	<u>Share capital</u>	<u>Hedging Reserve</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
Equity at 1 January 2023	22,000	-3.213	297,037	-	315,824
Dividends paid	-	-	-	-	-
Profit for the year	-	-	13,066	-	13,066
Exchange adjustments, subsidiaries	-	-	764	-	764
Adjustments, hedging instruments	-	-787	-	-	-787
Tax related to Hedging Instruments	-	-722	-	-	-722
Equity at 31 December 2023	22,000	-4,722	310,867	-	328,145

Share capital consists of:

4 shares at 2,500	10,000
1 share at 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

	2023	2022
	DKK'000	DKK'000
Profit for the year before amortisation, depreciation and impairment	70,774	43,991
Change in inventories	19,685	-143,913
Change in receivables	27,768	-25,025
Change in trade payables & other payables from operating activities	-25,021	-16,135
Cash flow from operating activities before net financials and tax	93,206	-141,082
Interest income, etc.	916	617
Interest expenses, etc.	-12,608	-7,017
Corporation tax paid	-1,377	-1,449
Cash flow from ordinary activities	80,137	-148,931
Acquisition of property, plant and equipment	-7,024	-2,274
Acquisition of software	-5,102	-30,635
Sale of property, plant and equipment	167	6,856
Acquisition/sale of financial assets investments	268	-157,548
Cash flow from investing activities	11,691	-183,601
Dividends paid to shareholders in the Parent Company	-	-55,000
Cash flow from financing activities	-	-55,000
Cash flows for the year	68,446	-387,532
Cash and cash equivalents at 1 January	-247,636	139,896
Cash and cash equivalents at 31 December	-179,190	-247,636
Cash at bank and in hand	30,784	40,841
Short-term bank debt	-209,974	-288,477
Cash and cash equivalents at 31 December	-179,190	-247,636

NOTES

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000		DKK'000	DKK'000
		1. Segment information		
		Revenue		
		Geographical primary segment		
588,377	451,400	Europe	451,400	588,377
242,163	165,319	Rest of the world	194,575	272,133
830,540	616,719		645,975	860,510
		2. Other external expenses		
		This item includes the following fees to the auditors appointed at the General Meeting		
645	500	Statutory audit	618	733
124	533	Other services	608	166
769	1,033		1,226	899
		3. Staff costs		
		Total salaries and remuneration, etc., are distributed as follows:		
144,703	119,923	Wages and salaries	142,087	168,895
11,571	9,684	Pension costs	11,446	13,515
5,697	4,875	Other social security costs	8,785	9,749
161,971	134,482		162,318	192,159
-3,193	-2,158	Transferred to inventories	-14,016	-16,805
158,778	132,324		148,302	175,354
2,827	2,706	Board of Directors	2,706	2,827
8,912	11,122	Executive Board	11,122	8,912
229	190	Average number of employees	305	394

NOTES (CONTINUED)

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000		DKK'000	DKK'000
		4. Amortisation, depreciation, impairment losses and other income		
23,294	23,294	Goodwill & Rights	23,294	23,294
7,252	7,556	Software	7,556	7,252
2,592	2,170	Land and buildings	3,997	4,359
2,437	2,431	Plant and machinery	5,569	5,416
4,434	2,940	Other fixtures & fittings, tools & equipment	2,992	4,458
40,009	38,391	Amortisation, depreciations and impairment losses	43,408	44,779
-3,108	-7	Gain on sale of assets	-7	-3,108
394	174	Loss on sale of assets	174	393
37,295	38,558		43,575	42,064
		5. Financial income		
643	837	Interest income, intra-group	-	-
182	284	Interest income, other	916	617
825	1,121		916	617
		6. Financial expenses		
5,415	11,097	Interest expenses, banks	11,102	5,412
1,193	1,019	Interest expenses, other	1,506	1,605
2,532	508	Exchange losses	510	2,529
9,140	12,624		13,118	9,546

NOTES (CONTINUED)

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000		DKK'000	DKK'000
7. Tax on profit for the year				
366	153	Current tax of profit for the year	779	1,540
2,899	58	Adjustment of deferred tax re. profit for the year and adjustments relating to tax rate changes	1,152	2,278
3,265	211		1,931	3,818
8. Proposed distribution of profit/loss				
-	-	Proposed dividends	-	-
-10,820	13,066	Retained earnings	13,066	-10,820
-10,820	13,066		13,066	-10,820

9. Intangible Assets – Parent Company

DKK'000

	Goodwill	Rights	Software	Software in progress	Total
Cost at 1 January	232,939	5,909	72,620	1,261	312,729
Additions	-	-	2,869	2,233	5,102
Retirements	-	-	-19,112	-	-19,112
Cost at 31 December	232,939	5,909	56,377	3,494	298,719
Depreciation & impairment at 1 Jan.	76,882	5,909	36,731	-	119,522
Depreciation	23,294	-	7,556	-	30,850
Retirements	-	-	-19,112	-	-19,112
Depreciation & impair. at 31 Dec.	100,176	5,909	25,175	-	131,260
Carrying amount at 31 Dec. 2023	132,763	-	31,202	3,494	167,459
Carrying amount at 31 Dec. 2022	156,057	-	35,889	1,261	193,207

NOTES (CONTINUED)

9. Intangible Assets – Group

DKK'000

	Goodwill	Rights	Software	Software in progress	Total
Cost at 1 January	232,939	5,909	72,620	1,261	312,729
Additions	-	-	2,869	2,233	5,102
Retirements	-	-	-19,112	-	-19,112
Cost at 31 December	<u>232,939</u>	<u>5,909</u>	<u>56,377</u>	<u>3,494</u>	<u>298,719</u>
Depreciation & impairment at 1 Jan.	76,882	5,909	36,731	-	119,522
Depreciation	23,294	-	7,556	-	30,850
Retirements	-	-	-19,112	-	-19,112
Depreciation & impair. at 31 Dec.	<u>100,176</u>	<u>5,909</u>	<u>25,175</u>	<u>-</u>	<u>131,260</u>
Carrying amount at 31 Dec. 2023	132,763	-	31,202	3,494	167,459
Carrying amount at 31 Dec. 2022	156,057	-	35,889	1,261	193,207

NOTES (CONTINUED)

10. Property, plant and equipment – Parent Company

DKK'000

	Land & buildings	Plant & machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	143,186	50,938	36,430	2,705	233,259
Currency adjustment	-	-	-430	-	-430
Additions	695	548	693	2,879	4,815
Transfer	20	887	6	-913	-
Retirements	<u>-422</u>	<u>-278</u>	<u>-4,481</u>	<u>-</u>	<u>-5,181</u>
Cost at 31 December	<u>143,479</u>	<u>52,095</u>	<u>32,218</u>	<u>4,671</u>	<u>232,463</u>
Depreciation & impairment at 1 Jan.	104,445	43,774	24,687	-	172,906
Currency adjustment	-	-	-115	-	-115
Depreciation	2,170	2,431	2,940	-	7,541
Retirements	<u>-250</u>	<u>-278</u>	<u>-4,480</u>	<u>-</u>	<u>-5,008</u>
Depreciation & impair. at 31 Dec.	<u>106,365</u>	<u>45,927</u>	<u>23,032</u>	<u>-</u>	<u>175,324</u>
Carrying amount at 31 Dec. 2023	37,114	6,168	9,186	4,671	57,139
Carrying amount at 31 Dec. 2022	38,741	7,164	11,743	2,705	60,353

NOTES (CONTINUED)

10. Property, plant and equipment – Group

DKK'000

	Land & buildings	Plant & machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January	184,448	82,147	37,773	2,935	307,303
Currency adjustment	3,345	2,534	-446	20	5,453
Additions	695	548	693	5,088	7,024
Transfer	96	1,984	6	-2,086	-
Retirements	<u>-422</u>	<u>-278</u>	<u>-4,481</u>	<u>-</u>	<u>-5,181</u>
Cost at 31 December	<u>188,162</u>	<u>86,935</u>	<u>33,545</u>	<u>5,957</u>	<u>314,599</u>
Depreciation & impairment at 1 Jan.	117,428	69,172	25,923	-	212,523
Currency adjustment	1,140	2,207	-138	-	3,209
Depreciation	3,997	5,570	2,991	-	12,558
Retirements	<u>-250</u>	<u>-278</u>	<u>-4,480</u>	<u>-</u>	<u>-5,008</u>
Depreciation & impair. at 31 Dec.	<u>122,315</u>	<u>76,671</u>	<u>24,296</u>	<u>-</u>	<u>223,282</u>
Carrying amount at 31 Dec. 2023	65,847	10,264	9,249	5,957	91,317
Carrying amount at 31 Dec. 2022	67,020	12,975	11,850	2,935	94,780

NOTES (CONTINUED)

11. Investments in subsidiaries	Parent Company	
	2023 DKK'000	2022 DKK'000
Cost at 1 January	24,904	24,056
Retirement	-	-74
Additions	-	922
Cost at 31 December	24,904	24,904
Value adjustment at 1 January	6,981	1,738
Retirement	-	1,618
Exchange adjustments, beginning of year	829	311
Profit for the year	2,096	3,336
Exchange adjustment of profit for the year	112	-22
Value adjustment at 31 December	10,018	6,981
Internal profit incl. addition merger	-7,483	-11,468
Carrying amount at 31 December	27,439	20,417

<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 Trading Co. Ltd	Shanghai, China	100%

12. Inventories

Parent Company			Group	
2022 DKK'000	2023 DKK'000		2023 DKK'000	2022 DKK'000
42,544	58,201	Raw materials and consumables	58,217	42,295
7,345	6,910	Work in progress	6,910	7,345
185,082	151,532	Finished goods	157,646	192,818
234,971	216,643		222,773	242,458

NOTES (CONTINUED)

13. Prepayments

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000		DKK'000	DKK'000
4,210	3,812	Other prepayments	4,079	4,579
1,189	1,396	Prepaid rent	1,525	1,321
5,399	5,208		5,604	5,900

14. Deferred tax assets

Parent Company			Group	
2022	2023		2023	2022
DKK'000	DKK'000		DKK'000	DKK'000
-3,879	-3,240	Intangible and tangible assets	-3,240	-3,879
2,920	2,598	Inventories	2,598	2,920
-	-	Internal profit	2,077	3,162
262	333	Trade receivables	333	262
1,220	978	Liabilities and provisions	1,093	1,325
846	124	Hedging Reserve	124	846
2,074	1,795	Deferred tax loss	2,337	2,635
3,443	2,588		5,322	7,271
4,697	3,443	Provision deferred tax 1 January	7,271	6,395
1,407	-	Deferred tax from merger	-	2,916
-2,899	-58	Deferred tax of profit for the year	-1,152	-2,278
238	-722	Deferred tax adjusted in Equity	-722	238
-	-75	Joint taxation utilisation	-75	-
3,443	2,588		5,322	7,271

NOTES (CONTINUED)

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.

Bank debt

The bank debt consists of ordinary credits. The average term is one year. The rate of interest averaged 4,3% at 31 December 2023.

Derivative financial instruments:

Foreign currency loans of DKK 119 million have been raised to ensure expected future sales in foreign currency. Furthermore, derivative financial instruments in the form of forward foreign exchange contracts have been entered into, which have a positive fair value of DKK 1,5 million as of 31 December 2023.

The total fair value of hedge accounting instruments recognised in equity amounts to DKK 4.7 million and is expected to be recycled to the profit & loss statement within 12 months.

16. Contingent Liabilities

Rental and lease commitments

The Group has assumed rental and lease commitments with payments of DKK 36 million in the period of notice (parent DKK 36 million). In the financial year 2023, group payments amount to DKK 15 million (parent DKK 15 million). The balance of DKK 21 million (parent DKK 21 million) is due for payment in the financial years 2024 to 2029 (group and parent). The commitments relate to leases of showrooms and motor vehicles.

The Company has guaranteed payments of DKK 0,5 million relating to performance guarantees.

17. Related Parties

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

The Company's shareholder Skandinavisk Holding A/S (Sankt Annæ Plads 13, st. th., 1250 Copenhagen K), intermediate holding company Chr. Augustinus Fabrikker Aktieselskab (Sankt Annæ Plads 13, 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 13, 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.