

**FRITZ HANSEN A/S**

ALLERØDVEJ 8, 3450 ALLERØD

CENTRAL BUSINESS REGISTRATION NO. 1412 0211

**ANNUAL REPORT**

FOR 1 JANUARY - 31 DECEMBER 2019

18 MARCH 2020

CHAIRMAN: LARS TORP MADSEN

## CONTENTS

	<u>Page</u>
Company Details	1
Statement by Management on the Annual Report	2
Independent Auditor's Report	3
Management's Review	6
Accounting Policies	11
Income Statement	17
Balance Sheet	18
Statement of Changes in Equity	20
Cash Flow Statement	21
Notes	22

## **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](http://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  
Jacob Holm  
Anne Katrine Friis-Holm Ottosen \*  
Henning Petersen \*

\*) Employee board member

### **Executive Board**

Josef Kaiser, 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 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 2019.

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 2019 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 2019.

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, 18 March 2020.

### Executive Board

Josef Kaiser  
(Chief Executive Officer)

Lars Torp Madsen  
(Chief Financial Officer)

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

### Board of Directors

Henrik Brandt  
Chairman

Anders Obel  
Deputy Chairman

Christian Madsbjerg

Claus Gregersen

Jennifer Galimberti

Jacob Holm

Anne Katrine Friis-Holm Ottosen

Henning Petersen

## **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 2019, 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 2019 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 2019, 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, 18 March 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

Cvr.no. 33 77 12 31

Torben Jensen  
State Authorised Public Accountant  
mne18651

Allan Wøhik Høgh  
State Authorised Public Accountant  
mne34528

## MANAGEMENT'S REVIEW

### Group financial highlights

	2015	2016	2017	2018	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Income Statement:</b>					
Revenue	559,957	601,982	631,974	619,271	573,128
EBITDA	129,391	153,164	149,013	130,181	91,315
EBIT	105,990	130,064	126,128	107,603	67,142
Net Financials	-2,148	-4,894	-978	-4,662	-2,073
Profit for the year	79,452	96,130	94,224	77,718	48,221
<b>Balance Sheet:</b>					
Inventories	42,244	54,283	70,437	77,606	67,239
Trade Receivables	53,147	45,940	60,526	59,708	50,144
Trade Payables	21,048	32,896	21,883	34,964	27,089
Equity	270,691	309,760	312,220	322,282	314,828
Balance Sheet Total	431,433	497,318	511,324	528,576	490,809
Investments	94,490	20,635	7,237	6,820	17,126
Average Operating Assets	237,164	278,092	287,312	265,296	237,879
Net Working Capital	44,521	40,030	85,657	85,347	63,485
Net interest-bearing debt	10,199	-39,679	-29,077	-89,888	-88,477
<b>Cash Flow:</b>					
Free Cash Flow	2,358	104,778	84,498	125,811	53,589
<b>Ratios in %</b>					
Profit Margin	18.9	21.6	20.0	17.4	11.7
Return on Capital Employed	44.7	46.8	43.9	39.5	28.2
Return on Equity	32.4	33.1	30.3	24.5	15.1
Equity Ratio (%)	62.7	62.3	61.0	61.0	64.1
<b>Employees:</b>					
Average number of full-time employees	185	202	237	246	252

### 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 65,1 million and did not meet the expectations for the financial year.

The year's cash flows from operating activities are 70,4 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. It is recommended to the Annual General Meeting that dividend of DKK 35 million be distributed.

### *New products, research and development activities*

The Group's development costs in the period totalled DKK 9 million (2018: DKK 8 million).

### *Significant events after the balance sheet date*

After the balance sheet date, the global outbreak of COVID-19 (coronavirus) has had a negative impact on the macro-economic outlook and financial markets. The scale and duration of this remains uncertain, but could negatively impact the Group and the Parent Company going forward.

No other events have occurred after the balance sheet date of importance to the 2019 consolidated financial statements and the financial statements of the Parent Company.

## **Outlook & Expectations**

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

## **§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 aspiration was to have 1 woman in the board of directors by 2021, which was fulfilled during 2019.

When changes in board of directors or management should occur, specific attention will be given to female candidates, however it was not considered possible to change a management composition in 2019.

The remaining management is currently represented by 20% women and 80% men. The ambition is, to increase the number of female managers by the following policies:

## MANAGEMENT'S REVIEW (CONTINUED)

- 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.

## 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.

### *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 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 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 90 million to an asset of DKK 88 million in the year. The gross interest bearing debt is raised in GBP, SEK, USD and YEN.

## MANAGEMENT'S REVIEW (CONTINUED)

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 income before tax to increase by max. DKK 0.9 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.

## MANAGEMENT'S REVIEW (CONTINUED)

### *Reducing CO<sub>2</sub> 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/da-dk/about-us/sustainability/csr-reports>

*(§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 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.

### *Raw materials, consumables and purchased goods*

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

## ACCOUNTING POLICIES (CONTINUED)

### *Other external expenses*

Other external expenses include expenses relating to the ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, 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.

### *Depreciation, amortisation and impairment losses and other income*

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 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.

### *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, 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.

## ACCOUNTING POLICIES (CONTINUED)

### *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**

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

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

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	
2018	2019				2019	2018	
DKK'000	DKK'000			Note	DKK'000	DKK'000	
601,598	544,844	Revenue		1	573,128	619,271	
225,779	202,546	Raw materials, consumables and purchased goods			189,206	206,349	
159,058	148,917	Other external expenses		2	170,031	177,206	
94,988	109,895	Staff costs		3	122,576	105,535	
<b>121,773</b>	<b>83,486</b>	<b>Profit before amortisation, depreciation, impairment losses &amp; other income (EBITDA)</b>			<b>91,315</b>	<b>130,181</b>	
16,647	17,231	Amortisation, depreciation, impairment losses & other income		4	24,173	22,578	
<b>105,126</b>	<b>66,255</b>	<b>Operating profit/loss (EBIT)</b>			<b>67,142</b>	<b>107,603</b>	
746	-499	Income/(loss) from investments in subsidiaries after tax		5	-	-	
<b>105,872</b>	<b>65,756</b>	<b>Profit before financial income &amp; expenses</b>			<b>67,142</b>	<b>107,603</b>	
892	1,256	Financial income		6	727	358	
4,669	2,439	Financial expenses		7	2,800	5,020	
<b>102,095</b>	<b>64,573</b>	<b>Profit before tax</b>			<b>65,069</b>	<b>102,941</b>	
24,377	16,352	Tax on profit for the year		8	16,848	25,223	
<b>77,718</b>	<b>48,221</b>	<b>PROFIT FOR THE YEAR</b>		<b>9</b>	<b>48,221</b>	<b>77,718</b>	

## BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2018	2019		2019	2018
DKK'000	DKK'000	Note	DKK'000	DKK'000
52,234	44,094	Goodwill	44,094	52,234
256	128	Rights	128	256
<b>52,490</b>	<b>44,222</b>	<b>Intangible Assets</b>	<b>44,222</b>	<b>52,490</b>
		<b>10</b>		
32,963	35,170	Land and buildings	71,968	66,015
6,522	7,094	Plant and machinery	22,336	24,578
6,129	5,880	Other fixtures and fittings, tools and equipment	6,364	8,242
3,145	3,456	Property, plant and equipment in progress	3,456	3,613
<b>48,759</b>	<b>51,600</b>	<b>Property, plant and equipment</b>	<b>104,124</b>	<b>102,448</b>
		<b>11</b>		
9,218	8,570	Deferred tax assets	11,176	11,751
3,117	2,916	Deposits	3,197	3,395
14,226	14,037	Investments in subsidiaries	-	-
<b>26,561</b>	<b>25,523</b>	<b>Financial Asset Investments</b>	<b>14,373</b>	<b>15,146</b>
		<b>12</b>		
<b>127,810</b>	<b>121,345</b>	<b>FIXED ASSETS</b>	<b>162,719</b>	<b>170,084</b>
		<b>13</b>		
<b>74,168</b>	<b>63,047</b>	<b>Inventories</b>	<b>67,239</b>	<b>77,606</b>
54,122	44,989	Trade receivables	50,144	59,708
47,459	46,699	Receivables from group enterprises	147	-
5,763	6,227	Other receivables	6,174	5,716
4,804	1,127	Prepayments	1,247	4,924
<b>112,148</b>	<b>99,042</b>	<b>Receivables</b>	<b>57,712</b>	<b>70,348</b>
		<b>14</b>		
208,515	201,704	Cash at bank and in hand	203,139	210,538
<b>394,831</b>	<b>363,793</b>	<b>CURRENT ASSETS</b>	<b>328,090</b>	<b>358,492</b>
<b>522,641</b>	<b>485,138</b>	<b>ASSETS</b>	<b>490,809</b>	<b>528,576</b>

## BALANCE SHEET AT 31 DECEMBER

Parent Company			Group	
2018	2019		2019	2018
DKK'000	DKK'000	Note	DKK'000	DKK'000
22,000	22,000	Share Capital	22,000	22,000
1,296	2,034	Revaluation by the equity method	-	-
243,986	255,794	Retained Earnings	257,828	245,282
55,000	35,000	Proposed dividends for the financial year	35,000	55,000
<b>322,282</b>	<b>314,828</b>	<b>EQUITY</b>	<b>314,828</b>	<b>322,282</b>
120,650	114,242	Bank debt	114,662	120,650
32,407	25,492	Trade payables	27,089	34,964
23,011	-	Payable to group enterprises	-	23,037
24,291	30,576	Other payables	34,230	27,643
<b>200,359</b>	<b>170,310</b>	<b>Current Liabilities other than Provisions</b>	<b>175,981</b>	<b>206,294</b>
<b>200,359</b>	<b>170,310</b>	<b>LIABILITIES OTHER THAN PROVISIONS</b>	<b>175,981</b>	<b>206,294</b>
<b>522,641</b>	<b>485,138</b>	<b>EQUITY AND LIABILITIES</b>	<b>490,809</b>	<b>528,576</b>

Currency, interest and credit exposure	15
Contingent Liabilities, etc.	16
Related Parties	17
Subsequent events	18

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

<b>Parent Company</b>	<b>Share capital DKK'000</b>	<b>Revaluation by the equity method DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividends DKK'000</b>	<b>Total DKK'000</b>
Equity at 1 January 2019	22,000	1,296	243,986	55,000	322,282
Dividends paid	-	-	-	-55,000	-55,000
Profit for the year	-	724	12,497	35,000	48,221
Exchange adjustments, subsidiaries	-	14	9	-	23
Net adjustments, hedging instruments	-	-	-698	-	-698
<b>Equity at 31 December 2019</b>	<b>22,000</b>	<b>2,034</b>	<b>255,794</b>	<b>35,000</b>	<b>314,828</b>

<b>Group</b>	<b>Share capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividends DKK'000</b>	<b>Total DKK'000</b>
Equity at 1 January 2019	22,000	245,282	55,000	322,282
Dividends paid	-	-	-55,000	-55,000
Profit for the year	-	13,221	35,000	48,221
Exchange adjustments, subsidiaries	-	23	-	23
Net adjustments, hedging instruments	-	-698	-	-698
<b>Equity at 31 December 2019</b>	<b>22,000</b>	<b>257,828</b>	<b>35,000</b>	<b>314,828</b>

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

	2019	2018
	DKK'000	DKK'000
Profit for the year before amortisation, depreciation and impairment	91,315	130,181
Change in inventories	10,367	-7,167
Change in receivables	10,494	-339
Change in trade payables & other payables from operating activities	-1,977	5,119
<b>Cash flow from operating activities before net financials and tax</b>	<b>110,199</b>	<b>127,792</b>
Interest income, etc.	164	358
Interest expenses, etc.	-2,800	-3,503
Corporation tax paid	-37,168	7,598
<b>Cash flow from ordinary activities</b>	<b>70,395</b>	<b>132,245</b>
Acquisition of property, plant and equipment	-17,126	-6,820
Sale of property, plant and equipment	122	110
Acquisition/sale of financial assets investments	198	276
<b>Cash flow from investing activities</b>	<b>-16,806</b>	<b>-6,434</b>
Dividends paid to shareholders in the Parent Company	-55,000	-65,000
<b>Cash flow from financing activities</b>	<b>-55,000</b>	<b>-65,000</b>
Cash flows for the year	-1,411	60,811
Cash and cash equivalents at 1 January	89,888	29,077
<b>Cash and cash equivalents at 31 December</b>	<b>88,477</b>	<b>89,888</b>
Cash at bank and in hand	203,139	210,538
Short-term bank debt	-114,662	-120,650
<b>Cash and cash equivalents at 31 December</b>	<b>88,477</b>	<b>89,888</b>

## NOTES

Parent Company			Group	
2018	2019		2019	2018
DKK'000	DKK'000		DKK'000	DKK'000
<b>1. Segment information</b>				
Revenue				
Geographical primary segment				
465,312	413,923	Europe	413,923	465,312
136,286	130,921	Rest of the world	159,205	153,959
<b>601,598</b>	<b>544,844</b>		<b>573,128</b>	<b>619,271</b>
<b>2. Other external expenses</b>				
This item includes the following fee to the auditors appointed at the General Meeting				
390	390	Statutory audit	464	455
-	15	Other services	53	-
<b>390</b>	<b>405</b>		<b>517</b>	<b>455</b>
<b>3. Staff costs</b>				
Total salaries and remuneration, etc., are distributed as follows:				
85,645	100,095	Wages and salaries	110,675	94,430
5,626	5,743	Pension costs	5,892	5,766
3,717	4,057	Other social security costs	6,009	5,339
<b>94,988</b>	<b>109,895</b>		<b>122,576</b>	<b>105,535</b>
1,682	1,817	Board of Directors	1,817	1,682
10,883	19,849	Executive Board	19,849	10,883
142	148	Average number of employees	252	246



## NOTES (CONTINUED)

Parent Company			Group	
2018	2019		2019	2018
DKK'000	DKK'000		DKK'000	DKK'000
		<b>4. Amortisation, depreciation, impairment losses and other income</b>		
8,269	8,269	Goodwill & Rights	8,269	8,269
2,411	2,419	Land and buildings	4,246	4,220
2,695	2,922	Plant and machinery	6,400	6,433
3,289	3,355	Other fixtures & fittings, tools & equipment	4,993	3,674
<b>16,664</b>	<b>16,965</b>	Amortisation, depreciations and impairment losses	<b>23,908</b>	<b>22,596</b>
-17	266	Other income, gain/loss on sale of assets	265	-18
<b>16,647</b>	<b>17,231</b>		<b>24,173</b>	<b>22,578</b>
		<b>5. Profit from investment in subsidiaries after tax</b>		
445	724	Fritz Hansen Inc. USA	-	-
-1,066	-370	Fritz Hansen Production Sp. z.o.o, Poland	-	-
3	-	Fritz Hansen Singapore Pte Ltd, Singapore	-	-
65	-944	Fritz Hansen Via Tessa S.r.l., Italy	-	-
1,299	91	Adjustment of internal profit	-	-
<b>746</b>	<b>-499</b>		<b>-</b>	<b>-</b>
		<b>6. Financial income</b>		
565	544	Interest income, intra-group	-	-
327	142	Interest income, other	164	358
-	570	Exchange gains	563	-
<b>892</b>	<b>1,256</b>		<b>727</b>	<b>358</b>
		<b>7. Financial expenses</b>		
1,953	1,872	Interest expenses, banks	1,872	1,953
1,202	567	Interest expenses, other	928	1,550
1,514	-	Exchange losses	-	1,517
<b>4,669</b>	<b>2,439</b>		<b>2,800</b>	<b>5,020</b>

## NOTES (CONTINUED)

Parent Company			Group	
2018	2019		2019	2018
DKK'000	DKK'000		DKK'000	DKK'000
		<b>8. Tax on profit for the year</b>		
23,367	15,704	Current tax of profit for the year	16,273	24,030
1,010	648	Adjustment of deferred tax re. profit for the year and adjustments relating to tax rate changes	575	1,193
<b>24,377</b>	<b>16,352</b>		<b>16,848</b>	<b>25,223</b>
		<b>9. Proposed distribution of profit/loss</b>		
55,000	35,000	Proposed dividends		
445	724	Reserve for net revaluation under the equity method		
22,273	12,497	Retained earnings		
<b>77,718</b>	<b>48,221</b>			

### 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	-	-	-	-
Cost at 31 December	81,402	5,909	81,402	5,909
Depreciation & impairment at 1 Jan.	29,168	5,653	29,168	5,653
Depreciation	8,140	129	8,140	129
Depreciation & impair. at 31 Dec.	37,308	5,781	37,308	5,781
<b>Carrying amount at 31 Dec. 2019</b>	<b>44,094</b>	<b>128</b>	<b>44,094</b>	<b>128</b>
Carrying amount at 31 Dec. 2018	52,234	256	52,234	256

## 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	143,318	58,675	45,084	3,145	250,222
Currency adjustment	-	-	72	-	72
Additions	4,759	3,494	3,312	2,498	14,063
Retirements	<u>-212</u>	<u>-</u>	<u>-1,527</u>	<u>-2,187</u>	<u>-3,926</u>
Cost at 31 December	<u>147,865</u>	<u>62,169</u>	<u>46,941</u>	<u>3,456</u>	<u>260,431</u>
Depreciation & impairment at 1 Jan.	110,355	52,153	38,955	-	201,463
Currency adjustment	-	-	43	-	43
Depreciation	2,419	2,922	3,355	-	8,696
Retirements	<u>-79</u>	<u>-</u>	<u>-1,292</u>	<u>-</u>	<u>-1,371</u>
Depreciation & impair. at 31 Dec.	<u>112,695</u>	<u>55,075</u>	<u>41,061</u>	<u>-</u>	<u>208,831</u>
<b>Carrying amount at 31 Dec. 2019</b>	<b>35,170</b>	<b>7,094</b>	<b>5,880</b>	<b>3,456</b>	<b>51,600</b>
Carrying amount at 31 Dec. 2018	32,963	6,522	6,129	3,145	48,759

## 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	182,968	91,338	48,152	3,613	326,071
Currency adjustment	441	363	99	8	911
Additions	9,985	3,994	3,312	2,498	19,789
Retirements	-212	-	-1,527	-2,663	-4,402
<b>Cost at 31 December</b>	<b>193,182</b>	<b>95,695</b>	<b>50,036</b>	<b>3,456</b>	<b>342,369</b>
Depreciation & impairment at 1 Jan.	116,953	66,760	39,910	-	223,623
Currency adjustment	94	199	61	-	354
Depreciation	4,246	6,400	4,993	-	15,639
Retirements	-79	-	-1,292	-	-1,371
<b>Depreciation &amp; impair. at 31 Dec.</b>	<b>121,214</b>	<b>73,359</b>	<b>43,672</b>	<b>-</b>	<b>238,245</b>
<b>Carrying amount at 31 Dec. 2019</b>	<b>71,968</b>	<b>22,336</b>	<b>6,364</b>	<b>3,456</b>	<b>104,124</b>
Carrying amount at 31 Dec. 2018	66,015	24,578	8,242	3,613	102,448

## NOTES (CONTINUED)

	Parent Company	
	2019 DKK'000	2018 DKK'000
<b>12. Investments in subsidiaries</b>		
Cost at 1 January	21,997	21,997
Additions	-	-
Cost at 31 December	<u>21,997</u>	<u>21,997</u>
Value adjustment at 1 January	1,926	2,588
Retirement	-	-130
Exchange adjustments, beginning of year	275	8
Profit for the year	-590	-553
Exchange adjustment of profit for the year	<u>23</u>	<u>13</u>
Value adjustment at 31 December	<u>1,634</u>	<u>1,926</u>
Internal profit	<u>-9,594</u>	<u>-9,697</u>
Carrying amount at 31 December	<u><b>14,037</b></u>	<u><b>14,226</b></u>

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

### 13. Inventories

Parent Company			Group	
2018 DKK'000	2019 DKK'000		2019 DKK'000	2018 DKK'000
30,235	24,230	Raw materials and consumables	24,230	30,235
10,972	7,903	Work in progress	7,903	10,972
32,961	30,914	Finished goods	<u>35,106</u>	<u>36,399</u>
<u><b>74,168</b></u>	<u><b>63,047</b></u>		<u><b>67,239</b></u>	<u><b>77,606</b></u>

## NOTES (CONTINUED)

### 14. Prepayments

Parent Company			Group	
2018	2019		2019	2018
DKK'000	DKK'000		DKK'000	DKK'000
3,529	904	Other prepayments	1,024	3,649
1,275	223	Prepaid rent	223	1,275
<b>4,804</b>	<b>1,127</b>		<b>1,247</b>	<b>4,924</b>

### 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 1.4% at 31 December 2019.

#### *Derivative financial instruments:*

There are no forward exchange contracts at 31 December 2019. Foreign currency loans of DKK 114 million have been raised to ensure expected future sales in foreign currency.

## NOTES (CONTINUED)

### 16. Contingent Liabilities

#### *Rental and lease commitments*

The Group has assumed rental and lease commitments with payments of DKK 40 million in the period of notice (parent DKK 36 million). In the financial year 2020, group payments amounts to DKK 11 million (parent DKK 8 million). The balance of DKK 29 million (parent DKK 27 million) is due for payment in the financial years 2021 to 2026 (group and parent). The commitments relate primarily to leases of showrooms and motor vehicles.

The Company has guaranteed payments of DKK 484k 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.

#### *Transactions with related parties*

Transactions with related parties has been conducted at market terms.

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.

### 18. Subsequent events

After the balance sheet date, the global outbreak of COVID-19 (coronavirus) has had a negative impact on the macro-economic outlook and financial markets. The scale and duration of this remains uncertain, but could negatively impact the Group and the Parent Company going forward.

No other events have occurred after the balance sheet date of importance to the 2019 consolidated financial statements and the financial statements of the Parent Company.