
Carl Hansen & Søn Holding A/S

Hylkedamvej 77-79, 5591 Gelsted

Annual Report 2016

CVR No 26 90 09 21

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
Company on 22.05.2017


Brian Hansen
Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of 2016 for the financial year 1 January – 31 December 2016.

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


In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

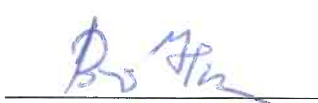
Further, in our opinion, Management's Review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

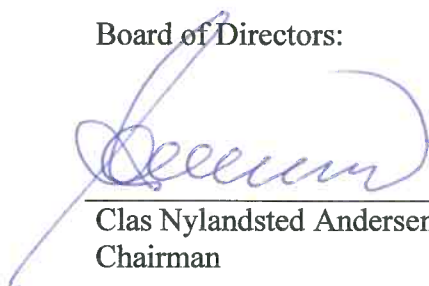
Gelsted, 21 March 2017

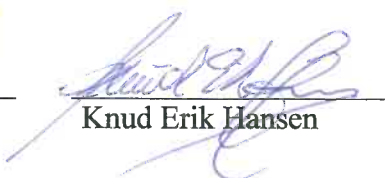
Executive Board:

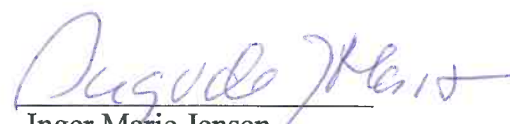

Knud Erik Hansen
CEO


Brian Hansen
CFO

Board of Directors:


Clas Nylandsted Andersen
Chairman


Knud Erik Hansen


Inger Marie Jensen
Hansen


Ulrich Krasilnikoff


Carsten Fode

Independent Auditor's Report

To the Shareholder of Carl Hansen & Søn Holding A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act. Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company

Independent auditor's report

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 judgement and maintain professional scepticism 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.

Independent auditor's report

- 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.

Trekantomraadet, 21 March 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Carsten Dahl

State Authorised Public Accountant

Management's Review

Company details

Carl Hansen & Søn Holding A/S
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DK-5591 Gelsted

Telephone: +45 66 12 14 04

Fax: +45 66 91 60 04

Website: www.carlhansen.com

E-mail: info@carlhansen.com

CVR No: 26 90 09 21

Registered office: Middelfart

Financial year: 1 January – 31 December

Board of Directors

Clas Nylandsted Andersen, Chairman

Knud Erik Hansen

Inger Marie Jensen Hansen

Ulrich Krasilnikoff

Carsten Fode

Executive Board

Knud Erik Hansen

Brian Hansen

Auditors

PricewaterhouseCoopers

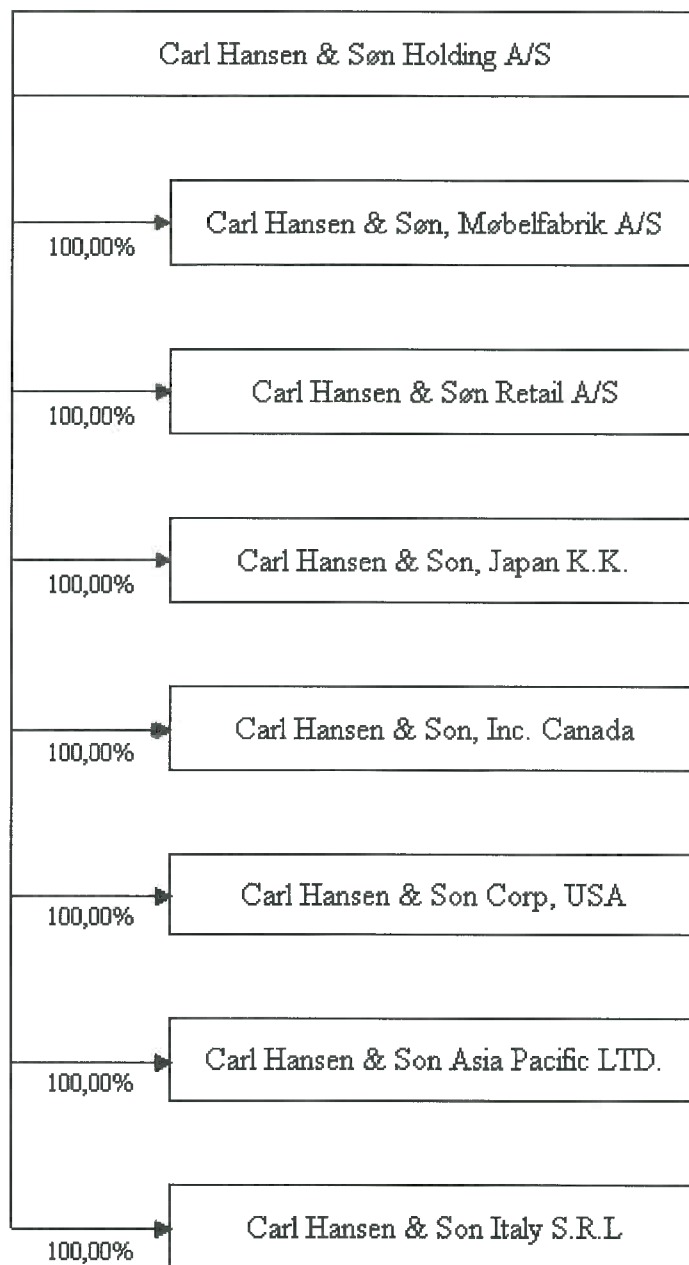
Statsautoriseret Revisionspartnerselskab

Herredsvej 32

DK-7100 Vejle

Management's Review

Group chart



Management's Review

Financial highlights for the Group

DKK '000	2016	2015	2014	2013	2012
Key figures					
Revenue	422,025	369,550	279,937	236,501	219,945
Gross profit	173,853	140,407	110,525	93,236	86,957
Profit before financials	32,997	20,428	16,763	13,785	15,288
Net financials	-5,592	-6,258	-5,879	-3,551	-4,499
Profit for the year	20,582	10,557	7,399	8,355	8,173
Balance sheet total					
Balance sheet total	234,870	234,790	209,235	165,824	143,494
Equity	80,098	53,504	44,245	37,021	34,900
Cash flows from:					
-operating activities	37,142	28,413	8,784	13,956	15,888
-investing activities	240	-22,728	-39,719	-26,345	-10,356
Portion relating to investment in property, plant and equipment	-26,722	-18,545	-39,489	-21,717	-10,133
-financing activities	5,564	-5,372	18,089	-270	-8,410
Total cash flows	42,947	314	-12,846	-12,660	-2,878
Financial ratios					
Gross margin ratio	41,2 %	38,0 %	39,5 %	39,4 %	39,5 %
Profit margin	7,8 %	5,5 %	6,0 %	5,8 %	7,0 %
Return on assets	14,0 %	8,7 %	8,0 %	8,9 %	10,7 %
Solvency ratio	34,1 %	22,8 %	20,9 %	22,2 %	24,3 %
Return on equity	30,8 %	21,6 %	18,2 %	23,1 %	23,7 %
Average number of full-time employees					
Average number of full-time employees	286	247	206	169	151

For terms and definitions, please see the accounting policies.

Management's Review

Operating review

Main activity of the Group

Over the past 109 years, Carl Hansen & Søn has been manufacturing and trading high-level Danish designer furniture in Denmark and throughout the world.

Market overview

The Company achieved a growth rate of some 14 % in 2016. Denmark continues to be the largest market with a share of approximately 30 %.

In 2016, growth was generated especially in Japan, the UK and Southern Europe; however, also Scandinavia and the USA saw double-digit growth rates.

It is the Company's strategy to continue recent years' growth scenario through organic growth, while looking out for opportunities of making strategic business acquisitions in the furniture and design industry.

Development in activities and financial matters

The consolidated income statement for 2016 shows a profit of DKK 20.6 million, which is as expected, and the consolidated balance sheet at 31 December 2016 shows equity of DKK 80,1 million.

In 2016, production was moved from Copenhagen to Gelsted to increase production capacity of these Danish design classics.

Carl Hansen & Søn sold its property in Aarup at 31 December 2016, and in 2017 production was moved from Aarup to Gelsted. At the end of 2016, an agreement was made to purchase additional buildings in Gelsted, after which the Company has a total of 37,000 square metres of administration, production and storage facilities at its disposal in Gelsted. Following these moves, all production now takes place in Gelsted.

Capital resources

The Group's funds tied up in working capital increased by DKK 14.6 million due to high sales in December as well as build-up of foreign inventories to support future growth in these markets.

Investments totalled DKK 26.7 million, the majority being investments in machinery to support growth. Investments for 2017 are expected to amount to DKK 94 million.

The Group's total utilisation of the operating credits available was DKK 12.6 million, which is a significant improvement of DKK 49.3 million. At the same time, the short-time part of long-term debt increased by DKK 18.2 million.

Management's Review

Operating review

Risks

Currency risks

A significant number of the products manufactured by the Carl Hansen & Søn Group are sold in export markets throughout the world. In all major markets, the Company trades with its own tariffs in foreign currencies. Such an organised sales strategy implies that the Company's income would be affected by currency fluctuations. However, the Company aims at hedging all these currency fluctuations through forward exchange contracts with its banks. We do not wish to speculate in any form of currency fluctuations or other matters that are not linked directly to our main activities as described above.

Liquidity risks

The Group relies on having access to long-term funding at all times. It is therefore the Group's policy to have, as far as possible, non-cancellable credit facilities to an extent that is reasonably proportionate to the Group's planned activities. Moreover, the Company makes an effort to avoid, as far as possible, dependence on individual lenders by raising loans with several different lenders.

Strategy and objectives

Strategy

It is Carl Hansen & Søn's strategy to continue investing in the market with showrooms/shops and by employing salespersons.

Moreover, expansion of the product range is a key element in the continued expansion as the Company aims at winning market shares from its competitors through organic growth.

Targets and expectations for the year ahead

The Management of Carl Hansen & Søn expects results for 2017 to exceed those realised for 2016.

Management's Review

Operating review

Basis of earnings

External environment

The objective of the Company is to have the lowest possible impact on the environment. The Company has established a number of internal targets to ensure health and safety at work and reduce the consumption of energy.

Product development

During 2016, Carl Hansen & Søn spent DKK 2.9 million on product development. This amount relating to the development of new models has been capitalised.

A development project typically covers a period of 6-12 months, after which the products are introduced to the markets. We expect to develop 2-4 new products per year.

Corporate social responsibility report

Policies

Carl Hansen & Søn's policies in relation to corporate social responsibility comprise our environmental policy and our health & safety policy. Our environmental policy requires environmentally sound operations and forms an integral part of the Group's objectives for product quality and production environment. Our health & safety policy is designed to ensure that we have continuous focus on our employees' health and safety.

The environment and health & safety form one of the Group's five core values.

Other than that, the Group has no formal policies. Efforts will be directed at this going forward.

Activities

In 2016, Management decided to increase the Company's recycling of wood chips and rejects to generate heat at the Group's production facilities in Gelsted. Therefore, investments will be made in 2017 in plant and installations so that all buildings will be supplied by heat from an internal central heating system using only wood chips and rejects from the Group's furniture production.

Management's Review

Operating review

Intellectual capital resources

The Company manufactures a variety of products of high-quality craftsmanship supported by the newest machine technology in the market. That makes heavy demands in terms of skilled labour.

The Company works continuously to attract the best workers, while focusing on continuous enhancement of technical standards throughout the business.

Report on gender composition of management under section 99b of the Danish Financial Statements Act

Target for the Board of Directors

Carl Hansen & Søn has defined a target of at least 40 % female members of the Board of Directors elected at the Annual General Meeting by 2022. The current gender composition among the board members elected at the Annual General Meeting is four men and one woman. The composition of the Board of Directors remains unchanged from 2015. Going forward, the Board of Directors will, where possible, nominate qualified female candidates for the Board of Directors at future General Meetings to achieve the target.

Diversity at other management levels of Carl Hansen & Søn

Moreover, the Company has prepared a policy for increasing the share of female members of management below board level. The policy includes a target of equal gender distribution at all management levels with personnel responsibility.

The Company's target is challenged by a relatively small number of female candidates for vacant management positions; however, in the event of equally qualified candidates for a vacant management position, the female candidate will be preferred to achieve the target of equal gender distribution among the Company's managers with personnel responsibility.

Subsequent events

No events affecting Management's assessment of the results for 2016 have occurred after the balance sheet date.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

The Annual Report of Carl Hansen & Søn Holding A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

During 2016, the Company changed to a large enterprise of reporting class C

The Company has implemented amendments of the Danish Financial Statements Act taking effect at 1 January 2016, cf Danish Act No 738 of 1 June 2015.

Change to large enterprise of reporting class C and the amendments of the Danish Financial Statements Act taking effect at 1 January 2016 have not affected the Company's financial position at 31 December 2016, but have only resulted in additional disclosures in the Annual Report.

The consolidated financial statements and the parent company financial statements for 2016 are presented in DKK.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Carl Hansen & Søn Holding A/S, and subsidiaries in which Carl Hansen & Søn Holding A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Segment reporting on revenue

Information is presented in respect of business segments and geographical segments based on the Group's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Expenses for raw materials and consumables

Raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sale and distribution and office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll related expenses.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment losses for the year of property, plant and equipment and intangible assets as well as profit and loss on current replacement of fixed assets.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprises, including gains and losses on the sale of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The parent company is subject to the Danish rules on compulsory joint taxation of the Carl Hansen & Søn Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry-forwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Development projects, patents and licences

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised on a straight-line basis over the expected useful life. The amortisation period is usually 5 years but may in certain cases be up to 10 years if the longer amortisation period is assessed to better reflect the usefulness of the developed product etc for the Company. In case of development projects protected by intellectual property rights, the maximum amortisation period equals the remaining term of the rights concerned, however maximum 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period, although not exceeding 10 years.

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	10-50 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

The residual value of the Company's property, plant and equipment is reassessed annually.

Showroom furniture is recognised at cost.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive goodwill determined in accordance with the acquisition method.

Investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the Annual Report of Carl Hansen & Son Holding A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied, see Consolidated financial statements above.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Provision is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a provision is made based on an individual assessment.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Provisions for write-down are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

In its capacity as the administrative company, Carl Hansen & Søn Holding A/S is liable for its subsidiaries' corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution by the subsidiaries.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income is payments received concerning income in subsequent years.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Accounting policies

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit for the year} \times 100}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Income statement

DKK	Note	Consolidated		Parent company	
		2016	2015	2016	2015
Revenue	1	422,024,766	369,550,302	0	0
Cost of goods sold		-148,513,521	-140,910,942	0	0
Other income		0	136,932	101,941	388,776
Other external costs		-99,657,922	-88,369,227	0	0
Gross profit/loss		173,853,323	140,407,065	101,941	388,776
Staff expenses	2	-126,115,116	-108,071,669	0	0
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	3	-12,576,304	-11,907,064	-41,667	-122,917
Other expenses		-2,165,069	0	0	0
Operating profit/loss		32,996,834	20,428,332	60,274	265,859
Income from investments in group enterprises	4	0	0	22,155,195	12,082,596
Financial income	5	557,538	0	0	0
Financial expenses	6	-6,149,553	-6,258,195	-2,031,586	-2,171,124
Profit/loss for the year before tax		27,404,819	14,170,137	20,183,883	10,177,331
Tax on profit/loss for the year	7	-6,822,719	-3,613,480	398,217	379,326
Profit/loss for the year		20,582,100	10,556,657	20,582,100	10,556,657

Proposed profit appropriation note 8

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

DKK	Note	Consolidated		Parent company	
		2016	2015	2016	2015
ASSETS					
Non-current assets					
Intangible assets					
	9				
Goodwill		1,795,085	2,023,415	0	0
Goodwill on consolidation		2,242,215	2,678,763	0	0
Development completed		11,243,099	10,750,355	0	0
Patents and licences		169,238	167,129	0	0
		<u>15,449,637</u>	<u>15,619,662</u>	<u>0</u>	<u>0</u>
Property, plant and equipment					
	10				
Leasehold improvements		6,020,939	3,726,099	0	0
Land and buildings		19,169,422	48,378,812	0	0
Fixtures and fittings, tools and equipment		48,548,740	43,941,697	55,555	97,221
Property, plant and equipment under construction		2,545,994	85,867	0	0
		<u>76,285,095</u>	<u>96,132,475</u>	<u>55,555</u>	<u>97,221</u>
Investments					
	11				
Investments in subsidiaries		0	0	129,016,019	106,958,912
Deposits		7,358,498	5,503,178	0	0
		<u>7,358,498</u>	<u>5,503,178</u>	<u>129,016,019</u>	<u>106,958,912</u>
Total non-current assets		<u>99,093,230</u>	<u>117,255,315</u>	<u>129,071,574</u>	<u>107,056,133</u>
Current assets					
Inventories					
Raw materials and consumables		8,627,450	7,551,553	0	0
Work in progress		32,808,472	29,176,193	0	0
Finished goods		33,066,568	29,077,560	0	0
		<u>74,502,490</u>	<u>65,805,306</u>	<u>0</u>	<u>0</u>
Receivables					
Trade receivables		50,275,581	38,031,298	0	0
Corporation tax		0	0	552,662	302,581
Deferred tax asset	14	648,132	1,467,480	346	0
Other receivables		2,722,053	1,030,483	6,455	0
Prepayments	12	4,882,062	2,067,100	0	0
		<u>58,527,828</u>	<u>42,596,361</u>	<u>559,463</u>	<u>302,581</u>
Cash at bank and in hand		<u>2,745,993</u>	<u>9,133,454</u>	<u>4,089</u>	<u>4,939</u>
Total current assets		<u>135,776,331</u>	<u>117,535,121</u>	<u>563,552</u>	<u>307,520</u>
TOTAL ASSETS		<u>234,869,541</u>	<u>234,790,436</u>	<u>129,635,126</u>	<u>107,363,653</u>

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

DKK	Note	Consolidated		Parent company	
		2016	2015	2016	2015
EQUITY AND LIABILITIES					
Equity					
Share capital	13	590,405	590,405	590,405	590,405
Reserve for net revaluation under the equity method		0	0	58,440,000	35,957,393
Retained earnings		77,407,593	52,613,120	18,967,593	16,655,727
Proposed dividends		2,100,000	300,000	2,100,000	300,000
Total equity		80,097,998	53,503,525	80,097,998	53,503,525
Provisions					
Deferred tax	14	4,153,900	4,957,120	0	4,631
Total provisions		4,153,900	4,957,120	0	4,631
Liabilities other than provisions					
Non-current liabilities other than provisions					
Mortgage debt	15	6,430,216	22,079,784	0	0
Bank debt		1,336,346	1,722,780	0	0
Instruments of debt		2,000,000	2,500,000	2,000,000	2,500,000
Lease obligations		20,253,988	16,222,346	0	0
		30,020,550	42,524,910	2,000,000	2,500,000
Current liabilities other than provisions					
Current portion of long term debt	15	24,949,891	6,672,141	409,000	500,000
Trade payables		44,123,906	34,352,451	0	0
Bank debt		12,566,503	61,900,490	0	0
Deferred income	16	6,310,372	3,307,411	0	0
Amounts owed to group enterprises		0	0	47,088,128	50,661,997
Corporation tax		8,015,622	998,066	0	0
Other payables	17	24,630,799	26,574,322	40,000	193,500
		120,597,093	133,804,881	47,537,128	51,355,497
Total liabilities other than provisions		150,617,643	176,329,791	49,537,128	53,855,497
TOTAL EQUITY AND LIABILITIES		234,869,541	234,790,436	129,635,126	107,363,653
Cash flow statement - Adjustments	18				
Cash flow statement - Changes in working capital	19				
Contractual obligations and contingencies, etc.	20				
Related party disclosures	21				
Fee to auditors appointed by the general meeting	22				
Significant subsequent events	23				

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Equity

DKK	Consolidated			
	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January	590,405	52,613,120	300,000	53,503,525
Profit for the year	0	20,582,100	0	20,582,100
Foreign currency translation adjustments, foreign subsidiaries	0	2,335,532	0	2,335,532
Ordinary dividend distributed	0	0	-300,000	-300,000
Value adjustments of hedging instruments at 31 December	0	3,976,841	0	3,976,841
Proposed dividends	0	-2,100,000	2,100,000	0
Equity at 31 December	590,405	77,407,593	2,100,000	80,097,998

DKK	Parent company				
	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January	590,405	35,957,393	16,655,727	300,000	53,503,525
Profit for the year	0	16,170,234	4,411,866	0	20,582,100
Foreign currency translation adjustments, foreign subsidiaries	0	2,335,532	0	0	2,335,532
Ordinary dividend distributed	0	0	0	-300,000	-300,000
Value adjustments of hedging instruments at 31 December	0	3,976,841	0	0	3,974,841
Proposed dividends	0	0	-2,100,000	2,100,000	0
Equity at 31 December	590,405	58,440,000	18,967,593	2,100,000	80,097,998

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Cash flow statement

DKK	Note	Consolidated	
		2016	2015
Profit for the year		20,582,100	10,556,657
Adjustments	16	37,542,585	23,195,117
Changes in working capital	17	-14,617,106	1,822,466
Cash generated from operations (operating activities)		43,507,579	35,574,240
Interest received		557,538	0
Interest paid		-6,149,553	-6,258,195
Cash generated from operations (ordinary activities)		37,915,564	29,316,045
Corporation tax paid		-773,766	-902,879
Cash flows from operating activities		37,141,798	28,413,166
Acquisition of intangible assets		-3,053,990	-3,735,531
Acquisition of property, plant and equipment		-26,722,200	-18,544,739
Disposal of property, plant and equipment		31,871,850	1,386,497
Additions, other fixed asset investments		-1,855,320	-1,834,153
Cash flows from investing activities		240,340	-22,727,926
External financing:			
Additions of long-term debt		12,768,826	1,465,671
Repayment of long-term debt		-6,904,438	-6,637,310
Shareholders:			
Dividends paid		-300,000	-200,000
Cash flows from financing activities		5,564,388	-5,371,639
Net cash flows from operating, investing and financing activities		42,946,526	313,601
Cash and cash equivalents at 1 January		-52,767,036	-53,080,637
Cash and cash equivalents at 31 December		-9,820,510	-52,767,036
Cash and cash equivalents:			
Cash at bank and in hand		2,745,993	9,133,454
Bank debt		-12,566,503	-61,900,490
Cash and cash equivalents at 31 December		-9,820,510	-52,767,036

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK	Consolidated		Parent company	
	2016	2015	2016	2015
1 Revenue				
Geographical markets				
Denmark	144,480,862	119,052,097	0	0
Other countries in Europe	140,278,582	129,715,732	0	0
Canada and USA	49,107,340	49,259,643	0	0
Japan	65,335,057	48,584,796	0	0
Other	22,822,925	22,938,034	0	0
	<u>422,024,766</u>	<u>369,550,302</u>	<u>0</u>	<u>0</u>
Activities				
Sale of self-constructed furniture and goods for resale	<u>422,024,766</u>	<u>369,550,302</u>		
2 Staff expenses				
Wages and salaries	115,970,343	99,159,455	0	0
Pensions	8,310,440	7,339,886	0	0
Other social security costs	1,834,333	1,572,328	0	0
	<u>126,115,116</u>	<u>108,071,669</u>	<u>0</u>	<u>0</u>
Hereof remuneration to Executive Board and Board of Directors	<u>4,717,772</u>	<u>4,471,686</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>286</u>	<u>247</u>	<u>0</u>	<u>0</u>
3 Depreciation, amortisation and impairment losses				
Intangible assets	2,603,956	2.115.086	0	0
Property, plant and equipment	9,972,348	9,791,978	41,667	122,917
	<u>12,576,304</u>	<u>11,907,064</u>	<u>41,667</u>	<u>122,917</u>

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK	Consolidated		Parent company	
	2016	2015	2016	2015
4	Income from investments in group enterprises			
			23,216,405	15,094,819
			-436,548	-436,548
			-624,662	-2,575,675
			<u>22,155,195</u>	<u>12,082,596</u>
5	Financial income			
	557,538	0	0	0
	<u>557,538</u>	<u>0</u>	<u>0</u>	<u>0</u>
6	Financial expenses			
	0	0	2,015,906	2,043,778
	6,149,553	6,258,195	15,680	127,346
	<u>6,149,553</u>	<u>6,258,195</u>	<u>2,031,586</u>	<u>2,171,124</u>
7	Tax on the profit/loss for the year			
	8,287,748	1,523,154	-428,528	-429,022
	30,787	1,543,187	-4,977	9,863
	-374,143	20,514	35,288	39,833
	<u>7,944,392</u>	<u>3,086,855</u>	<u>-398,217</u>	<u>-379,326</u>
	broken down as follows:			
	6,822,719	3,613,480	-398,217	-379,326
	1,121,673	-526,625	0	0
	<u>7,944,392</u>	<u>3,086,855</u>	<u>-398,217</u>	<u>-379,326</u>

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

8 Proposed profit appropriation

	Parent company	
	2016	2015
DKK		
Proposed dividend	2,100,000	300,000
Transferred to revaluation under the equity method	16,170,234	12,082,596
Retained earnings	2,311,866	-1,825,939
	<u>20,582,100</u>	<u>10,556,657</u>

9 Intangible assets

	Consolidated			
	Goodwill	Goodwill on conso- lidation	Develop- ment projects	Patents and licences
DKK				
Cost at 1 January	4,466,220	5,625,501	16,773,484	275,640
Additions	0	0	3,023,890	30,100
Disposals	0	0	-955,918	0
Cost at 31 December	<u>4,466,220</u>	<u>5,625,501</u>	<u>18,841,456</u>	<u>305,740</u>
Impairment losses and amortisation at 1 January	2,442,805	2,946,738	6,023,129	108,511
Amortisation and impairment losses for the year	228,330	436,548	1,911,087	27,991
Disposals	0	0	-335,859	0
Impairment losses and amortisation at 31 December	<u>2,671,135</u>	<u>3,383,286</u>	<u>7,598,357</u>	<u>136,502</u>
Carrying amount at 31 December	<u>1,795,085</u>	<u>2,242,215</u>	<u>11,243,099</u>	<u>169,238</u>
Amortised over	<u>10 years</u>	<u>10 years</u>	<u>10 years</u>	<u>10 years</u>

Development projects concern new products to be introduced to the market. A development project typically spans a period of 6-12 months, after which the product is introduced to the market. We expect to develop 2-4 new products per year.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK	Consolidated			
	Leasehold improvements	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost at 1 January	4,569,304	64,920,281	85,927,974	85,867
Foreign currency translation adjustments, foreign entities	2,218	0	297,126	
Additions	2,706,086	5,448,172	16,051,948	2,515,994
Transferred	999,933	0	-944,066	30,000
Disposals	-201,897	-48,791,052	-7,989,242	-85,867
Cost at 31 December	8,075,644	21,577,401	93,343,740	2,545,994
Impairment losses and depreciation at 1 January	843,205	16,541,469	41,986,277	0
Foreign currency translation adjustments, foreign entities	-668	0	41,095	0
Depreciation	895,889	1,964,941	7,111,518	0
Transferred	393,643	0	-393,643	
Disposals	-77,364	-16,098,431	-3,950,247	0
Impairment losses and depreciation at 31 December	2,054,705	2,407,979	44,795,000	0
Carrying amount at 31 December	6,020,939	19,169,422	48,548,740	2,545,994
Property, plant and equipment include finance leases with a carrying amount totalling	0	3,818,508	23,782,351	0
Depreciated over	10 years	10-50 years	3-10 years	-

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

10 Property, plant and equipment (continued)

	Parent company
	Fixtures and fittings, tools and equipment
DKK	
Cost at 1 January	250,000
Additions	0
Transferred	0
Disposals	0
Cost at 31 December	250,000
Impairment losses and depreciation at 1 January	152,778
Depreciation	41,667
Disposals	0
Impairment losses and depreciation at 31 December	194,445
Carrying amount at 31 December	55,555
Property, plant and equipment include finance leases with a carrying amount totalling	0
Depreciated over	3-10 years

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK	Parent company	
	2016	2015
11 Investments in subsidiaries		
Cost at 1 January	71,001,519	70,501,519
Additions	74,500	500,000
Disposals	-500,000	0
Cost at 31 December	70,576,019	71,001,519
Value adjustments at 1 January	35,957,393	24,973,287
Adjustment to beginning-of-year balance	15,039	0
Foreign currency translation adjustments	2,335,532	764,826
Equity adjustments in subsidiaries, financial instruments	3,976,841	-1,863,316
Profit/loss for the year	23,216,405	15,094,819
Dividend paid	-6,000,000	0
Adjustment of intercompany profit on inventories	-800,849	-3,302,147
Deferred tax on intercompany profit on inventories	176,187	726,472
Amortisation, goodwill on consolidation	-436,548	-436,548
Value adjustments at 31 December	58,440,000	35,957,393
Carrying amount at 31 December	129,016,019	106,958,912
Non-amortised goodwill	2,242,215	2,678,763

Name	Registered office	Voting rights and ownership
Carl Hansen & Søn, Møbelfabrik A/S	Middelfart, Denmark	100%
Carl Hansen & Son Italy S.R.L.	Milan, Italy	100%
Carl Hansen & Søn Retail A/S	Middelfart, Denmark	100%
Carl Hansen & Son Japan K.K.	Tokyo, Japan	100%
Carl Hansen & Son Inc.	Toronto, Canada	100%
Carl Hansen & Son Corp.	New York, USA	100%
Carl Hansen & Son Asia Pacific Ltd.	Hong Kong	100%

All subsidiaries are considered separate entities.

12 Prepayments

Prepayments comprise prepaid expenses concerning rent, marketing, insurance premiums and subscriptions.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK	Parent company	
	2016	2015
13 Share capital		
Share capital contributed at foundation	500,000	500,000
Capital increase 2003	3,393	3,393
Capital increase 2004	6,671	6,671
Capital increase 2005	9,492	9,492
Capital increase 2009	70,849	70,849
Equity at 31 December	590,405	590,405

The share capital consists of 590,405 shares of DKK 1. No shares carry any special rights.

The Company has 70,849 treasury shares of a nominal value of DKK 1.

14 Deferred tax

DKK	Consolidated		Parent company	
	2016	2015	2016	2015
Deferred tax asset	-648,132	-1,467,480	-346	0
Deferred tax	4,153,900	4,957,120	0	4,631
	3,505,768	3,489,640	-346	4,631
Intangible assets	2,202,618	1,928,816	0	0
Property, plant and equipment	1,458,153	2,435,152	-346	4,631
Current assets	682,193	872,651	0	0
Tax loss carry-forward	-837,196	-1,746,979	0	0
	3,505,768	3,489,640	-346	4,631

Provision for deferred tax has been made at the tax rate at which the temporary differences are expected realised.

Provisions for deferred tax at 1 January	3,489,640	1,968,181	4,631	-5,232
Beginning- of-year exchange adjustment recognised in equity	-14,659	-21,728	0	0
Deferred tax recognised in the income statement	30,787	1,543,187	-4,977	9,863
	3,505,768	3,489,640	-346	4,631

Deferred tax assets on loss carry-forwards are expected utilised within the next 1-2 years.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

15 Mortgage credit institutes and banks

The loans are specified as follows:

DKK	Consolidated		Parent company	
	2016	2015	2016	2015
Mortgage debt				
After 5 years	4,774,912	13,726,478	0	0
Between 1 and 5 years	1,655,304	8,353,306	0	0
Long-term	6,430,216	22,079,784	0	0
Short-term	18,765,239	1,987,652	0	0
	25,195,455	24,067,436	0	0
Bank debt				
After 5 years	0	311,944	0	0
Between 1 and 5 years	1,336,346	1,410,837	0	0
Long-term	1,336,346	1,722,781	0	0
Short-term	326,434	259,176	0	0
	1,662,780	1,981,957	0	0
Instruments of debt				
After 5 years	0	0	0	
Between 1 and 5 years	2,000,000	2,500,000	2,000,000	2,500,000
Long-term	2,000,000	2,500,000	2,000,000	2,500,000
Short-term	409,000	500,000	409,000	500,000
	2,409,000	3,000,000	2,409,000	3,000,000
Lease obligations				
After 5 years	1,319,753	2,732,694	0	0
Between 1 and 5 years	18,934,235	13,489,650	0	0
Long-term	20,253,988	16,222,344	0	0
Short-term	5,449,218	3,925,313	0	0
	25,703,206	20,147,657	0	0
Total loans	<u>54,970,441</u>	<u>49,197,050</u>	<u>2,409,000</u>	<u>3,000,000</u>

16 Deferred income

Deferred income, DKK 6,310k, consists of payments received from customers that may not be recognised until the subsequent financial year.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

17 Other payables

Other payables include negative fair value of an interest rate swap of DKK 4,297k. The interest rate swap has been entered into to hedge a fixed interest rate on the Company's floating-rate mortgage loan. The principal amount of the interest rate swap is DKK 23,591k, and a fixed interest rate of 5.63% is hedged in the 10-year term to maturity of the loan. The interest rate differential is settled quarterly. The counterparty is the Company's bank.

Other payables include negative fair value of forward exchange contracts and currency options of DKK 622k. The forward exchange contracts and currency options have been entered into to hedge currency inflow from the sale of goods in 2017 at the following amounts: USD 3,697k, GBP 2,500k, NOK 20,000k and JPY 600,000k. All forward exchange contracts and currency options expire in 2017.

DKK	Consolidated	
	2016	2015
18 Adjustments		
Interest received	-557,538	0
Interest paid	6,149,553	6,258,195
Depreciation of intangible assets	2,603,956	2,115,086
Depreciation of property, plant and equipment	9,972,348	9,791,978
Other income	0	-136,932
Other expenses	2,165,069	0
Taxes for the year	6,822,719	3,613,480
Currency adjustments	2,316,307	764,826
Disposal Inventory Showroom	4,093,330	2,651,800
Equity adjustments regarding financial instruments	3,976,841	-1,863,316
	<u>37,542,585</u>	<u>23,195,117</u>
19 Changes in working capital		
Change in inventories	-8,697,184	-576,110
Change in receivables	-16,750,815	-12,702,788
Change in trade and other payables	10,830,893	15,101,364
	<u>-14,617,106</u>	<u>1,822,466</u>

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

20 Contractual obligations and contingencies, etc.

Mortgages and collateral, parent company

The parent company Carl Hansen & Son Holding A/S has issued a joint and unlimited guarantee for the subsidiary's bank commitments.

Contingent assets

An action has been brought against a company in Sweden which has made copy furniture. The Court awarded, among others, Carl Hansen & Søn Møbelfabrik A/S damages of SEK 3,413k. The company has lodged an appeal against the decision with the Danish High Court; Management has therefore opted not to recognise the damages in the financial statements for 2016 due to uncertainty of the outcome of the appeal.

Operating lease obligations

The Group's companies have entered into operating lease obligations which total nominal residual lease payments of DKK 2,461k. The leases have a remaining term of up to 36 months.

The Group's companies have entered into contractual obligations which total nominal residual lease payments of DKK 71,338k. The leases have a remaining term of up to 121 months.

Moreover, the Company has entered into contractual obligations with a third party of DKK 37,397k.

Mortgages and collateral

As security for bank commitments, the following have been deposited:

As security for bank commitments of DKK 11,971k, a chattel mortgage of nom. DKK 10,000k secured on machinery and equipment has been issued, as well as a floating charge of DKK 15,000k secured on unsecured claims originating from the sale of goods, machinery and equipment, inventories as well as goodwill and patents of a total carrying amount of DKK 129,001k.

As security for mortgage debt, the following have been deposited:

Owner's mortgage, DKK 44,452k, secured on property of a carrying amount of DKK 19,169k for a recorded remaining debt of DKK 25,195k.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

21 Related parties and ownership

Basis

Controlling interest

Knud Erik Hansen, Hellerupvej 20, DK-5750 Ringe

Controlling shareholder

Other related parties

Clas Nylandsted Andersen, Revningevej 209, DK-5300 Kerteminde

Chairman of the Board of Directors

Inger Marie Jensen Hansen, Hellerupvej 20, DK-5750 Ringe

Member of the Board of Directors

Carsten Fode, Strandborgvej 38, DK-8240 Risskov

Member of the Board of Directors

Ulrich Krasilnikoff, Nøkkentved 18, DK-4440 Mørkøv

Member of the Board of Directors

Knud Erik Hansen, Hellerupvej 20, DK-5750 Ringe

Member of the Board of Directors

Transactions

Apart from intercompany transactions, there have been no transactions with the Board of Directors, the Executive Board, the controlling shareholder, group enterprises or other related parties during the year.

22 Fee to auditors appointed by the general meeting

DKK	PricewaterHouseCoopers		Other	
	2016	2015	2016	2015
Audit fees	500,495	446,110	25,673	24,296
Other assurance engagements	0	0	0	0
Tax consultancy	10,000	10,000	0	0
Other services	688,310	654,702	53,285	29,211
	<u>1,198,805</u>	<u>1,110,812</u>	<u>78,958</u>	<u>53,507</u>

23 Significant subsequent events

No events have occurred after year end which could materially affect the Company's financial position.